

Time Commenced: 11.05am
Time Ended: 13.05pm

AUDIT AND ACCOUNTS COMMITTEE
30 January 2018

Present: Councillor Hezelgrave (Chair)
Councillors Ashburner, Care, Eldret, Grimadell, Jackson, Roulstone,
Turner, Willoughby and Winter

In attendance: Richard Boneham – Head of Audit Partnership
Jill Craig – Director of Information Services
Jacinta Fru – Audit Manager
Ranjit Gill – Principal Auditor
Heather Greenan – Head of Performance and Intelligence
Gemma Hadfield – Principal Accountant
Matt hardwick – Zurich Municipal
Steven Mason – Democratic Services Officer
Lynn Parkin – Principal Auditor
Vishal Savjani – Ernst and Young LLP
Mark Taylor – Interim Director of Finance, Section 151 Officer

53/17 Apologies for Absence

It was noted that apologies had been received from Helen Henshaw and Steve Clark – Ernst and Young LLP.

54/17 Late Items

There were no late items received.

55/17 Declarations of Interest

There were no declarations of interest.

56/17 Minutes of the meeting held on 19 December 2017

The minutes of the meeting held on 19 December 2017 were agreed as a correct record.

57/17 Corporate Improvement Plan

The Committee received a report of the Chief Executive on Corporate Improvement Plan. The report was presented by Head of Performance and Intelligence.

Members considered the draft Corporate Improvement Plan which had been developed

to address the recommendations from the LGA Corporate Peer Challenge report published in December 2017. It was reported that the Improvement Plan consolidated a number of action plans in place and provided a focus for addressing key risks and meeting internal needs and external expectations.

It was agreed that future updates should be received on a quarterly basis.

Members considered a number of the individual objectives within the plan and put forward a number of points for consideration.

In relation to improved service outcomes, it was agreed that consideration should be given as to how the service outcomes could be looked at more widely.

In relation to commercialism and innovative transformation, Members agreed that consideration should be given to the ways in which innovative ideas could be captured. Members also felt that good practice should be shared and regional consideration should be given to Brexit.

Members questioned the appropriateness of the Chief Executive being the named lead for introducing a four-yearly election cycle to Derby City Council as this would purely be a political decision.

In relation to productive, skilled and motivated workforce, Members supported any measures that would improve staff morale. Members discussed sickness absence and performance related pay. Members asked how employees were held to account for their performance and noted the Managing Individual Performance (MIP) process. Members discussed reward schemes and it was reported that various ones had been considered or introduced, such as the current VIP employee recognition scheme. It was agreed that the uncertainty caused by restructures should be acknowledged and incorporated into the work around this particular objective. All Members agreed as to the importance of this objective

It was agreed that in relation to sound records management and effective information governance, it was vitally important for the Council to be as proactive as it could.

Resolved:

- 1. to note the Corporate Improvement Plan at Appendix 2 of the report; and**
- 2. to agree that future Corporate Improvement Plan updates should be received by the Audit and Accounts Committee on a quarterly basis.**

**58/17 Questions and Responses in Relation to the Audited
Financial Statements for the Year Ended 31 March
2017**

The Committee received a report of the Interim Director of Finance on Questions and

Responses in Relation to the Audited Financial Statements for the Year Ended 31 March 2017.

Members noted that at its meeting on 19 December 2017, the Audit and Accounts Committee approved the audited Financial Statements for the year ended 31 March 2017.

It was also noted that during consideration of that item, a Member of the Committee, Councillor Willoughby, stated that he had a number of questions in relation to the accounts. It was agreed at that meeting that the questions be forwarded to the Interim Director of Finance. It was also agreed that the questions and the responses to them be published as part of the business of the Audit and Accounts Committee.

Members noted that the questions and responses were attached at Appendix 2 of the report.

It was agreed that the draft 2017/18 statement of accounts should be circulated to Members of the Committee as soon as possible. It was also agreed that going forward, Members should begin submitting any questions at the draft stage.

Resolved:

- 1. to note the questions and responses in relation to the Audited Financial Statements for the year ended 31 March 2017; and**
- 2. to agree that the draft 2017/18 statement of accounts be circulated to Members of the Audit and Accounts Committee as soon as possible.**

59/17 Internal Audit – Progress Report

The Committee received a report of the Audit Manager on Internal Audit – Progress Report.

Members noted that the Internal Auditors were committed to keeping the Audit Committee up to date with Internal Audit progress and activity throughout the year. It was also noted that the report at Appendix 2 had been prepared to update Members on internal audit activity since the last meeting of the Committee and to bring to its attention any other matters that were relevant to its responsibilities.

Members considered recommendations not implemented at page 12 of Appendix 2 of the report. It was noted that these recommendations had exceeded the original action date by over 12 months. Members noted that the majority now had revised action dates submitted by management. Members considered the reasonableness of timescales submitted by management, for implementation of recommendations. It was agreed that in future, if required, officers would be invited to provide the committee with more detailed explanations of the action status.

Members considered assignments completed during the period 1 October 2017 and 31 December 2017 where moderate or significant control issues had been raised, at Appendix 4 of the report.

It was agreed that on publication of future quarterly reports, as part of the Committee's agenda, any Members questions should be forwarded to Internal Audit by 3 working days before the meeting and that responses be circulated to Members.

Resolved:

- 1. to note the on-going progress on assurance activity undertaken by CMAP, Internal Audit, for the period April 2017 to 31st December 2017; and**
- 2. to agree that on publication of future quarterly reports, as part of the Audit and Accounts Committee agenda, any Members questions be forwarded to Internal Audit by 3 working days before the meeting and that responses be circulated to Members.**

60/17 Information Assurance Update

The Committee received a report of the Director of Information Services on Information Assurance Update.

Members were provided with an update on information management arrangements across the Council.

It was noted that detailed performance reports were presented every six months and that the next full report was scheduled for May 2018. It was noted that the interim report gave a short update on activity since November 2017, with a particular focus on GDPR preparations.

The Director of Information Services provided Members with an update on the following:

- Freedom of Information requests;
- Information security;
- GDPR preparations;
- Retention and disposal schedule;
- Awareness programme;
- Surveillance;
- Sold service; and
- Information Governance toolkit.

Resolved:

- 1. to note the report; and**
- 2. to agree that a further Information Assurance update be brought to the Audit and Accounts Committee in May 2018.**

61/17 Risk Management Update

The Committee received a report of the Director of Governance and Monitoring Officer on Risk Management Update. The report was presented by the Head of Audit Partnership and Matt Hardwick – Zurich Municipal.

Members were provided with an update on the continuing development of the Council's Risk Management framework.

It was noted that the Council's External Auditor and the Corporate Peer Challenge had both concluded that the Council's risk management framework and processes required improvement.

It was also noted that, as reported to Committee on 31 October 2017, the Council was using the Risk Management Fund with its Insurer's Zurich Municipal to purchase the time of a risk consultant to evaluate the current risk management framework and work with both officers and Members to build in improvements.

It was reported that the key achievements since the work commenced on reviewing the Risk Management process included:

- Risk Workshop/Risk Training delivery for Legal Services, Central Midlands Audit Partnership (the Council hosted Internal Audit Service), Elections and Local Land Charges Service and Democratic Services;
- redrafting of the Council's Risk Management Policy for future approval by the Audit and Accounts Committee;
- Risk Training delivered to the Audit and Accounts Committee;
- integration with the Performance and Intelligence Team to ensure consistent reporting and message delivery; and
- identification of the requirements for a future Risk Manager role in the authority.

Members noted the following priority next steps:

- delivery of Directorate Management Team Risk Workshops;
- development of a Strategic Risk Register and Directorate Risk Registers following the workshops;
- delivery of risk training to Elected Members;
- Delivery of operational risk workshops; and
- review of the capabilities of the risk module within DORIS (the Council's performance management system) to manage the Council's risks within a pyramid structure.

It was noted that the Committee agreed at its meeting of 31 October 2017 to set up a Working Group to oversee the review of the Risk Management process. It was agreed that the Working Group should next meet immediately after the meeting of the

Committee due to take place on 13 February 2018.

It was reported that work was almost complete on the Risk Management Policy. Members agreed that the draft policy be circulated to Members as soon as it was available.

Resolved:

- 1. to note the actions and the progress being made to enhance the Council's Risk Management processes and framework; and**
- 2. to agree that the draft Risk Management Policy be circulated to Members of the Audit and Accounts Committee as soon as it was available.**

62/17 Update on Anti-Fraud Activities

The Committee received a report of the Head of the Audit Partnership on Update on Anti-Fraud Activities. The report was presented by the Head of Audit Partnership.

The report provided Members with an update on the anti-fraud activities being undertaken during Quarter 3 (1 October 2017 to 31 December 2017) within the Council.

It was reported that the National Fraud Initiative (NFI) brought together a wide range of organisations from across the UK to tackle fraud. It was also reported that by using data matching/analytics to compare different datasets across these organisations, the NFI was able to identify potentially fraudulent claims and overpayments. Members noted that, for example, the matching may identify that a person was listed as working while also receiving benefits and not declaring any income. It was also noted that the relevant organisation should then investigate and, if appropriate, amend or stop benefit payments.

Members considered progress on the 2016/17 NFI to date compared to the overall performance on the 2014/15 exercise as shown in Table 4 of the report.

It was reported that the number of matches processed had increased by 184 since the last update report and that of these 119 were recommended matches. It was also reported that the main areas where matches had been closed were Housing Waiting Lists and Housing Tenants. Members noted that the low number of processed matches for Housing Benefit (1 case) and Council Tax (9 cases) was due to the Counter Fraud team concentrating its efforts on the local Single Person Discount (SPD) data matching exercise.

It was reported that there had been 1 disclosure made under the Council's Whistleblowing policy in quarter 3 of 2017/18.

It was also reported that there had not been any reports of potential Money Laundering made under the Council's Anti-Money Laundering Policy in the period 1 October 2017 to

31 December 2017.

Members noted that there had been no reports of suspicions of bribery made under the Council's Anti-Bribery Policy in the period 1 October 2017 to 31 December 2017.

It was reported that the Council had a statutory obligation to provide a quarterly update to Elected Members in respect of its use of covert surveillance. It was noted that during quarter 3 of 2017/18, there had been no applications for use of directed surveillance, covert human intelligence sources (CHIS) or to access communications data.

Members agreed that relevant definitions should be included in all future anti-fraud activity reports.

Resolved to note the actions and the progress being made on the clearance of National Fraud Initiative matches and associated anti-fraud activities.

63/17 Local Government Audit Committee Briefing

The Committee received a report from Ernst and Young on Local Government Audit Committee Briefing. The report was presented by Vishal Savjani – Ernst and Young LLP.

Members noted that the report was a quarterly briefing that highlighted key issues in the sector.

The Interim Director of Finance provided an update on the 2017/18 statement of accounts.

Members noted that the S24 recommendations were now embedded in the Corporate Improvement Plan.

The Committee wished its thanks to the Interim Director of Finance and team for all their hard work and efforts, to be noted.

Resolved:

- 1. to note the report; and**
- 2. to agree that the Committee's thanks to the Interim Director of Finance and team for all their hard work and efforts, be noted.**

MINUTES END