

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Thursday 30 June 2016 at 10.00 am**

**Present:**

**Councillor E Bell (Chairman)**

**Members of the Committee:**

Councillors J Rowlandson (Vice-Chairman), C Carr, J Carr, M Davinson and J Robinson

### **1 Apologies for absence**

Apologies for absence were received from Councillors L Armstrong, W Stelling, O Temple and Mr C Robinson.

### **2 Minutes of the meeting held on 17 May 2016**

The minutes of the meeting held on 17 May 2016 were agreed and signed by the Chairman as a correct record.

There were no matters arising

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

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

### **4 Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2016 - Report of the Interim Corporate Director, Resources**

The Committee considered a report of the Interim Corporate Director, Resources regarding whether the Council should be considered as a 'going concern' organisation and whether the Council's Annual Accounts should be based on that basis (for copy see file of Minutes).

Councillor Robinson referred to Paragraph 10 of the report which showed the Net Assets of the Council had reduced from £1.2bn in 2009 to £466m in 2015 and asked whether this was as a result of austerity. The Finance Manager, Revenue/Capital replied that up to the end of March 2016 Net Assets had increased to £568m. The Transfer of Housing Stock and fluctuations in pension fund liability were significant transactions and were the reason for the reduction in Net Assets as

shown. Councillor Carr informed the Committee that the reassessment of the pension fund which was due this year could also have an impact.

Mr Beavis congratulated the Council on identifying savings from the outset, which had been achieved through efficiencies without impacting on frontline services. He asked, however, whether the impact of further austerity had been identified.

Councillor Bell replied that this was an ongoing situation which was closely and regularly monitored within the organisation.

Mr Beavis asked what the impact of the recent EU Referendum result might be. The Interim Corporate Director of Resources replied that the Council had a three year Medium Term Financial Plan which provided annual forecasts and was regularly monitored. The Plan identified cost pressures and impacts of government funding reductions and had accurately forecasted grant reductions. Detailed proposals for the forthcoming year were considered by Cabinet as well as indicative proposals for future years, and consultation on detailed proposals was carried out. Work on proposals for 2017/18 was currently being undertaken, but when the MTFP was prepared in February the result of the Referendum was not anticipated. More clarity around the impacts of the Referendum result should be known around September when a new government was in place, but it was forecast that the financial situation for local government would not improve with more austerity expected.

**Resolved:**

That the Council should be considered as a going concern and that the Statement of Accounts should be prepared on that basis.

**5 Annual Audit Opinion and Internal Audit Report 2015 / 2016 - Report of the Chief Internal Auditor and Corporate Fraud Manager**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which provided the Chief Internal Auditor and Corporate Fund Manager's assurance opinion on the adequacy and effectiveness of the Council's internal control environment and presented the Annual Internal Audit Report for 2015/16 (for copy see file of Minutes).

Councillor Carr referred to the potential payroll migration to Oracle and asked whether the Chief Internal Auditor and Corporate Fraud Manager had an assurance that this would work. The Chief Internal Auditor and Corporate Fraud Manager replied that Phase 1 of the proposal was to consider whether Oracle was the 'best fit' for this and work was ongoing on this project.

**Resolved:**

That the content of the Annual Internal Audit Report and the overall 'moderate' opinion provided on the adequacy and effectiveness of the Council's Internal Control environment for 2015/16 be noted.

**6 Draft Annual Governance Statement 2015 / 2016 - Report of the Interim Corporate Director, Resources**

The Committee considered a report of the Interim Corporate Director, Resources, which sought approval of the draft Annual Governance Statement for 2015/15 (for copy see file of Minutes).

**Resolved:**

That the first draft of the Annual Governance Statement for 2015/16 be approved.

**7 External Audit - Progress Report - Report of External Auditor**

The Committee noted a report of the External Auditor which provided details of progress on the external audit of Durham County Council to date (for copy see file of Minutes).

C Waddell of Mazars informed the Committee that there were no significant issues to report. With the receipt of the draft financial statements the audit would move into the final fieldwork phase, the culmination of which would be the Audit Completion Report which would be presented in September 2016.

**Resolved:**

That the contents of the external auditor's progress report be noted.

**8 Exclusion of the public**

**Resolved:**

That under Section 100A(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 paragraphs 2 and 3 of Schedule 12A to the said Act.

**9 Protecting the Public Purse - Annual Report 2015/16 - Report of the Chief Internal Auditor and Corporate Fraud Manager**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Protecting the Public Purse Update Report for 2015/16 (for copy see file of Minutes).

The report provided an update on the following:

- The work of the Corporate Fraud Team.
- Action taken to raise awareness of the risk of fraud and corruption to assist in embedding a strong counter fraud culture throughout the organisation.
- Reported cases of potential fraud and irregularity reported during 2015/2016.
- Proactive Counter Fraud work completed.
- Progress on the Council's participation in the National Fraud Initiative (NFI) 2014 / 2015
- Fraud Reporting
- Fraud Training
- Use of resources on proactive counter fraud initiatives and counter fraud investigations

**Resolved:**

That the contents of the Annual Protecting the Public Purse Update Report 2015/16 including:

- The work carried out by the Corporate Fraud Team.
- The actions taken to improve the awareness and the arrangements in place for managing the risk of fraud and corruption.
- Cases of potential internal corporate fraud and irregularity reported to internal audit and ongoing investigations.
- Corporate Fraud Team numbers and values of Fraud and Irregularity identified for 2015/16.
- CIPFA The Local Government Counter Fraud and Corruption Strategy 2016-2019 and Companion document

be noted.