

# **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in **Council Chamber, County Hall, Durham** on **Monday 28 February 2022 at 9.30 am**

**Present:**

**Councillor A Watson (Chair)**

**Members of the Committee:**

Councillors L Fenwick (Vice-Chair), M Johnson, B Kellett, M McGaun and T Smith

**Co-opted Members:**

Mr C Robinson and Mr I Rudd

The Chair welcomed the recently appointed, Chief Internal Auditor and Corporate Fraud Manager to the Committee.

On behalf of the Committee, the Chair also expressed thanks to the Finance Manager (Revenue, Pensions and Technical) and the Interim Chief Internal Auditor and Corporate Fraud Manager who were retiring at the end of March, and the Risk and Governance Manager who retired in January.

## **1 Apologies for Absence**

Apologies for absence were received from Councillors A Jackson and R Ormerod.

## **2 Minutes**

The minutes of the meeting held on 29 November 2021 were agreed as a correct record and signed by the Chair.

## **3 Declarations of interest**

There were no declarations of interest.

## **4 2021/22 Quarter 3 Health, Safety and Wellbeing Performance**

The Committee received a report of the Occupational Health and Safety Manager which provided an update on the council's Health, Safety and Wellbeing (HSW) performance for Quarter three 2021/22 (for copy see file of minutes).

The Occupational Health and Safety Manager highlighted the key areas of the report including:

- Incidents numbers;
- COVID 19 Health and Safety Update;
- Management of Health and Safety Procedures;
- Consultation/Communication;
- Audit and Inspections;
- Fire Incidents and Fire Inspections;
- Open Water Safety;
- Employee Health and Wellbeing;
- Occupational Health Service;
- Management Referrals and Health Surveillance;
- COVID 19 Response;
- Potentially Violent Persons Register
- Health and Safety Related Strategic Risks.

**Resolved:**

That the report be noted.

**5 Changes to the Code of Practice for Local Authority Accounting in the UK for 2021/22**

The Committee received a report of the Corporate Director of Resources which 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). These changes apply to the 2021/22 Statement of Accounts (for copy see file of minutes).

Responding to concerns from Mr Robinson in relation to valuations for operational property and plant and equipment, the Finance Manager, Revenue, Pensions and Technical clarified that valuations would continue to be completed by Corporate Land and Property valuers. CIPFA proposals were to pause external professional valuations and introduce a national index that was yet to be determined.

**Resolved:**

That the report be noted.

**6 Agreement of Accounting Policies for Application in the 2021-22 Financial Statements - Report of Corporate Director of Resources**

The Committee considered a report of the Corporate Director of Resources which provided an update on the County Council's accounting policies to be applied in the preparation of the 2021/22 Statement of Accounts and to seek

confirmation from the Audit Committee that appropriate policies are being applied (for copy see file of minutes).

**Resolved:**

That the recommendations within the report be agreed.

## **7 Final Accounts Timetable for the Year Ended 31 March 2022 - Report of Corporate Director of Resources**

The Committee received a report of the Corporate Director of Resources which provided information regarding the Final Accounts timetable for 2021/22. The timetable details the target dates for key actions in order to complete the Statement of Accounts in line with statutory deadlines (for copy see file of minutes).

Mr I Rudd referred to previous issues relating to Members declarations not being received and asked if anything had been done to solve the issue. The Finance Manager explained there was an issue with last years forms regarding former Members who were not standing for re-election. The Corporate Director of Resources highlighted that Members are reminded to have them completed by the deadline and any outstanding declarations would be raised with Group Leaders and that he didn't expect this to be an issue for the 2021/22 reporting period.

**Resolved:**

That the report be noted.

## **8 External Audit 2020/21 Progress Report**

The Committee considered a report of the External Auditor which provided an update on progress in delivering responsibilities and provided a summary of recent national reports and publications (for copy see file of minutes).

Mr Collins, Mazars referred to the Auditors Annual report that was reported at the Audit Committee meeting in November 2021 and advised that the National Audit Office would be confirming their requirements shortly. The audit certificate would be issued to formally close the 2020/21 audit when instructions have been received and the required procedures have been completed.

Mr Collins highlighted the Financial Reporting Councils (FRC) findings which reported significant improvements in Mazars audit work.

Mr I Rudd acknowledged the National Audit Office delay in giving instructions which caused the delay in completing the audit, however felt that the FRC findings regarding the timing of audits were contradictory as the NAO seem to be the cause of the delay. Mr Collins explained that the National Audit Office were waiting for the Treasury to resolve issues with their consolidation

software which had resulted in delays in releasing instructions. He clarified that Durham was an outlier and met the deadline, however many other authorities were signed off after the deadline.

Councillor M McGaun noted the number of local authorities that had failed to meet the statutory reporting deadline and commended Durham County Council and Mazars on the excellent work in completing and auditing the accounts within the statutory deadlines.

**Resolved:**

That the report be noted.

**9 External Audit - Durham County Council Audit Strategy Memorandum Year Ending 31 March 2022**

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

Mr Kirkham, Mazars advised of the key judgement areas, value for money, fees and the approach taken to materiality setting. It was noted that no significant weaknesses had been identified.

**Resolved:**

That the report be noted.

**10 External Audit - Durham County Council Pension Fund Audit Strategy Memorandum Year Ending 31 March 2022**

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

Mr Kirkham, Mazars advised of the audit approach, significant risks, fees and the approach taken to materiality setting.

Mr Kirkham asked Members to note the 2020/21 fee for Durham County Council Pension Fund audit work which included the core fee, plus fee variation. The proposed fee for 2021/22 would be the same core fee, however it was anticipated there would be additional work following the Financial Reporting Councils (FRC) findings.

**Resolved:**

That the report be noted.

## **11 Corporate Governance Review 2021/22 - Key Dates - Report of Corporate Director of Resources**

The Committee received a report from the Corporate Director of Resources that informed of the key dates for the corporate governance review for the 2021/22 financial year (for copy see file of minutes).

Mr C Robinson referred to external bodies such as Ofsted and the Care Quality Commission and queried how outcomes and assurances from external organisations are reported to the Audit Committee. The Corporate Director of Resources explained that the annual governance statement and the control framework references significant matters around inspection outcomes. The risk management approach adopted also factored these outcomes into the strategic and operational risk register considerations. Individual major inspection outcomes would also be subject to scrutiny reviews and the overall governance and risks identified would be incorporated in the annual governance statement or form individual strategic risks which the audit committee have an oversight of. The improvement actions arising from inspection outcomes were factored into corporate and service planning also.

### **Resolved:**

That the report be noted.

## **12 Strategic Risk Management Progress Report for 2021/22 - Review 3: 1 October – 31 December 2021**

The Committee considered a report from the Corporate Director of Resources which highlighted the strategic risks facing the Council and provided an insight into the work carried out by the Corporate Risk Management Group between October and December 2021 (for copy see file of minutes).

The Principal Risk and Governance Officer provided an update on the changes since the last report. He reported there were nine key risks which included three new risks relating to energy prices, school improvement grants and the national shortage of HGV drivers. He added that the risk in relation to pressures effecting the sustainability and capacity of care providers had been re-evaluated and mitigations identified.

Referring to Mr C Robinson's previous question in relation to external body inspection outcomes, the Corporate Director of Resources added that the overall risk assessment factors in judgements from providers inspections. The overall quality of care that is provided to vulnerable children and adults is a key measure in assessing the overall level of risk and any issues identified by the Care Quality Commission or Ofsted inspections would be escalated and reflected in the risk assessment register.

Mr C Robinson questioned the incidents relating to vulnerable children and adults rated 'possible' and the actions required to change the rating to 'unlikely'. The Corporate Director of Resources clarified that although the likelihood of incidents were rated as 'possible' it was not a reflection of acceptance. He advised that a considerable amount of resources had been invested in the looked after children efficiency strategy and in the social care workforce to ensure a robust response in safeguarding vulnerable children and adults. He added that the service constantly strives for additional assurances, and it was an area that was continually overseen by the Corporate Management Team.

Responding to a query from Councillor Kellett regarding the land slippage near the A690, the Corporate Director of Resources assured the Committee that the area was subject to extensive investigations, regular monitoring and that mitigations were in place. He added that a map highlighting the area of concern would be provided in the next update.

**Resolved:**

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

### **13 Risk Management Policy and Strategy**

The Committee considered a report from the Corporate Director of Resources which sought approval of the updated Risk Management Policy and Strategy (for copy see file of minutes).

**Resolved:**

That the revised Risk Management Policy and Strategy be approved.

### **14 Internal Audit Progress Update Report - Period Ended 31 December 2021**

The Committee received a report from the Chief Internal Auditor and Corporate Fraud Manager which provided an update relating to the work that had been carried out by Internal Audit during the period 1 April 2021 to 31 December 2021 as part of the 2021/22 Internal Audit Plan (for copy see file of minutes).

In relation to staffing issues, the Audit Manager confirmed that an appointment has now been made to the position of Senior Auditor and was planned to be in post within a few weeks.

**Resolved:**

That the report be noted.

## **15 Emergent Internal Audit Plan for the period from 01 April 2022 to 31 March 2023**

The Committee considered a report from the Chief Internal Auditor and Corporate Fraud Manager which provided details of the emergent Internal Audit Plan for the period 1 April 2022 to 31 March 2023 which consists of an initial six-month plan for the period 1 April 2022 to 30 September 2022, attached as Appendix 2 and an indicative plan for the second six-month period, from 1 October 2022 to 31 March 2023, attached as Appendix 3. A further report would be presented at the Committee's September meeting for approval of the second six-month plan, from 1 October 2022 to 31 March 2023 (for copy see file of minutes).

### **Resolved:**

That the proposed direction and process for the development of the emergent Internal Audit Plan be noted for formal approval in May 2022. A further report would be presented at the Committee's September 2022 meeting, for the second six-month period of 2022/23, from 01 October 2022 to 31 March 2023.

## **16 Exclusion of the Public**

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 paragraphs 1,2,3 and 5 of Schedule 12A of the Act.

## **17 Internal Audit Progress Report - Period Ended 31 December 2021**

The Committee received a report from the Chief Internal Auditor and Corporate Fraud Manager which presented the appendices referenced in the Internal Audit progress report in Part A of the Agenda (for copy see file of minutes).

The Head of Early Help, Inclusion and Vulnerable Children and the Strategic Manager, SEND Strategy provided the Committee with background on the High Needs Block and further detail with regards to progress made in relation to implementing actions identified from the High Needs follow up Audit.

### **Resolved:**

That Appendix 6 and 7 be noted.