

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1A - County Hall, Durham on **Tuesday 26 February 2019 at 10.00 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

Councillors J Rowlandson (Vice-Chairman), C Carr, J Carr, J Clark, J Nicholson and J Shuttleworth

Co-opted Members:

Mr C Robinson and Mr I Rudd

1 Apologies for absence

Apologies for absence were received from Councillors J Robinson and O Temple

2 Minutes

The Minutes of the meeting held on 29 November 2018 were confirmed as a correct record and were signed by the Chairman, with the following amendment:-

Page 2 – Following a query from Mr Rudd, the Officer advised that the new standard did not require previous year balances to be **restated**.

3 Declarations of interest

Declarations of interest were provided by Members. 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 Quarter 3 2018/19 Health, Safety and Wellbeing Performance Report

The Committee received a report from the Resources Health, Safety and Wellbeing Strategic Group that provided an update on health, safety and wellbeing performance for quarter three of 2018/19 (for copy see file of Minutes).

The Corporate Director of Resources introduced the report and informed the Members that this was previously reported to the former Human Resources

Committee and that following the constitutional changes agreed by full Council would be presented to the Audit Committee going forward.

The Occupational Health and Safety Manager reported on two significant incidents following visits to Citizens House at Consett and Framwellgate Moor Primary School by the Health and Safety Executive and assured members that the issues were resolved at both sites. He went on to highlight the key areas of the report including:

- Fire Safety Audits
- Fire Incidents
- Fire Inspections
- Occupational Health Service online referrals
- Health and Safety Team Audit
- Open Water Safety Review
- Employee Mental Health and Wellbeing
- Flu Immunisation programme
- Potentially Violent Persons Register

The statistical information within the report showed a reduction in the number of serious injuries reported.

With regards to the employees who did not turn up for Occupational Health appointments, Councillor Carr queried what the process would be. He was advised that management would be informed but that there could be a number of operational or personal reasons for this, however, it was followed up.

Councillor Carr asked how many defibrillators were in council buildings and stressed the importance of having them available. The Occupational Health and Safety Manager reported that further to a review of the policy three years ago the number of defibrillators had increased from 7 to approximately 23, with 2 being available at County Hall. The Chairman asked that sufficient staff were trained and that information was updated as and when staff left the authority.

Councillor Shuttleworth queried the report coming to Audit Committee and suggested that all members should be sent this information.

Referring to the new online referrals for Occupational Health appointments, Councillor Clark was informed that this was still completed by the manager and the appointment was sent to the employee. Councillor Clark was also informed that the external counselling service was still available for all employees. She applauded the work carried out in relation to health and safety and agreed that the report should come to Audit Committee from a governance perspective.

Mr Rudd asked if any benchmarking was carried out with similar authorities. The Occupational Health and Safety Manager said that this was carried out approximately every two years however it was noted that this was difficult for those services that were not 'in house'. He added that the comparable data was favourable.

Mr Rudd went on to ask for an explanation of the word 'threat' within the corporate risk table within the report. The Risk, Insurance and Governance Manager explained that this was when work was still to be done to ensure the risks were at an acceptable level with controls in place.

Mr Robinson accepted the rationale for the report coming to Audit Committee but asked that the quarterly report to be more focused on the reasons why issues were being reported and to perhaps have bullet points about maintaining the existing controls and what the authority were doing to address the risks.

Following a comment from Councillor C Carr about ensuring the Committee were appraised on any serious concerns, the Chairman suggested that more detailed discussions could take place in the closed part of the agenda going forward.

Resolved:

That the report be noted.

5 Changes to the Code of Practice for Local Authority Accounting in the UK 2018-19

The Committee considered a report of the Corporate Director of Resources that provided a summary of the key accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK (the Code), applied to the 2018/19 accounts (for copy see file of Minutes).

The Principal Accountant, Resources highlighted the two key changes –adoption of IFRS 15 Revenue from Contracts with Customers and adoption of IFRS 9 Financial Instrument.

Resolved:

That the report be noted.

6 Agreement of Accounting Policies for Application in the 2018-19 Financial Statements

The Committee considered an update from the Corporate Director of Resources on the County Council's accounting policies to be applied in the preparation of the 2018/19 Statement of Accounts and to seek confirmation that appropriate policies are being applied (for copy see file of Minutes).

Resolved:

That the recommendations contained within the report be agreed.

7 Final Accounts Timetable for the Year Ended 31 March 2019

The Committee considered a report of the Corporate Director of Resources that provided Members with the Final Accounts Timetable for 2018/19 detailing the

deadlines for key actions to complete the Statement of Accounts in line with statutory deadlines (for copy see file of Minutes).

Resolved:

That the report be noted.

8 External Audit - Durham County Council Audit Strategy Memorandum Year Ended 31 March 2019

The Committee received a report from the External Auditor explaining the scope of the audit, the risks identified and the procedures that will be performed to deliver the audit for Durham County Council (for copy see file of Minutes).

Mr J Collins, Mazars advised of the significant risks, value for money and the fees charged and the approach taken to materiality setting.

With regards to the reduction in fees Councillor Shuttleworth asked if this was in connection to the office rental by Mazars at Salvus House. Mr Kirkham, Mazars explained that the reduction in fees followed an extensive competitive procurement exercise when Public Sector Audit Appointments replaced the Audit Commission. Mr Kirkham explained that in relation to the renting of office space, Mazars been open and honest about Durham County Council being their landlord and assured members that this did not affect their independency and that appropriate arrangements were in place.

Mr Robinson queried the likelihood of any of the significant risks occurring and what the authority was doing to bring these risks down. Mr Kirkham assured the Committee that any gaps or defects would be reported but that some of the risks were inherent.

Following on from this point Mr Rudd asked if the reduction in fees would also mean a reduction in the services provided and more reliance on the Internal Audit Service. Mr Kirkham said that they were still providing the same level of service but were more streamlined in their approach. He added that their work was regulated and therefore there was very limited opportunity to carry out less work unless there was a risk assessed rationale for this.

Resolved:

That the report be noted.

9 External Audit - Durham Pension Fund Audit Strategy Memorandum Year Ended 31 March 2019

The Committee received a report from the External Auditor explaining the scope of the audit, the risks identified and the procedures that will be performed to deliver the audit for Durham County Council Pension Fund (for copy see file of Minutes).

Councillor Shuttleworth was assured that the same level of service was provided despite the lower audit fees, however, Mr Kirkham, Mazars said that he was

responsible for ensuring the appropriate resources were made available for the audit.

Resolved:

That the report be noted.

10 External Audit Progress Report - February 2019

The Committee received a report from the External Auditor that gave an update on progress on the External Audit report for Durham County Council (for copy see file of Minutes).

Mr Collins, Mazars informed the Committee that some minor errors had been identified on the certification work regarding Housing Benefit Subsidy. In response to a question from Mr Rudd, Mr Collins advised that these were clerical errors. Mr Kirkham, Mazars added that the number of errors compared to the overall number of transactions was very low.

Resolved:

That the report be noted.

11 Corporate Governance Review 2018/2019 - Key Dates

The Committee received a report of the Corporate Director, Resources that informed of the key dates for the corporate governance review for the 2018/19 financial year (for copy see file of Minutes).

Resolved:

That the report be noted.

12 Strategic Risk Management Progress Report for the Quarter Ended 31 December 2018

The Committee considered a report of the Corporate Director, Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group between October and December 2018 (for copy see file of Minutes).

The Risk, Insurance and Governance Manager informed the Committee that there was one new risk in relation to Equal Value Claim, there were 26 strategic risks, one risk had been removed on Major Disruption to Service Delivery. He added that there were four key risks and one emerging risk in relation to No Deal Brexit.

Councillor Shuttleworth referred to the 26 strategic risks, the same number as at 30 September 2018, and asked if this was expected to stay the same. The Risk, Insurance and Governance Manager explained that one risk had been added and one had been removed from the register and that a lot of work was done to reduce the number of risks. However, he explained that there were a number of long term

corporate risks that would potentially at some point come to conclusion but which needed to continue to be managed at this time.

Councillor Bell asked for information on the progress being made with the Task and Finish Group and what their thoughts were on potential risks. The Corporate Director of Resources assured the Committee that there was a lot of work ongoing and that any discussions around the work were potentially sensitive at this time.

Councillor C Carr asked about the substantive risk to food waste collections should additional work need to be carried out as had been announced by Government. The Corporate Director of Resources explained that the announcement had been made after the report had been circulated and informed Members that further discussions would be held as there could be significant cost implications. Councillor Carr asked that the Planning and Highways teams were involved in discussions as this would potentially affect their workloads.

Resolved:

That the report provides assurance that strategic risks were being effectively managed within the risk management framework across the Council.

13 Audit Committees: Practical Guidance for Local Authorities and Police 2018

The Committee received a report of the Chief Internal Auditor and Corporate Fraud Manager that advised of the publication of the Chartered Institute of Public Finance and Accountancy's (CIPFA) guidance on the function and operation of audit committees in local authorities in England and Wales. The guidance also set out CIPFA's view on the role and function of audit committees (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager highlighted the key changes and the updated terms of reference for the Committee. He advised that the checklist would be completed and brought back to Committee in May 2019.

Councillor Shuttleworth requested that a full and concise report be presented to full Council from the Audit Committee.

Resolved:

The recommendations contained within the report be agreed.

14 Emergent Internal Audit Plan 2019/2020

The Committee considered a Report of Chief Internal Auditor and Corporate Fraud Manager that provided details of the emergent Internal Audit Plan for 2018/2019 and gave an update on the development of the 2019/20 Internal Audit Plan (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager asked that any comments on the plan be sent to him before it was reported back to Committee for formal

approval in May 2019. He assured Members that he speaks to all Heads of Service before the final document was produced.

Resolved:

That comments on the proposed direction and process for the development of the emergent Internal Audit Plan be noted and that the plan would be reported to the meeting on 31 May 2019 for formal approval.

15 Internal Audit Progress Report for the quarter ended 31 December 2018

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed Members of the work that had been carried out by Internal Audit during the period 1 2017 to 30 2017 as part of the 2017/2018 Internal Audit Plan (for copy see file of Minutes).

The Audit and Fraud Manager highlighted progress against the Plan for each Service Grouping, and informed Members of the amendments to the plan and the unplanned audit reviews in the quarter. The report also provided a summary of the survey response rate, progress on actions due, implemented and overdue, and the finalised audit that had been issued with a limited assurance opinion.

With regards to the removal of the 'Licensing Arrangements for House in Multiple Occupations' entry in the amendments to the internal plan table, Mr Robinson asked why this was no longer required. The Chief Internal Auditor and Corporate Fraud Manager explained that new procedures had been introduced. He added that when there had been main changes to the control environment time was given to allow these changes to bed in before an audit was undertaken.

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 31 December 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;

16 Exclusion of the public

Resolved:

That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A of the Act.

17 Internal Audit Progress Report for the quarter ended 31 December 2018

The Committee considered the report of the Chief Internal Auditor and Corporate Fraud Manager which presented the appendices in the Internal Audit Progress Report referred to in Part A of the Agenda (for copy see file of Minutes).

Members were advised that there was one audit finalised in the quarter that had been issued with a limited assurance opinion.

The Committee received assurances on outstanding actions from the Head of Commissioning, Adult and Health Services.

Resolved:

That the content of Appendices 6 and 7 be noted, and the proposed actions in respect of the overdue areas as outlined, be agreed.