

PUBLIC

MINUTES of a meeting of the **AUDIT COMMITTEE** held on 7 February 2017 at County Hall, Matlock

PRESENT

Councillor S Brittain (in the Chair)

Councillors G Birkin, S J Bradford and D Williams

Apologies for absence were received on behalf of Councillors L M Chilton and C E Neill

1/17 MINUTES RESOLVED that the minutes of the meeting held on 4 October 2016 be confirmed as a correct record and signed by the Chair.

2/17 ANNUAL AUDIT LETTER 2015-16 The Council's external auditors, KPMG, were required to present an Annual Audit Letter to Members and officers of the Council. The letter described the scope of the audit work for the financial year and reported on matters of significance arising from that work. It was a summary of their conclusions and provided an external assessment of the Council's overall financial position. KPMG were required to provide an opinion on the Council's financial statements and a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The issuing of the letter marked the end of the audit process for 2015-16 and the Council had published on its website that the audit had been concluded in accordance with the Accounts and Audit Regulations 2015. A copy of the letter was shown at Appendix One to the report. The details contained within the letter represented a positive outcome for the Council and had been reported to the Committee previously.

RESOLVED to note the details of the Annual Audit Letter 2015-16.

3/17 ISA 260 REPORT – UPDATE ON RECOMMENDATIONS In July 2016, the External Auditors presented their 'Report to those charged with Governance (ISA 260) 2015-16', which summarised the key issues identified during the audit of the financial statements for the year ended 31 March 2016 for both the Council and Pension Fund accounts. The report contained three recommendations, which were:-

- Related Party Disclosures – document a review of the related party declarations made by individual members/officers to evidence whether

corresponding related party disclosures needed to be made in the accounts.

- Adjustments between Accounting Basis and Funding Basis – consider changing the approach to the preparation of this note in the accounts as some entries which had been aggregated required adjustment in 2015-16. The adjustments may benefit from additional explanatory text.
- Pension Fund Change of System – continue to implement the plan to ensure the new Pension Fund administration system was producing accurate data.

In response to the recommendations made, the Director of Finance reported on the actions that were being taken.

RESOLVED to note the actions being taken in response to the External Auditors' recommendations outlined in the ISA 260 Report 2015-16.

4/17 BUDGET MONITORING 2016-17 (as at 31 October 2016) A report was presented which summarised the controllable budget position by Cabinet Member portfolios as at 31 October 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 Adult Social Care, Children's Services, Highways, Transport and Infrastructure, and Health and Communities portfolios were showing forecast overspends. However, Children's Services would use earmarked reserves to record a break-even position as would Adult Care. Health and Communities would use earmarked reserves to reduce their overspend. Within the Highways, Transport and Infrastructure portfolio it was expected that the current overspend for local bus services of £1.995m would be met from the General Reserve, this funding would result in an overall underspend of £1.784m for the Highways, Transport and Infrastructure portfolio. The projected outturn compared to controllable budget was presented and the Director of Finance provided a summary of the individual portfolio positions.

RESOLVED to note the 2016-17 budget monitoring position as at 31 October 2016.

5/17 CAPITAL BUDGET MONITORING TO MONTH 7 2016-2017 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 £659m, with the latest monitoring showing a forecast overspend over the life of the projects of £1.436m. 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.

6/17 STRATEGIC RISK REVIEW The Risk Register was designed to capture strategic risk which by its nature had a long time span. A full and in depth review of the Strategic Risk Register was due to take place on 25 February 2017 with Departmental Risk Champions to review the risks that the Council had identified as being of strategic significance.

As agreed previously, the report had been changed so that only those risks that had changed were detailed in Appendix One to the report. However, the Risk and Insurance Manager now proposed to include new risks presented by the Departments and where they should sit within the Strategic Risk Register if they were not to be added as a new risk. These new risks were detailed in Appendix Two to the report. The full Strategic Risk Register was included in Appendix Three.

RESOLVED that the report be noted.

7/17 ACCOUNTING POLICIES On 29 March 2016 the Committee approved the Accounting Policies for the 2016-17 financial year. Since they were approved the following amendments had been made:-

- Minor amendments during 2015-16 accounts preparation (pre-audit) to include changes in respect of the adoption of IFRS13 Fair Value Measurement.
- Amendments to reflect a change to the Council's Minimum Revenue Provision Policy, agreed by Cabinet on 22 November 2016.
- Amendments to reflect the decision of the CIPFA/LASAAC Local Authority Accounting Code Board at its meeting on 9 November 2016 to postpone the full implementation of the move to measuring the Highway Network Asset at Depreciated Replacement Cost in local authority financial statements. CIPFA/LASAAC would review the position at its meeting in March 2017 with a view to implementation in 2017-18.
- Other minor amendments had been made to remove reference to extraordinary items in the Comprehensive Income and Expenditure Statement, in accordance with the CIPFA Code of Practice and to improve the clarity of the Capital Financing Requirement glossary term.

Appendix One to the report showed the changes made to the 2016-17 Accounting Policies. The 2017-18 Accounting Policies were also presented and no further changes had been identified as being required.

RESOLVED to approve (1) the changes outlined in relation to the Accounting Policies for 2016-17; and

(2) the Accounting Policies for 2017-18.

8/17 MEETING DATES AND AGENDA ITEMS FOR 2017-18 The Committee was presented with the proposed meeting dates and suggested agenda items for 2017-18. It was pointed out, however, that some of these dates would be subject to change. Audit Committee member training proposals and any additional reports could be added. The Director of Finance also suggested that he was keen for elected Members to propose reports and items for inclusion on future agendas.

To meet the requirements of the audit of the Council's accounts, it was hoped that the formal approval of the 2016-17 accounts would be possible at the July meeting of the Committee, if this was not possible, there would need to be an additional meeting.

RESOLVED to agree the proposed programme for 2017-18.

9/17 AUDIT SERVICES UNIT – PROGRESS AGAINST AUDIT PLAN 2016-17 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 nine months to 31 December 2016 and represented work undertaken during that period which was detailed in Appendix 1 to the report. An analysis of the priority criteria for Audit recommendations and assurance levels was shown in Appendix 2.

The Unit continued to retain a particularly stable staffing base which significantly aided operational planning and delivery of Audit work. One vacancy at Auditor level was held and was subject to ongoing review. The Assistant Director of Finance (Audit) updated Members on the current programme of work and activity. Members were informed that discussions were taking place with Morgan Kai regarding the implementation of a tracker system which would allow non-implementation of recommendations to be highlighted. Members would continue to be updated.

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

10/17 TECHNICAL UPDATE AND PROGRESS REPORT Richard Walton of KPMG provided Members with an overview of progress in delivering the responsibilities as the external auditors. The report also highlighted the main technical issues which were currently having an impact in local government. It was reported that KPMG had once again run a series of local government workshops, one of which was attended by key members of the Council's finance team.

RESOLVED that the report be noted.

11/17 EXCLUSION OF THE PUBLIC RESOLVED to exclude the public from the meeting during the consideration of the remaining items on the agenda to avoid the disclosure of exempt or confidential information.

SUMMARY OF PROCEEDINGS CONDUCTED AFTER THE PUBLIC WERE EXCLUDED FROM THE MEETING

1. To receive declarations of interest (if any)
2. To consider the exempt report of the Assistant Director of Finance (Audit) on the Regulation of Investigatory Powers Act (RIPA) (contains information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime)