

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Monday 30 November 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 and O Temple

**Co-opted Members:**

Mr T Hoban and Ms K Larkin-Bramley

**1 Apologies for absence**

Apologies for absence were received from Councillors J Robinson and W Stelling

**2 Minutes**

The minutes of the meeting held on 30 September 2015 were agreed and signed by the Chairman as a correct record, with the amendments on page 2, items 5 and 6, that the Annual Governance Report of the Audit Commission be changed to Annual Governance Report of Mazars.

**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 Whole of Government Accounts - Implications for Technical Services**

The Committee received a presentation from the Head of Technical Services, Neighbourhood Services about the Whole of Government Accounts - Implications for Technical Services (for copy see file of Minutes).

The Head of Technical Services advised that Technical Services produce an annual valuation of the highway asset for the Whole of Government Accounts and highlighted the following:-

- Process
- Implications
- Issues and Risks

- Transport Asset Management Plan (TAMP)
- TAMP Valuation
- TAMP Investment Levels

Ms K Larkin-Bramley asked if the inventory cost was the same as the market value regarding the Valuation of the Capital Asset. The Head of Technical Services advised that it was exactly the same and that the assets when re-valued as at 31 March were based on local Durham rates. He added that there could be fluctuation but that it would be picked up. The Assistant Finance Manager, Corporate Finance said that the Asset Register was based on historic costs in the accounts. Ms Larkin-Bramley asked if it was a new accounting treatment and was advised that it was.

With reference to street lighting, Councillor C Carr asked if the replacement columns had a major effect as some columns would have still had life left in them. He was advised that it had had an impact on the valuation but was not major. The Chairman asked what was included and was advised that the definition was inclusive of all assets from highway verge to highway verge.

Ms Larkin-Bramley was informed that the inventory remains reasonably static with changes from new developments with the occasional asset being deleted.

Councillor C Carr asked if bridges were included in the valuation, especially given the recent work carried out on Milburngate Bridge as would be a huge asset to hold. The Head of Technical Services confirmed that they were and the work carried out at Milburngate would be fed into the next financial year's budget.

Referring to the budget Councillor C Carr asked how much was received from the government and how much was met from capital. The Head of Technical Services advised that the DoT funding, including LTP and pot hole funding was £14.2m and DCC topped up with additional capital funding of £5.4m.

The Corporate Director, Resources said that the Council does give high priority to highways maintenance and that significant resources are added to it from the County Council Budget. He reported that although a lot of work had gone into the bidding process for top slicing of the formula grant, it had been a huge disappointment not to receive anything from the bid. He added that it would be flagged up in the spending review and that there would be potholes funding working through the system. The Head of Technical Services explained that the share of national funding was roughly 1% and had a huge impact on the Council.

Councillor O Temple said that looking at the figures there appears to be a shortfall every year of £4m and asked if this implied a decline in the standard. The Head of Technical Services advised that this was the case for every authority and depended upon funding from the DoT. Councillor L Armstrong asked if the actual maintenance backlog add £4m each year and was advised that the figures were based on long term averages. The condition data was calculated on a 4 year cycle and milder weather meant less deterioration.

Ms K Larkin-Bramley asked if there was a separate inventory list and was advised that there was a detailed database for highways. The new system would use

accredited national systems. The Assistant Finance Manager, Corporate Finance added that the list was based on historical costs and the new system would become live in 2017/18.

With regards to valuations, Ms Larkin-Bramley asked if they were carried out internally and was informed that the CIPFA guidance was followed and that there had been a move to local rates.

Councillor C Carr said that the 30 years figure provided in the CIPFA guidance was a long period of time for highways, especially when the surface of a road would break up after 22-25 years. The Head of Technical Services said that the 30 year model did not mean that the asset only would be replaced after 30 years. It also included periodic replacement based upon a prioritisation criteria. He added that it was imperative to inspect and that highways were constructed to an adoptable standard.

The Chairman thanked the Head of Technical Services for his detailed and informative presentation.

## **5 Annual Audit Letter 2014/2015**

The Committee received the Annual Audit Letter 2014/15 from Mazars summarising the 2014/15 audit of Durham County Council and Durham County Council Pension Fund (for copy see file of Minutes).

Mr C Waddell, Mazars advised that all deadlines had been met and an unqualified opinion had been issued for both the County Council and Pension Fund Accounts. He added that robust arrangements were in place with regards to value for money.

The Committee were advised that Mazars had signed off and closed the whole of government accounts (WGA) on the same day as the accounts, and that the certificate had been issued.

Mr Waddell informed the Members that he would give a presentation at the next meeting about the Value for Money conclusion, as they moved to one overall criteria, including partnership working.

### **Resolved:**

That the contents of the letter are noted.

## **6 Strategic Risk Management - Progress Report for the quarter ended 30 September 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 July to September 2015 (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager informed the Committee that there were 26 strategic risks with the addition of two and the removal of three

since the last report. He brought to Members attention information about the risks contained within the Community Risk Register detailed in paragraph 8 of the report.

**Resolved:**

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

## **7 IT Audit Review Completed by Mazars**

The Committee considered a report of the Technical Services Manager, ICT Services that gave an update on the recent audit completed by Mazars of the general controls relating to the authority's financial/pension IT systems (for copy see file of Minutes).

The Technical Services Manager summarised the findings and actions carried out. He advised that to date, all of the recommended actions had been completed with the exception of the testing of systems and replacement of equipment at Tanfield. There had been a delay on works due to the introduction of a solar farm next to the depot.

Councillor C Carr asked who had agreed the overall review and was advised that it had been signed off by the ICT Senior Leadership Team.

Councillor L Armstrong referred to the system recovery arrangements and the back up arrangements with Sunderland City Council. He understood that we had undertaken testing but asked how confident we were that Sunderland could do the same. The Technical Services Manager advised that the arrangements were independent of the Council and that we rent space from Sunderland City Council with 24 hour access to the building, power supply and equipment.

Referring to the review Councillor O Temple said that it had been very thorough and asked why the number of generic accounts were so high compared to the number of employees. The Technical Services Manager said that they were not attributable to a person as they relate to machines rather than the employee. Councillor Temple asked where the risk would lie with this and was advised that it was monitored as you could not track the system to a person.

Mr T Hoban asked about the programme for protecting the UPS and was advised that it was tested on a monthly basis and that there were three generators at Tanfield. The Technical Services Manager explained that the system had been in place for 8 years with a review to replace in the New Year.

Councillor J Rowlandson referred to the back-up plan and asked why there was still no date about the full check of the system. He was informed that it was programmed. The Chairman asked that concerns were taken back to the team but did understand that works had been put back work due to electrical work.

Mr C Waddell, Mazars informed the Committee that the review was carried out as part of the core audit with a focus on ICT Systems. He added that it had been a big piece of work, updating assessments from the 2015/16 audit testing any changes

and controls. Any weaknesses found had been followed up and the Chief Internal Auditor and Corporate Fraud Manager said that Internal Audit had found the same issues as Mazars.

The Chairman said that it was a positive report with a lot of work carried out.

**Resolved:**

- (i) That the report and appendices are noted.
- (ii) That the actions be added to the ICT Services Audit Action Log and monitored as part of the regular service management team meetings on a monthly basis, be noted.

**8 Framework for Delivering Good Governance in Local Government**

The Committee considered a report of the Corporate Director, Resources that informed of a consultation by CIPFA and SOLACE on their revised Framework for Delivering Good Governance in Local Government and that presented, for information, the County Council's response to the consultation, which was sent on 28 September 2015 (for copy see file of Minutes).

**Resolved:**

That the report be noted.

**9 Work of the Audit Committee - Report to Council**

The Committee considered report of the Audit Committee which covered the period February to September 2015 and would be presented to the County Council at its next meeting in accordance with best practice guidelines (for copy see file of Minutes).

**Resolved:**

That the draft report be agreed and reported to the meeting of the County Council being held on 9 December 2015.

**10 Internal Audit Progress Report for the quarter ended 30 September 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 July to September 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 47% 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. Improvements had been made to the Service groupings response rate, with an average score of 4.4 out of 5. No audits finalised in the quarter that had been given a limited assurance opinion.

Councillor M Davinson noted the survey response rates and asked if CAS were aware of the targets as were slightly lower than the other areas. The Chief Internal Auditor and Corporate Fraud Manager advised that they were liaising a lot more closely with the schools with e-mails sent to all head teachers. Councillor Davinson recommended that any Members who sit on governing bodies could pass the message on.

**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 September 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.

**11 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.

**12 Internal Audit Progress Report for the quarter ended 30 September 2015**

The Committee considered Appendix 5 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).

**Resolved:**

That the report be noted.

**13 Overdue Audit Recommendations**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the overdue internal audit recommendations ( for copy see file of Minutes).

**Resolved:**

That the recommendations contained within the report be approved.

**14 Protecting the Public Purse - Activity Update as at 30 September 2015**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager that provided an update on the Council's counter fraud activity as at 30 September 2015 (for copy see file of Minutes).

**Resolved:**

That the recommendation contained within the report be approved.