

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1A - County Hall, Durham on **Friday 28 September 2018 at 11.00 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

Councillors C Carr, J Clark and O Temple

Co-opted Members:

Mr C Robinson and Mr I Rudd

Also Present:

Councillor Joan Nicholson

1 Apologies for absence

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

2 Minutes

The minutes of the meeting held on 31 July 2018 were confirmed as a correct record and signed by the Chairman, with the exception that resolution under Item 9 read year ended 2018 and not 2017.

The Chief Internal Auditor and Corporate Fraud Manager advised that information on local public accounting committees was being monitored and would be reported back to Committee.

3 Declarations of interest

Declarations of interest were provided by Members of the Committee. A general declaration of interest would be recorded given that Members were school governors, members of various Committees of the Council, former District Councillors and bodies such as the Fire Authority.

4 Co-opted Members to the Audit Committee

The Committee considered a report of the Corporate Director of Resources regarding the continued appointment of the co-opted members to the Committee and for recommendations to be made to Council (for copy see file of Minutes).

The co-opted members were happy to continue in the posts and the Committee was supportive for them to do this.

Resolved:

That the appointment of the current co-opted members be extended 30 April 2023.

5 Annual Audit Letter 2017/18

The Committee received the Annual Audit Letter 2017/18 from Mazars summarising the 2017/18 audit of Durham County Council and Durham County Council Pension Fund (for copy see file of Minutes).

Mr Collins, Mazars explained that it was a large exercise of work to obtain information on the new IFRS 16 (International Financial Reporting Standard). The Corporate Director of Resources provided assurances that a lot of work was ongoing and that he would provide an update to the Committee about the key aspects involved in the process.

Referring to the Aykley Heads site, Mr Robinson asked if talks were ongoing with Assets about the valuation. The Corporate Director of Resources assured him that the processes were in place.

Mr Rudd referred to the high risk of valuations in the Auditor's report and asked for a summary about the issues at hand. The Corporate Director of Resources explained that the issue was about the indexation of asset valuation and the previous year was regarding floor space. He assured the Committee that the appropriate processes were in place. Mr Kirkham, Mazars added that the 2017/18 issue was relating to market data.

Resolved:

That the contents of the annual audit letter and report be noted.

6 Internal Audit Progress Report Period Ended 30 June 2018

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period 1 April 2017 to March 2018 as part of the 2017/2018 Internal Audit Plan (for copy see file of Minutes).

The Audit and Fraud Manager highlighted the movements in the plan, removed audits and unplanned reviews added to the plan. The Committee were advised that 24% of the total plan had been delivered, exceeding the target of 22.5%. There had been 2 audits finalised in the quarter that had been issued a limited assurance opinion. With reference to the survey response rate an average score of 4.5 out of 5 was given from service groupings. The summary of progress on the actions due were highlighted and members were informed that 97% of actions had been implemented.

Mr Robinson was assured that the overspend for Children and Young People's Services was closely monitored through the MTFP and budget monitoring. An

understanding of the challenges faced by the service and specific controls were in place looking at the wider implications. The Corporate Director of Resources advised Members advised that this was a national issue but that the authority were looking at what drives the demand for the service. The Chief Internal Auditor and Corporate Fraud Manager added that there was a focus from Internal Audit on attention to budget management and the team were working closely with transformation colleagues to ensure controls were in place.

Councillor Clark asked if service areas were closely monitored with regards to overdue actions, although she was aware that different types of audit were carried out for some services. The Chief Internal Auditor and Corporate Fraud Manager said that his team helped to support managers and the council to achieve their objectives and whenever a service area was struggling to hit a target date, attention was focused to help them achieve this.

Resolved:

- (i) That the amendments made to the 2018/2019 Annual Internal Audit Plan, be noted.
- (ii) That the work undertaken by Internal Audit during the period ending 30 June 2018 be noted.
- (iii) That the performance of the Internal Audit Service during the period, be noted.
- (iv) That the progress made by service managers in responding to the work of Internal Audit, be noted.

7 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.

8 Internal Audit Progress Report Period Ended 30 June 2018

The Committee considered Appendices 6 and 7 of the report of the Chief Internal Auditor and Corporate Fraud Manager which detailed the actions agreed by managers in response to internal audit recommendations that were outstanding (for copy see file of Minutes).

Members were advised that there were two audits finalised in the quarter that had been issued with a limited assurance opinion. In addition, during the period two follow up audits had been completed.

Resolved:

That the report be noted.