

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in **Committee Room 1A , County Hall, Durham** on **Friday 30 September 2022 at 1.30 pm**

Present:

Councillor A Watson (Chair)

Members of the Committee:

Councillors L Fenwick (Vice-Chair), P Heaviside, M Johnson, M McGaun, R Ormerod and T Smith

Co-opted Members:

Mr I Rudd

1 Apologies for absence

Apologies for absence were received from Councillors A Jackson, B Kellett and Mr C Robinson.

2 Minutes

The minutes of the meeting held on 1 July 2022 were agreed as a correct record and signed by the Chair.

3 Declarations of interest

There were no declarations of interest.

4 Annual Health, Safety and Wellbeing Performance Report 2021/22

The Committee considered the annual report of the Occupational Health and Safety Manager, which provided the health, safety and wellbeing (HSW) performance for 2021/22 (for copy see file of minutes).

Responding to a query regarding civil claim trends, the Occupational Health and Safety Manager advised that analysis information was reported separately and would be provided at a future meeting.

The Occupational Health and Safety Manager responded to a query from Councillor M McGaun relating to near miss reporting. It was confirmed that

workplace related accidents, incidents and near misses including incidents traveling during working hours were reported through the accident reporting system. It was noted that members of the public can report any incidents that occur on local roads via Customer Services and the Highways Action Line. The Head of Corporate Finance and Commercial Services added that accidents on roads were also reported to Highways via the insurance process which would identify blackspots in the County and would be addressed by the Highways Team.

Resolved:

That the report be agreed.

5 Health, Safety and Wellbeing Performance Report Quarter 1 2022/23

The Committee considered 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 one 2022/23 (for copy see file of minutes).

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

- Accidents, incidents and near misses
- Health, Safety and Wellbeing Strategy 2022-2025
- COVID 19 Health and Safety Update
- Audit and Inspections
- Fire Incidents
- HSE Inspections
- Employee Health and Wellbeing
- Open Water Safety
- Occupational Health Service
- Review of Automated External Defibrillators (AED's)
- Potentially Violent Persons Register (PVPR)

Resolved:

That the report be agreed.

6 Strategic Risk Management Progress Report 2022/23 - Review 1: 1 January 2022 - 31 May 2022

The Committee considered a report of the Corporate Director of Resources which highlighted the strategic risks facing the Council and gave an insight into the work carried out by the Corporate Risk Management Group between January and May 2022 (for copy see file of minutes).

The Principal Risk and Governance Office highlighted the changes since the last report. He informed Members that five new risks had been added to the risk register relating to construction industry price inflation, homelessness, leisure/retail units, Ash Dieback disease, and demand for children's safeguarding services. Risks relating to poverty, energy prices and urgent and emergency care service had been amended and two risks relating to Covid19 and the suspension notice on Mountsett Crematorium had been closed. Updates on eleven risks were provided in the report and one emerging risk was highlighted relating to adult social care charging reforms.

Responding to a query from Mr Rudd regarding risks relating to energy price increases, the Head of Corporate Finance and Commercial Services advised that the Council purchases energy for all council buildings and contracts including Schools through NEPO who act on behalf of twelve North East Authorities. He added that NEPO had agreed a forward purchasing strategy and for the financial year 2022/23, 66% of energy had been secured in advance of the increase and the price Cap would be in effect for the next six months. A Working Group lead by the Corporate Director of Neighbourhoods and Climate Change were to consider ways of reducing the Councils energy usage. It was noted that 25% of next year's energy had been purchased, however 75% was at risk of the energy market and would be reflected in the Medium Term Financial Plan.

Resolved:

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

7 Final Outturn for the General Fund and Collection Fund 2021/22

The Committee received a report of the Corporate Director of Resources (for copy see file of minutes) which had been agreed by Cabinet on 13 July 2022 and provided information with regards to:

- (a) a summary of the Council's revenue and capital outturn position for the General Fund for 2021/22;
- (b) the final outturn for the Council's Council Tax and Business Rates Collection Fund for 2021/22;
- (c) use of and contributions to earmarked, cash limit and general reserves in year and at year end together with the closing position regarding balances held at 31 March 2022; and
- (d) achievement of Medium Term Financial Plan (MTFP) (11) savings targets in 2021/22.

In response to queries from Mr Rudd regarding in year collections and whether reserve allocations were subject to the Audit function, the Head of

Corporate Finance and Commercial Services summarised the three reserve categories, general reserves, cash limit reserves and earmarked reserves and advised that External Audit consider the reserve protocol as part of the final account assurances. He explained that council tax collections was larger by nature due to the precept and added that all debt collection had been suspended during the pandemic. The collection of business rates was significantly reduced due to government discount schemes for businesses and advised that recovery had resumed. It was noted that many authorities in the North East had changed their schemes resulting in a lower collection expectation, however Durham's collection expectation rate was 99% and he was please to confirm that that target had always been met.

Resolved:

That the report be noted.

8 Treasury Management Outturn Report 2021/2022

The Committee received a report of the Corporate Director of Resources which provided information on the treasury management outturn position for 2021/22 (for copy see file of minutes).

In response to a query from Mr Rudd regarding the risk to the authority in relation to the base rate increase, the Head of Corporate Finance and Commercial Services advised that the quarter one forecast for this year was reported to Cabinet in September 2022 and reflected that investment income was significantly higher than budgeted. In the short term, the forecast of outturn would continue to reflect the over recovering against the budget, however it was noted that interest rates were much higher that originally forecast. With reference to the current cash balances and reserves, the Council were in a fortunate position that borrowing would not be necessary for the next two years, however due to the inherent risk, capital programmes may need to be review if interest rates continue to increase.

Resolved:

That the report be noted.

9 External Audit Progress Report 2021/22

The Committee received a report of the External Auditor which provided a progress update (for copy see file of minutes).

Mr Collins, Mazars referred to the financial statements for the year ended 31 March 2022 and confirmed that the majority of the work had been complete, however there were some areas ongoing relating to property, plant and equipment valuations, assurances from the pension fund auditor and the national infrastructure discussions.

Referring to the infrastructure issue, Mr Kirkham, Mazars added that recent government advice suggested that the plan to change the code of practice may not be the way forward, therefore could not provide assurance that the national infrastructure issue would be resolved. It was noted that some local authorities were yet to have their 2020/21 accounts signed off due to the issue that was deemed significant earlier in the year.

The Audit Completion Report was expected to be issued before the next Audit Committee meeting in November and it was noted that the audit completion was on track for 30 November 2022, subject to the resolution of the infrastructure issue.

With regards to a query relating to the infrastructure risk, Mr Kirkham advised that the extent of the figures and depreciating amounts, it was unclear whether there was a material risk as the extent of local authorities' records could not be substantiated. It was noted that previously it had been a low risk as the specific details had not been required in the past. The Head of Corporate Finance and Commercial Services added that it was a considerable task to put the process in place, however it was not an issue regarding the Councils balance sheet and does not affect the Councils financial statements.

Resolved:

That the report be noted.

10 Counter Fraud and Corruption Strategy

The Committee received a report of the Corporate Director of Resources which provided the revised Counter Fraud and Corruption Strategy, highlighting the main changes that had been made to the previously agreed strategy (for copy see file of minutes).

Mr Rudd highlighted the low number of fraud cases that had resulted in prosecution or sanctions and enquired if there was a requirement to review the procedures. The Corporate Fraud Manager advised that the aim was to prosecute all fraud, however consideration of the cost to pursue criminal prosecution against the recovery cost was a deciding factor in getting the balance right.

Resolved:

That the report be noted, and the Counter Fraud and Corruption Strategy at Appendix 2 of the report be approved.

11 Report of the Audit Committee for the Period September 2021 to August 2022

The Committee considered a report of the Chair of the Audit Committee that reflected the work undertaken by the Committee for the period September 2021 to August 2022 and how the Committee continued to oversee good governance across the Council (for copy see file of minutes).

Resolved:

That the report be noted and presented to Council by the Chair.

12 Internal Audit Progress Report Period Ended 30 June 2022

The Committee received a report of the Corporate Director of Resources which provided an update on the work that had been carried out by Internal Audit during the period 1 April 2022 to 30 June 2022, as part of the Internal Audit Plan for the first six months of 2022/23 (for copy see file on minutes).

In response to a query from Mr Rudd regarding the impact on audits due to staffing issues, the Chief Internal Auditor and Corporate Fraud Manager assured the Committee that audits relating to high priority areas and key financial systems were the main focus and would continue to be reviewed. Operational challenges and the national shortage of auditors were noted, however additional resources such as agency staff were being considered to assist with the backlog. A further update would be provided at the next meeting.

Resolved:

That the report be noted.

13 Six Month Internal Audit Plan (1 October 2022 to 31 March 2023)

The Committee considered a report of the Corporate Director of Resources which proposed the Six-Month Internal Audit Plan for the period from 1 October 2022 to 31 March 2023 (for copy see file of minutes).

Resolved:

That the second Six-Month Internal Audit Plan, for the period 1 October 2022 to 31 March 2023, as detailed in Appendix 2 be approved.

14 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.

15 Internal Audit Progress Report Period Ended 30 June 2022

The Committee received a report of 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 Transactional and Customer Services provided the Committee with an update in relation to the Procurement Cards Projects and unclaimed VAT and provided further detail with regards to progress made in relation to implementing actions identified from the audit.

Resolved:

That the update provided and Appendix 6 and 7 of the report be noted.