

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in **Committee Room 1A , County Hall, Durham** on **Monday 28 November 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, R Ormerod and T Smith

**Co-opted Members:**

Mr C Robinson and Mr I Rudd

**1 Apologies for absence**

Apologies for absence were received from Councillors P Heaviside and A Jackson.

**2 Minutes**

The minutes of the meeting held on 30 September 2022 were agreed as a correct record and signed by the Chair.

**3 Declarations of interest**

There were no declarations of interest.

The Chair advised of a change to the agenda order and referred to item 9 on the agenda, Quarter 2 2022/23 Health, Safety and Wellbeing Performance to be presented first.

**4 Health, Safety and Wellbeing Performance Report Quarter 2 2022/2023**

The Committee considered a report of the Corporate Health and Safety Manager which provided an update on the Council's Health, Safety and Wellbeing (HSW) performance for Quarter two 2022/23 (for copy see file of minutes).

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

Quarter 2 incidents in numbers;  
Health, Safety and Wellbeing Strategy 2022-2025;  
Audits and Inspections;  
Fire Incidents and Inspections;  
Employee Health and Wellbeing;  
Open Water Safety;  
Occupational Health Service;  
Potentially Violent Persons Register;  
Corporate Risks that may impact on Health and Safety.

Responding to a query from Councillor M McGaun regarding the violent persons register process, the Corporate Health and Safety Manager advised of the ways individuals were added to the register which included incidents reported by members and employees and local intelligence from the police and multi-agency organisations regarding risks relating to individuals or addresses within the County.

**Resolved:**

That the report be agreed.

## **5 Audit Completion Report 2021/2022 - Durham County Council**

The Committee received the Audit Completion Report of the External Auditor relating to the year ended 31 March 2022 which provided a summary of audit conclusions (for copy see file of minutes).

Mr Outterside, Mazars presented the report and highlighted the outstanding work which included the national infrastructure assets issue and the whole of government accounts. He advised that both matters were outside of their control and nothing to do with the authority. They were still waiting for information from the National Audit Office and when the issues were resolved, the audit closure process would be completed. It was noted that the materiality was £30.485m which was slightly higher than the £28.971m set at the planning stage of the audit. Referring to findings in relation to property valuation, it was noted that some control recommendations were identified, however they were not considered to be a significant concern.

In response to a query from Mr Rudd regarding concerns with recurring issues relating to land and buildings assets, Mr Kirkham, Mazars advised that the area of work had increased which resulted in increased challenge and required new procedures to mitigate the audit risk. He added that there was no threat to funds and the valuation of property, plant and equipment was an area of work that involved judgement and required sufficient evidence to satisfy the audit requirements.

Mr Robinson referred to a previous Transformation Programme presentation that had been presented to the Committee and asked if it was possible to provide an update on the arrangements in place to secure value for money. Mr Kirkham, Mazars advised that this was an area of work undertaken by external audit to challenge local authorities on plans to bridge forecasted gaps in the Medium Term Financial Plan and to ensure that cost improvement exercises were grounded and deliverable. He added that the Council's accounts and value for money arrangements had been tested and was pleased to report there were no findings and the Council had provided sufficient evidence to manage the risk of any unaddressed gaps. The Corporate Director of Resources confirmed that a Transformation Programme update would be presented at a future meeting.

In response to a query from Councillor T Smith, the Corporate Director of Resources advised that savings and improvement suggestions were welcomed from staff, members and any stakeholders and could be emailed to him directly. He added that discussions take place with AAPs, partnership forums and through the staff suggestion scheme as part of the budget consultation process.

**Resolved:**

That the report be noted.

## **6 Audit Completion Report 2021/2022 - Pension Fund**

The Committee received the Audit Completion Report of the External Auditor relating to the Durham County Council Pension Fund, for the year ended 31 March 2022 (for copy see file of minutes).

**Resolved:**

That the report be noted.

## **7 Annual Governance Statement for the year April 2021 to March 2022**

The Committee considered a report of the Corporate Director of Resources which sought approval of the Annual Governance Statement (AGS) for 2021/22 (for copy see file of minutes).

Mr Robinson queried the impact on governance arrangements on service areas and the effectiveness of internal controls. The Corporate Director of Resources advised that service areas were required to complete a self-assessment that considered reviews, audit inspections and improvements made to internal controls throughout the year which was then incorporated into the Annual Governance Statement.

In response to concerns raised regarding public consultations and the lack of feedback provided, the Corporate Director of Resources referred to the corporate guidance which aims to achieve meaningful engagement and to provide evidence that a robust decision process had been followed, with views from public consultations to be considered as part of the process. It was noted that difficult decisions had to be made with unpopular outcomes sometimes, however it was acknowledged that feedback to those who participated in exercises could be improved and the suggestion to provide an explanation why a particular route had been decided would be fed back to the relevant services.

**Resolved:**

That the report be approved.

## **8 Statement of Accounts for the year ended 31 March 2022**

The Committee considered a report of the Corporate Director of Resources which presented the council's statement of accounts for the financial year ended 31 March 2022 and sought to delegate authority to the Responsible Finance Office, the Corporate Director of Resources, to approve the accounts upon resolution and conclusion of the national infrastructure assets technical accounting issue and Whole of Government Accounts instruction (for copy see file of minutes).

With regards to a query from Mr Rudd relating to cross referencing financial performance figures, the Finance Manager, Revenue, Pensions and Technical Accounting advised that clarification would be provided following the meeting. The Corporate Director of Resources explained that the narrative document was a summary of the outturn report which was a management account to help aid the understanding of the performance of the Council. Mr Kirkham, Mazars confirmed that consistency of the narrative report was part of the work carried out by external audit.

Responding to a query from Councillor R Ormerod regarding control over suggestions made by external audit, Mr Kirkham, Mazars advised that the Council in no way control the direction of work undertaken by external auditors and they were totally independent and free from influence of reporting entities. The Corporate Director of Resources added that external auditors could be appointed via the Councils procurement process, however advised that Audit Committee agreed at its meeting in November 2021 to participate in a National Scheme for Auditor Appointments managed by Public Sector Audit Appointments (PSAA) who appointed the Councils external auditors. He also confirmed that we received robust challenge and scrutiny from the external audit team and that whilst we work with them there certainly was not, nor should there be, any control over them or the scope of their work.

**Resolved:**

- (i) That the updated draft statement of accounts for the council, for the financial year ended 31 March 2022 including the pension fund financial statements subject to the proposed changes noted in paragraph 36 of the report in relation to infrastructure assets be approved;
- (ii) That delegated authority for the approval of the Accounts to be undertaken by the Corporate Director of Resources (and Responsible Finance Officer) upon resolution of Infrastructure Assets reporting requirements expected in early 2023 (subject to the amendments being in line with those set out in the report) be approved.

**9 Annual Governance Statement for the year April 2021 to March 2022: Actions Update**

The Committee received a report of the Corporate Director of Resources which provided an update on the progress being made in relation to the actions arising from the Council's draft Annual Governance Statement for the year ended 31 March 2022 (for copy see file of minutes).

**Resolved:**

That the progress made against each of the improvement actions identified in the draft AGS 2021/22 be noted.

**10 Strategic Risk Management Progress Report for 2022/23 - Review 2: 1 June - 30 September 2022**

The Committee considered a report of the Corporate Director of Resources which supports the Council's Risk Management Strategy and highlights the strategic risks facing the Council and provides an insight into the work carried out by the Corporate Risk Management Group between June and September 2022 (for copy see file of minutes).

Mr Rudd referred to the A690 land slippage and asked if discussions had taken place with Network Rail regarding similar issues. The Corporate Director of Resources advised that the Council work with the North East Transport Team, however he would clarify whether there had been engagement with Network Rail. He added that the issue was being monitored and the risk escalation was due to the increase in intervention costs. It was noted that the scheme was included in the Durham City levelling up bid, however, the scheme would need to be considered as part of the capital programme should the levelling up bid not be supported.

Following the meeting, the Corporate Director of Resources sought further clarification on this issue and was informed that the Council had consulted throughout with Northern Power Grid as the landowner adjacent to the A690. Northern Power Grid had engaged with a specialist ground investigation contractor to install monitoring stations on the slope that had suffered with recent slippage causing damage to the access road and buildings. Network Rail haven't been engaged as part of this scheme given that they do not own any assets that would be impacted by the project.

Responding to a further query regarding risk management training, the Risk, Insurance and Governance Manager advised that they were in the process of designing new risk management training which would be rolled out early 2023.

**Resolved:**

That the report be agreed.

## **11 Local Code of Corporate Governance**

The Committee considered a report of the Corporate Director of Resources which sought approval of the updated Local Code of Corporate Governance following an annual review (for copy see file of minutes).

**Resolved:**

That the updated Local Code of Corporate Governance be agreed and be presented to Council for consideration and information at its meeting on 25 January 2023.

## **12 Anti-Money Laundering Policy**

The Committee considered a report of the Corporate Director of Resources which provided the revised Anti Money Laundering Policy to remind members and employees of the council of the internal procedures that must be followed to prevent the use of council services for money laundering (for copy see file of minutes).

Regarding a query in relation to areas that expose the council to money laundering, the Corporate Director of Resources gave examples of money laundering activity that the Council were required to be aware of. It was noted that the risk to the Council was relatively low, however regulations required that policies and procedures were in place and steps were taken to minimise the likelihood of money laundering.

**Resolved:**

That the Anti-Money Laundering Policy attached at Appendix 2 of the report be agreed.

### **13 Confidential Reporting Code**

The Committee considered a report of the Corporate Director of Resources which provided the updated Confidential Reporting Code to remind members and employees of how employees can express any concerns they had about a procedure, process, or person confidentially (for copy see file of minutes).

Responding to the query why schools had a separate confidential reporting policy, the Fraud Manager explained that both policies were similar and the Council were responsible for the investigation, however schools had different reporting options. The Corporate Director of Resources added that the policy would apply to schools with a Service Level Agreement (SLA) with the Council and policies would be checked as part of the audit process.

**Resolved:**

That the Confidential Reporting Code attached at Appendix 2 of the report be agreed.

### **14 Fraud Response Plan and Corporate Fraud Sanctions Policy**

The Committee considered a report of the Corporate Director of Resources which provided the revised Fraud Response Plan and Corporate Fraud Sanction Policy that highlights the main changes (for copy see file of minutes)

**Resolved:**

That the Fraud Response Plan at Appendix 2 of the report and the Corporate Fraud Sanctions Policy at Appendix 3 of the report be agreed.

### **15 Protecting the Public Purse - Update Activity Report as at 30 September 2022**

The Committee received a report of the Corporate Director of Resources that provided an update on the work that had been carried out during the first six months of 2022/23 and the progress that had been made by the Corporate Fraud Team up to 30 September 2022 (for copy see file of minutes).

Mr Rudd referred to the change in policy and queried whether there would be a different format for reporting prosecutions and sanctions. The Fraud Manager confirmed that the new reporting format would provide a clearer picture showing cases that had been concluded, recommended for sanction and actual sanctions that had been applied following court proceedings. He referred to specific legislation around housing fraud investigations and advised that Housing Associations were being encouraged to pursue more

prosecutions and that awareness plans relating to financial irregularities may encourage more referrals.

Responding to a query regarding fraud activity involving the police, the Fraud Manager advised that the Council liaise with various units depending on the type of case. It was noted that most cases were referred to the Local Crime Unit, however more complex crimes would require involvement from the Economic Crime Unit.

**Resolved:**

That the contents of the report be noted.

**16 Internal Audit Progress Report Period Ending 30 September 2022**

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

Responding to a query regarding the position relating to the audit plan delivery, the Chief Internal Auditor and Corporate Fraud Manager advised that work had started assessing what was required to deliver opinions for high risk areas and was confident that assurance opinions would be provided for the key financial systems.

**Resolved:**

That the contents of the report be noted.

**17 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.

**18 Protecting the Public Purse - Update Activity Report as at 30 September 2022**

The Committee received a report of the Corporate Director of Resources which provided an update on activity to 30 September 2022 (for copy see file of minutes).

**Resolved:**

That the report be noted.

## **19 Internal Audit Progress Report Period Ending 30 September 2022**

The Committee received a report of the Corporate Director of Resources which provided details of internal audit progress to 30 September 2022 (for copy see file of minutes).

**Resolved:**

That the report be noted.