

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1B, County Hall, Durham on **Wednesday 30 September 2015 at 10.00 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

Councillors J Rowlandson (Vice-Chairman), L Armstrong, J Carr and M Davinson

Co-opted Members:

Ms K Larkin-Bramley

1 Apologies for absence

Apologies for absence were received from Councillors C Carr, J Robinson, W Stelling and O Temple, and Mr T Hoban

2 Minutes

The minutes of the meeting held on 27 July 2015 were agreed and signed by the Chairman as a correct record, with the addition of Mr T Hoban shown in the attendance.

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 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 (for copy see file of Minutes).

The Corporate Director, Resources advised Members that once approved the accounts would be published on the Council's website and that some amendments had been made to the accounts in collaboration with the External Auditor. He advised that the External Auditor would be issuing an unqualified opinion on the Council and Pension Fund Accounts and that a certificate would be issued on the Whole of Government Accounts.

Resolved:

That the statement of accounts for the County Council for the financial year ended 31 March 2015 be approved.

5 Audit Completion Report 2014/2015 - Durham County Council

The Committee considered the Audit Completion Report of the External Auditor relating to Durham County Council for the year ended 31 March 2015 (for copy see file of Minutes).

Catherine Banks, Mazars presented the report to the Committee and circulated a letter for the information of the Committee which provided an update on outstanding matters and conclusions reached on the audit since the report was circulated to the Committee (for copy see file of Minutes).

Ms K Larkin-Bramley asked if the issue with garages would impact on next year's financial statements. The Assistant Finance Manager - Corporate Finance advised that this would make a big impact on the 2015/16 accounts but assured the Committee that the Assets Team had all garages included in a registered system

Resolved:

1. That the Annual Governance Report of Mazars be noted.
2. That the letter of representation be approved.

6 Audit Completion Report 2014/2015 - Pension Fund

The Committee considered the Audit Completion Report of the External Auditor relating to Durham County Council Pension Fund for the year ended 31 March 2015 (for copy see file of Minutes).

Catherine Banks, Mazars presented the report to the Committee and circulated a letter for the information of the Committee which provided an update on outstanding matters and conclusions reached on the audit since the report was circulated to the Committee (for copy see file of Minutes).

Referring to the material misclassifications in section 4 of the report, the Corporate Director, Resources explained that last year was unusual for the Service in that they changed from 1 global equity manager to three. The Committee were assured that although a lot of work needs to be carried out in this area, that work was progressing.

Resolved:

1. That the Annual Governance Report of Mazars be noted.
2. That the letter of representation be approved

7 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).

Further to the meeting of 27 July 2015, the Strategic Manager Service Support, Children and Adults Services informed Members that there had been only one previous version of the document when CAS was established and had been very light touch. He assured Members that the document had been approved by CAS Management and Corporate Management Team and consultation had taken place with the three Cabinet Portfolio holders. He stressed that benchmarking had proved difficult as it was not a statutory document however, they did look at 8 other local authorities and assessed the inspection outcomes before and after the new guidelines were introduced. It had been found that the regime included much harder inspections and improvements that were required had been highlighted.

The Strategic Manager Service Support advised that there was an imminent Ofsted inspection due and it would be helpful for them to see the document.

Councillor L Armstrong asked if this should be approved by Scrutiny before the Audit Committee, and mentioned that Scrutiny was referred to on page 1 of the document. The Strategic Manager Service Support advised that Scrutiny are informed of plans and strategies but that it was not necessary for this document to be reported to them. The Chief Internal Auditor and Corporate Fraud Manager added that as this was a governance document the best avenue was for the Audit Committee to see it. He assured Members that Scrutiny would have sight of plans and strategies.

Resolved:

That the report be noted.

8 An Introduction to the Pension Fund

The Committee received a presentation from the Strategic Finance Manager - Corporate Finance that gave an introduction to the Pension Fund (for copy see file of Minutes).

The Strategic Finance Manager - Corporate Finance gave a detailed presentation that highlighted the following:-

- Legal Framework
- Pension Fund in Context
- Pension Fund Committee
- Local Pension Board
- LGPS Benefits and Administration
- Active Members
- Membership Summary
- Valuation
- LGPS Benefit Structure
- Pension Fund Investments
- Management Arrangements

- Statement of Investment Principles
- Funding Strategy Statement
- Review of Management Arrangements

Referring to a question about Dynamic Asset Allocation from Councillor L Armstrong, the Strategic Finance Manager explained that as it can take a long time to move assets we have a manager who looks after a wide range of assets, including equities, bonds and property. They have the flexibility to move funds more quickly.

The Chairman asked about the risk profile and he was informed that managers will assess risks before any movements and that they work within the risk profile.

Members were advised that the Pension Fund had a separate remit and role to procure, from that of the County Council, that was best for their members and that they have their own asset allocation to follow.

The Chairman thanked the Strategic Finance Manager for her presentation.

Resolved:

That the presentation be noted.

9 Annual Governance Statement for the year April 2014 to March 2015

The Committee considered a report of the Corporate Director, Resources that sought approval of the final Annual Governance Statement to be published as part of the Council's audited Statement of Accounts 2014/15 (for copy see file of Minutes).

Resolved:

That the final Annual Governance Statement be approved as part of the Council's audited Statement of Accounts 2014/15 and the amendments made to the draft Annual Governance Statement as reported to Council be noted.

10 Internal Audit - CIPFA Benchmarking Analysis

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which presented a summary of findings from the Chartered Institute of Public Finance and Accountancy (CIPFA) 2015 benchmarking group exercise for the Internal Audit Service (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager informed the Committee that a good set of comparators had been from authorities of a similar size to Durham. He said that it was important to note that the focus was about ensuring the service was fit for purpose. In relation to sickness absence he advised that significant improvements had been made over the last months and was hopeful of a positive outlook for 2015/16 and beyond.

In relation to training he advised that there were many opportunities given to staff with 2 employees studying for their Institute of Internal Auditor (IIA) qualifications,

one of which qualified in the Summer. He was pleased to inform the Committee that the IT Trainee Auditor had passed his final exams and would take up the post of Principal IT Auditor from 1 October 2015.

Ms Larkin-Bramley said that the figures were really good and that it was encouraging to hear that the IT Trainee Auditor had qualified. She asked if junior members of staff would receive any training and was advised that employees had been asked if they wanted to take up the opportunity of taking up the trainee position.

Councillor L Armstrong asked why there always seemed to be a different comparative local authority group used and was informed that it depended upon which local authorities buy into different questionnaires.

Resolved:

That the report be noted.

11 Internal Audit Progress Report for the quarter ended 30 June 2015

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period April to June 2015 (for copy see file of Minutes).

The Audit and Fraud Manager highlighted the movements in the plan, removed audits and unplanned reviews added to the plan. The service had completed 23% of the total plan, and were on target. The Committee were advised that there were no draft audit reports outstanding and that 96% of actions had been implemented. New to the report were results of the Service groupings response rate, and although there was only a 40% return, the service had scored on average 4.9 out of 5. There had been one audit finalised in the quarter that had been given a limited assurance opinion.

Ms K Larkin-Bramley asked if the Committee would receive reports on fraud and if the service promoted fraud awareness. The Chief Internal Auditor and Corporate Fraud Manager advised that the Committee receive 6 monthly reports, with the next one due in November. With regards to promoting fraud awareness, he advised that the Committee were presented with the Confidential Report Code and Whistleblowing Policy in June 2015.

Resolved:

- (i) That the amendments made to the 2015/2016 Annual Audit Plan, be noted.
- (ii) That the work undertaken by Internal Audit during the period ending 30 June 2015 and the assurance on the control environment provided, 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.

12 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 item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the said Act.

13 Internal Audit Progress Report for the quarter ended 30 June 2014

The Committee considered Appendices 5 and 6 of the report of the Chief Internal Auditor and Corporate Fraud Manager which detailed the actions agreed by managers in response to internal audit recommendations that were outstanding (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.

Resolved:

That the report be noted.