

PUBLIC

MINUTES of a meeting of the **AUDIT COMMITTEE** held on 4 October 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 received on behalf of Councillor C E Neill

29/16 **MINUTES RESOLVED** that the minutes of the meeting held on 21 July 2016 be confirmed as a correct record and signed by the Chair.

30/16 **MATTERS ARISING - Audit Committee Forum (Minute No.21/16)** The Audit Committee Forum had not yet met. The Director of Finance had written to various organisations across the public sector in Derbyshire asking if they wished to be involved and was currently awaiting responses. An update would be provided at the next meeting.

31/16 **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.

32/16 **BUDGET MONITORING 2016-17 (AS AT 30 JUNE 2016)** A report was presented which summarised the controllable budget position by Cabinet Member portfolios as at 30 June 2016. In addition to the report, further reports would also be considered at Cabinet Member meetings, Cabinet and Council in accordance with the Budget Monitoring Policy and Financial Regulations. Where departments had asked for carry forward of budget from 2015-16, it required final approval from the appropriate Cabinet Member.

The Children's Services, Highways, Transport and Infrastructure, and Health and Communities portfolios illustrated overspends. However, Children's Services and Health and Communities would use earmarked reserves to record a break-even position, whilst the current overspend for local bus services of £2.177m would be met from the General Reserve which would result in an underspend of £0.172m for the Highways, Transport and Infrastructure portfolio. The Director of Finance provided a summary of the individual portfolio positions.

RESOLVED to note the 2016-17 budget monitoring position as at 30 June 2016.

33/16 CAPITAL BUDGET MONITORING TO MONTH 3 2016-17

Members were informed of the latest budget monitoring position for open capital schemes. The report reflected those schemes that were currently under way and had had previous Cabinet approval. The current budget for open schemes was approximately £639m with the latest monitoring showing a forecast overspend over the life of the projects of £1.674m. The position statement was attached as Appendix 1 to the report. Set out in Appendix 2 was a summary of the ten largest capital schemes that the Council currently had. These represented approximately 53% in value of the current capital schemes.

RESOLVED to note the current position on the monitoring of Capital Schemes.

34/16 TREASURY MANAGEMENT – 2015-16 ACTIVITIES AND 2016-17 MID-YEAR UPDATE

The Director of Finance presented the annual report on Treasury Management activities during the last financial year 2015-16 and an interim report on activities for 2016-16. The Council's compliance with the prudential indicators set by Full Council at its meeting on 4 February 2015 was also presented.

The Director of Finance provided details on the current economic background, interest rates, borrowing, lending and a summary of the Prudential Indicators set for 2015-16.

Members suggested that a training session on treasury management would be useful. The Director of Finance agreed to arrange this for a future meeting.

RESOLVED to note (1) the annual report on Treasury Management for 2015-16;

(2) the interim report on Treasury Management for 2016-17; and

(3) compliance with the prudential indicators as shown in Appendix Two to the report.

35/16 EXTERNAL AUDITOR ARRANGEMENTS 2017-18 The Council's current external auditor was KPMG, this appointment had been made under a contract let by the Audit Commission. Following closure of the Audit Commission, the contract was currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the Local Government Association (LGA).

When the current transitional arrangements come to an end on 31 March 2018 the Council would be able to move to local appointment of the auditor. The Council would need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017. PSAA intended to let contracts by mid-2017 to leave up to six months to establish the optimum distribution of appointments.

The appointment of KPMG under the current audit contracts would conclude with the completion of the audit of the accounts for 2017-18. The arrangements for local auditor appointment set out in the Local Audit and Accountability Act would apply for audits of the accounts of principal local government bodies from 2018-19 onwards. Auditor appointments must be made for 2018-19 audits by 31 December 2017. PSAA had been specified by DCLG as the appointing person for principal local government bodies under the provisions of the 2014 Act. This meant that PSAA would make auditor appointments to relevant principal local government bodies that chose to opt into the national appointment arrangements PSAA was developing. Further reports would be submitted to the Committee on the preferred approach to a local auditor appointment in due course.

RESOLVED to note the details of auditor arrangements for 2017-18 and local auditor appointment requirements for 2018-19.

36/16 ANTI-MONEY LAUNDERING POLICY The Council's Anti-Money Laundering Policy was most recently presented to the Audit Committee at its meeting on 6 October 2015, following a review of the Policy in June 2015, when an update was made to reflect the name of the Acting Head of Investments. Following a further review of the Policy in August 2016, the following updates had been made:-

- References to the Serious Organised Crime Agency ('SOCA') had been replaced by the National Crime Agency ('NCA'), which had taken over its responsibilities for investigating money laundering and terrorist financing.
- References to UK legislation and regulations on money laundering had been changed to refer to updated amendments to the Proceeds of

Crime Act 2002 (Crime and Courts Act 2013 and the Serious Crime Act 2015) and to clarify references to amendments to the Terrorism Act 2000 (Anti-Terrorism, Crime and Security Act 2001, the Terrorism Act 2006 and the Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007).

- Version control and information classification had been incorporated into the Policy.

The Policy, which took account of the Council's exposure to money laundering, along with guidance notes and supporting documentation, was attached in the Appendix to the report.

RESOLVED to note that a review and update of the Anti-Money Laundering Policy had taken place.

37/16 AUDIT CHARTER At the meeting on 19 March 2013 Members were made aware of the implementation of the Public Sector Internal Audit Standards (PSIAS) and the need, as part of this implementation, to formally approve an Audit Charter.

The Audit Charter drew together existing practice and formalised procedures which were already embedded in the Council's governance framework into a single reference document which embodied those requirements specified in the PSIAS. The Charter was reviewed by the Assistant Director of Finance (Audit) in consultation with the Chief Executive and other appropriate officers and had been updated to include changes to the regulatory framework and Council policies. Appendix 1 to the report showed the revised Charter with tracked changes.

The PSIAS required that the Audit Charter was approved by Cabinet and the purpose of the report was to allow the Audit Committee to review and endorse the revised Charter prior to its formal recommendation for approval as Authority policy.

RESOLVED that Members considered the content of the revised Audit Charter and recommended to Cabinet its approval as Authority policy.

38/16 AUDIT SERVICES UNIT – PROGRESS AGAINST AUDIT PLAN 2015-16 At the meeting of this Committee on 29 March 2016 Members approved the Audit Plan for 2016-17 which incorporated the outcome of discussions with individual Strategic Directors and the Chief Executive. In accordance with the Audit Committee's Terms of Reference this report updated Members on progress against the Plan for the five months to 31 August 2016 and represented work undertaken during that period which was detailed in Appendix 1 to the report. Appendix 2 provided an analysis of the priority criteria for Audit recommendations and assurance levels.

The Assistant Director of Finance (Audit) updated Members on the current programme of work and activity. Members were informed that the Unit were investigating the possibility of offering an audit service to academy schools. This was at a very early stage and further reports would be brought to this Committee as matters developed.

RESOLVED to note the information on progress to date against the approved Audit Plan.

39/16 ANNUAL REVIEW OF THE COUNTY COUNCIL'S REGULATORY FRAMEWORK Members were updated on the continued effectiveness of the County Council's Financial Regulations and Standing Orders relating to Contracts, Anti-Fraud and Anti-Corruption Strategy, Whistleblowing – The Confidential Reporting Code and Codes of Conduct for Members and Employees.

The Council's Financial Regulations and Standing Orders were last revised with effect from 1 July 2014 and had recently been subject to a detailed review which was currently being finalised. It was hoped that this would be presented to Members at the meeting in January.

The provisions of the separate Codes of Conduct for Members and Employees and the 'Whistleblowing – The Confidential Reporting Code' were considered to be appropriate. The Anti-Fraud and Anti-Corruption Strategy was subject to a detailed revision and its provisions, supplemented by the development of a Fraud Response Plan confirmed how the Council would respond to fraud and corruption. These documents were presented to this Committee on 6 October 2015 and, following review, their provisions were considered to be appropriate.

RESOLVED to note the arrangements for the ongoing review of the Council's key systems and supporting policies which were considered to provide an effective governance framework for the Council.