

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Monday 27 July 2015 at 10.00 am**

### **Present:**

**Councillor E Bell (Chairman)**

### **Members of the Committee:**

Councillors J Rowlandson (Vice-Chairman), L Armstrong, C Carr, J Carr, M Davinson, J Robinson and O Temple

### **Co-opted Members:**

#### **1 Apologies for Absence**

Apologies for absence were received from Councillor W Stelling and Ms K Larkin-Bramley

#### **2 Minutes of the meeting held on 29 June 2015**

The minutes of the meeting held on 29 June 2015 were agreed and signed by the Chairman as a correct record.

Consideration was given to the current items on the Committee's Action Plan (for copy of action plan see file of Minutes) with the date set when these would be reported back to Committee.

#### **3 Declarations of interest, if any**

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

#### **4 CAS Local Test of Assurance**

The Committee considered a report of the Head of Planning and Service Strategy, Children and Adult Services that sought approval of the Local Test of Assurance (LToA) developed in May 2015 by Children and Adults Services (for copy see file of Minutes).

The Team Manager for Central Admin & Governance highlighted the key elements of the report.

Members expressed concerns about why the report was coming forward at this stage and enquired as to whether portfolio holders and appropriate scrutiny committees had approved the document. Members also queried if benchmarking exercises had been carried out with other local authorities.

As no answers could be given at the meeting and therefore no assurances given, Members did not feel in a position to make a decision.

**Resolved:**

That the decision be deferred until a later date.

**5 Transport Infrastructure Assets - Historical Cost to Replacement Cost Valuations**

The Committee received a presentation from the Assistant Finance Manager, Corporate Finance regarding the challenge of accounting for Transport Infrastructure Assets (for copy of slides see file of Minutes).

The Assistant Finance Manager, Corporate Finance highlighted the following points:-

Change in Accounting Practice

Rationale for Change

Context – including the value of the transport infrastructure assets

External Audit Interest

Members were assured that work was underway to address the changes required and were informed of the huge impact that this would have on workloads and the balance sheet.

On answering a question from Councillor C Carr, the Assistant Finance Manager, Corporate Finance explained that indicative rates had been received from CIPFA and that land value rates had changed. This would be mapped in future years.

Mr T Hoban agreed that this would be a huge task and asked if a measured timeline could be reported back to Committee to give assurances that progress was on track. The Assistant Finance Manager, Corporate Finance explained that Highways colleagues were well prepared and already carrying out a lot of additional work. He suggested that a joint presentation with Finance and Highways teams be brought to the Committee.

Ms Banks, Mazars commented that a number of workshops had been held with Highways staff.

Members agreed to the proposal to receive a joint presentation and as they had concerns about the difference in the valuation methods for the Statement of Accounts and the Whole of Government Accounts. The Assistant Finance Manager, Corporate Finance advised that an explanation would be shown on the balance sheet year on year.

Members thanked the Assistant Finance Manager, Corporate Finance for a clear and concise presentation.

**Resolved:**

That the presentation be noted.

**6 2014/2015 Final Outturn for General Fund and Housing Revenue Account**

The Committee noted a report of the Corporate Director, Resources which provided details of the final outturn for both the General Fund and the Housing Revenue Account for 2013/14 (for copy see file of Minutes).

The Strategic Finance Manager, Corporate Finance informed the Committee that both the balance sheet position and reserves were in a strong position. She added that the cash limit reserves across all service groupings was £22.4m and that the general reserves had increased to £28.9m.

Councillor O Temple referred to the high level of overall reserves and asked if there was a perception of carrying a risk at this level. The Strategic Finance Manager, Corporate Finance explained that there was always a risk but that with the current climate the authority had been prudent in its approach. She added that money had been set aside for specific purposes and would be forecast in the Medium Term Financial Plan.

Referring to the Direct Schools Grant, Councillor Temple enquired about the £4m centrally retained element. The Strategic Finance Manager, Corporate Finance explained that this money was held centrally by local authorities after being delegated back from the schools. Councillor L Armstrong advised that money goes directly to schools and the Schools Forum decide how much to delegate back to the local authority to provide a number of different services.

Councillor Temple was surprised at the amount of underspend and was informed that the money would be used to alleviate the high pressure on the services during 2015/16.

**Resolved:**

That the report is noted.

**7 Treasury Management Outturn 2014/2015**

The Committee noted a report of the Corporate Director, Resources which provided details of the Treasury Management outturn position for 2014/15 (for copy see file of Minutes).

**Resolved:**

That the report is noted.

**8 Statement of Accounts for the year ended 31 March 2015**

The Committee considered a report of the Corporate Director, Resources which presented the Statement of Accounts for the year ended 31 March 2015 and raised any significant issues arising from the accounts (for copy see file of Minutes).

The Assistant Finance Manager, Corporate Finance reported that the statement of accounts had been provided to external audit and that they were available for public inspection until 31 July 2015.

Further to a query raised at a previous meeting regarding housing stock transfers, the Assistant Finance Manager, Corporate Finance advised that 121 garages had been retained. Councillor Temple enquired if the Council charge rent on the maintained garages and how the retained sites were decided. He was advised that some individuals were allowed to erect their own garages and did pay rent on them. The Council retains the land and Assets were aware of the reasons behind the transfers.

On answering a question from Mr Hoban, the Assistant Finance Manager, Corporate Finance explained that Durham City Homes was an organisation in its own right with elected members on the board, and was one of three local landlords that made up the County Durham Housing Group. Mr Hoban went on to ask about the transfer to the group of County Council Assets. He was informed that the transfer agreement included making improvements to homes and would enable the company to apply for grant funding. This would comply with the Decent Homes Standard. In addition, central government would pay off all debts associated with housing including premiums.

Councillor J Robinson referred to the deficit of 9 schools within the accounts and expressed concerns about what could be done to support them. He was advised that the Schools Forum look at the level of reserves and would support schools to achieve a balanced budget. Councillor C Carr suggested that the Head of Education and Cabinet portfolio holder should be made aware. The Chief Internal Auditor and Corporate Fraud Manager informed Members that the Head of Education would identify risks and that his team would work with and visit the schools to support any issues raised.

Mr Hoban referred to the Annual Governance Statement and in particular the mention of the new website. He commented that it was difficult to search for Audit Committee information and enquired if customers were asked for feedback.

**Resolved:**

That the attached Statement of Accounts for the County Council for the financial year ended 31 March 2015 be approved.

**9 External Audit - Progress Report July 2015**

The Committee considered a report of the External Auditor, Mazars that set out progress to date (for copy see file of Minutes).

Ms Banks, Mazars advised that the Pension Fund Audit had the same significant risk for Oracle as the County Council. The Chairman asked if there was any resulting risk of errors and was assured that testing identified no errors.

**Resolved:**

That the progress report be noted.

**10 Strategic Risk Management - Progress Report for the Quarter ended 30 June 2015**

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 during April to June 2015 (for copy see file of Minutes).

The Strategic Insurance & Risk Officer informed the Committee that there were 27 strategic risks with the removal of two since the last report. The risk regarding the banking contract had been reduced as had completed successfully on 11 May 2015.

The Strategic Insurance & Risk Officer advised that Councillor Temple's comments about the high level of reserves would be picked up in the Quarter 2 report.

**Resolved:**

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