

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1B - County Hall, Durham on **Friday 29 June 2018 at 11.00 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

Councillors J Shuttleworth and O Temple

Co-opted Members:

Mr C Robinson and Mr I Rudd

1 Apologies for absence

Apologies for absence were received from Councillors J Rowlandson, C Carr, J Carr, J Clark, J Robinson and S Robinson

2 Minutes

The minutes of the meeting held on 1 June 2018 were confirmed as a correct record and signed by the Chairman.

3 Declarations of interest

There were no declarations of interest.

4 Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2018

The Committee considered a report of the Corporate Director, Resources regarding whether the Council should be considered as a 'going concern' organisation and whether the Council's Annual Accounts should be prepared on that basis (for copy see file of Minutes).

The Finance Manager - Strategic Finance explained that the current position showed healthy balance sheets and reserves. She added that future savings were challenging however robust processes were in place.

Resolved:

That the Council should be considered as a going concern and that the Statement of Accounts should be prepared on that basis.

5 External Audit Progress Report - June 2018

The Committee noted a report of the External Auditor which provided details of progress on the external audit of Durham County Council to date (for copy see file of Minutes).

Mr Collins of Mazars informed the Committee of the progress made on the Audit and of the significant risks, including housing benefit work. He informed members that the PSAA scale audit fees had proposed a reduction of 23%.

Councillor Temple asked what procedures this Council had taken in regards to Local Accounting Committees, and if this fell within a partnership. The Corporate Director of Resources would look into this and report back.

In response to a question from Mr Robinson about the meaning of cake testing. Mr Collins explained that further testing in a particular area might be required where an error had occurred. For example, incorrect usage of claimants income, housing rent errors and income when accessing claims.

Resolved:

That the contents of the external auditor's progress report be noted.

6 Annual Review of the Effectiveness of Internal Audit 2017/2018

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which provided members with the opportunity to comment of the Annual Review of the System of Internal Audit (for copy see file of Minutes).

Further to a question from Councillor Temple about the pressure of recruiting new staff due to the budget cuts and having no new staff for a number of years, the Chief Internal Auditor and Corporate Fraud Manager explained that the service would be interviewing for apprentices shortly to appoint by September. They would be based within the Fraud team but would gain experience throughout the service. The Corporate Director of Resources added that there was a need to ensure that the service had the right expertise with the right level of staff.

The Chairman was assured that the needs of the service were being met and it was recognised that the service was well resourced.

Resolved:

That the content of the report be noted.

7 Annual Internal Audit Opinion and Internal Audit Report 2017/2018

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which provided the Chief Internal Auditor and Corporate Fund Manager's assurance opinion on the adequacy and effectiveness of the Council's internal control environment and presented the Annual Internal Audit Report for 2017/18 (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager confirmed that he had given a moderate overall assurance opinion for 2017/18. He confirmed that work

was taking place with the Corporate Director of Children and Young People's Services, the Head of Education and Business Managers regarding the limited assurance reports given to some schools. Information would be sent out to schools with help and support provided. He added that the Corporate Director of Resources had issued instructions to all staff recently as a reminder to follow policies and procedures.

Members of the Committee were advised that although a moderate opinion had been given that there was a positive incline and the journey to see improvements was well underway.

The Corporate Director of Resources said that the Audit Committee had taken a keen interest through the processes in place throughout the authority and did hold services to account and assured them that there was a real focus on improvement.

Mr Robinson was encouraged about the opinion and agreed that controls were in place. However, he was concerned that although controls were in place, they were not being operated as effectively as they should be. He suggested that the Council promote a 'you are responsible' approach to staff.

Resolved:

That the content of the Annual Internal Audit Report and the overall 'moderate' opinion provided on the adequacy and effectiveness of the Council's Internal Control environment for 2017/18 be noted.

8 Compliance with International Auditing Standards

The Committee considered a report of the Chair of the Audit Committee which advised Members of a response that had been prepared relating to a letter sent from Mazars, the Council's external auditor, regarding compliance with International Auditing Standards (for copy see file of Minutes).

Resolved:

That the response be noted.

9 Statement of Accounts for the year ended 31 March 2018

The Committee considered a report of the Corporate Director, Resources which presented the Statement of Accounts for the year ended 31 March 2017 (for copy see file of Minutes).

The Finance Manager - Strategic Finance reported that the statutory deadlines had changed and the two stage process certified the accounts on 31 May 2018 and the final accounts would come back to Committee on 31 July 2018. She advised that general reserves had increased to £24.5m and earmarked reserves to £224m

Councillor Shuttleworth requested a list of all reserves held by the Council as at 30 June 2018. The Corporate Director of Resources explained that the full list of

reserves was included in every outturn report to Cabinet, which was publically available information.

With reference to business rates Councillor Temple if the reduction was due to the collection of them or the number available to collect. The Corporate Director would report back to him on the reasons for this but assured him that it was not due to the collection rates.

For clarity Councillor Temple advised that the payment made to the YMCA at Consett should be to Delta North Limited.

Mr Robinson asked how the valuation on Durham County Cricket Club was presented in the accounts. The Finance Manager - Strategic Finance explained that they would show as preference shares, based on the loan outstanding of £3.74m. She added that an independent valuation of all shareholdings would be undertaken next year. Mr Kirkham, Mazars said that the materiality level applied to the account was not a significant risk. The Corporate Director of Resources explained that as the section 151 officer, decisions had been made on the cash flows and he confirmed that funds would come back to the Council.

Mr Rudd was impressed at the amount of work that had been undertaken and asked if the reduction in unusable reserves would become a potential problem for the Council if the went into a deficit. The The Finance Manager - Strategic Finance explained that this was part of the technical accounting and pension fund liabilities, which the Council could not use to balance its budget.

Mr Rudd asked if the reference made to property, plant and equipment on pages 107 and 122 of the pack could be made clearer in term of accounting.

The Corporate Director of Resources thanked all staff involved in producing the accounts on what was a difficult job to carry out.

Resolved:

That the statement of accounts for the County Council for the financial year ended 31 March 2017 be approved.

10 Counter Fraud and Corruption Strategy

The Committee considered a Report of Chief Internal Auditor and Corporate Fraud Manager that sought to review and approve the revised Counter Fraud and Corruption Policy and the Council's Fraud Response (for copy see file of Minutes).

Resolved:

That the revised Counter Fraud and Corruption Policy and the Fraud Response Plan be approved.

11 Corporate Fraud Sanctions Policy

The Committee considered a Report of Chief Internal Auditor and Corporate Fraud Manager that sought to review and approve the revised Counter Fraud Sanctions Policy (for copy see file of Minutes).

Members were advised that this was a new policy under the 'pursue' theme.

Resolved:

That the revised Counter Fraud Sanctions Policy be approved.

12 Exclusion of the Public

Resolved:

That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 2 and 3 of Schedule 12A to the said Act.

13 Protecting the Public Purse - Annual Report 2017/18

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Protecting the Public Purse Update Report for 2017/18 (for copy see file of Minutes).

The report provided an update on the following:

- The work of the Corporate Fraud Team.
- Action taken to raise awareness of the risk of fraud and corruption to assist in embedding a strong counter fraud culture throughout the organisation.
- Reported cases of potential fraud and irregularity reported during 2017/2018.
- Proactive Counter Fraud work completed.
- Progress on the Council's participation in the National Fraud Initiative (NFI) 2017/2018
- Fraud Reporting
- Fraud Training

Resolved:

That the contents of the Annual Protecting the Public Purse Update Report 2017/18 including:

- The work carried out by the Corporate Fraud Team.
- The actions taken to improve the awareness and the arrangements in place for managing the risk of fraud and corruption.
- Cases of potential internal corporate fraud and irregularity reported to internal audit and ongoing investigations.
- Corporate Fraud Team numbers and values of Fraud and Irregularity identified for 2017/18.
- Counter Fraud Action Plan 2018/19
- CIPFA Counter Fraud and Corruption Tracker Report for Durham County Council

- CIPFA and the LGA 'A Councillors Workbook on Bribery and Fraud Prevention'

be noted.