

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 2, County Hall, Durham on **Friday 29 July 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 O Temple

Co-opted Members:

Mr D Beavis and Mr C Robinson

1 Apologies for Absence

An apology for absence was received from Councillor L Armstrong.

2 Minutes of the meeting held on 30 June 2016

The minutes of the meeting held on 30 June 2016 were confirmed as a correct record and signed by the Chairman.

3 Declarations of interest, if any

Councillor C Carr declared an interest as a Member of the Combined Fire Authority – Audit and Risk Committee.

4 2015/2016 Final Outturn for General Fund and Housing Revenue Account

The Committee considered a report of the Interim Corporate Director Resources which provided details of the final outturn for the General Fund, Housing Revenue Account (HRA) and Collection Fund for 2015/16 (for copy see file of minutes).

Councillor Temple raised a query regarding the Housing Revenue Account and monies accrued. In response the Interim Corporate Director advised that this was as a result of prudent management of borrowing against the stock transfer and debt repayment. It was further noted that surplus funds were allocated to the general fund reserve where not all capital expenditure had been utilised during the year.

Resolved:

That the content of the report be noted.

5 Treasury Management Outturn 2015/2016

The Committee considered a report of the Interim Corporate Director Resources which provided details of the Annual Treasury Management Review and final outturn on treasury management activities for 2015/16 (for copy see file of minutes).

Councillor Davinson in referring to paragraph 15 of the report and rate returns on total investments, asked why this rate was higher than that seen on pension return rates. The Finance Manager advised that the rate was slightly higher due to the fact that the investments were over a longer term and attracted a higher rate of interest. It was noted that this rate was provided on cash only.

Councillor Bell commented that he was aware that banks could now impose charges up to 0.25% on savings. In response the Interim Corporate Director advised that this applied to personal banking only and the council was already charged for transactions. Councillor Carr asked whether rates were fixed within the banking contracts. It was noted that this was the case.

Resolved:

That the content of the report be noted.

6 Statement of Accounts for the year ended 31 March 2016

The Committee considered a report of the Interim Corporate Director Resources which presented the Statement of Accounts for the year ended 31 March 2016 and highlighted significant issues arising from the accounts (for copy see file of minutes).

Councillor Temple raised a number of questions, the first relating to unused shares as highlighted on page 140 of the report. It was noted that a response would be provided following the meeting in this regard. He further raised queries regarding the reduction in the pupil premium grant, cost of exit packages and finally in relation to tribunal and court claims. In particular where detail regarding the associated costs could be located. In response the Interim Corporate Director Resources advised that detail relating to tribunal and court claim costs, is reported in the Cabinet Outturn reports where they would be shown against the relevant service grouping. It was further noted that there was no Code requirement to report this separately. Councillor Bell advised that he would further take up the points raised by Councillor Temple and report back to him with responses to each.

Councillor J Carr commented that it was concerning to see how low business rates had been during the year. In response the Finance Manager advised that rates were kept under review, however last years low figures could be attributed to the number of appeals which had been lodged. The Interim Corporate Director advised that during the year a number of speculative appeals had been lodged as a result of the new evaluation.

Resolved:

That the content of the report be noted.

7 External Audit - Progress Report July 2016

The Committee considered a report of the External Auditor which presented progress on the external audit of Durham County Council to date (for copy see file of minutes).

J Collins, Mazars advised that there had been 1 internal control recommendation made relating to, IT General Controls and signing off the final “go live” approval. It was noted that this recommendation had now been actioned. Overall, the audit had concluded that reliance could be placed on IT General Controls and was not considered of sufficient significance to have an impact on the financial accounts.

Mr C Robinson, Co-opted Member asked whether the system identified was data or financial. In response J Collins advised that they were mainly related to financial systems and the final stage showing lack of evidence at final approval. The Interim Corporate Director further clarified that the recommendation related to the end point of project closure and it had been found to be a general weakness across IT systems. This had been taken on board and was to be built in to future system upgrades.

Resolved:

That the content of the report be noted.

8 Compliance with International Auditing Standards

The Committee considered a report of the Chair of the Audit Committee which advised Members of a response that had been prepared relating to a letter sent from Mazars, the Council’s external auditor, regarding compliance with International Auditing Standards (for copy see file of Minutes).

Resolved:

That the response be noted.

9 Strategic Risk Management

The Committee considered a report of the Interim Corporate Director Resources which highlighted the strategic risks facing the Council and to give an insight into the work carried out by the Corporate Risk Management Group during the period April to June 2016 (for copy see file of Minutes).

It was noted that as at 30 June 2016, there were 26 strategic risks, the same number as at 31 March 2016.

Mr D Beavis, Co-opted Member raised a query regarding risks in meeting annual cuts and sustaining those cuts in light of Brexit. In response the Interim Corporate

Director advised that this was factored into the MTFP as a general risk and would continue to be a feature. Although cuts were becoming increasingly difficult to achieve, the council through robust financial planning were in a sustainable position whilst also having to face unprecedented demographic pressures.

Further discussion took place regarding the recent ICT issue. Councillor Bell added that the Council sought assurance that this type of issue would not reoccur. In response the Interim Corporate Director Resources advised that IT risks would continue to be picked up via risk reporting. It was however noted, that the particular issue referred to did demonstrate that the Business Continuity Plan did operate effectively. In addition work had been undertaken at Comeleon House to prevent any further reoccurrence of similar issues.

Councillor C Carr added that had been experiencing issues with loss of signal on council mobile phones and was aware that other members had experienced similar issues on a regular basis. The Interim Corporate Director advised that he would take this issue back for further investigation.

Mr C Robinson, Co-opted Member raised a query regarding third party IT and what assurances the council had from those suppliers that the systems were resilient in case of any downtime. Further discussion took place regarding internal and external providers and further reference was made to the business continuity plan and business critical systems. It was also noted that in the event of any major issue at one of the larger council owned sites, agile working practices ensured that employees could attend work at any other council building.

In conclusion Councillor Bell suggested that a seminar should be arranged for members to provide training on how to approach and deal with risk management.

Resolved:

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

10 Annual Review of the System of Internal Audit 2015/2016

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which provided members with the opportunity to comment of the Annual Review of the System of Internal Audit (for copy see file of Minutes).

Councillor Temple commented that he was pleased to learn that apprenticeships were being considered within the team. He added that this would ultimately mitigate risks associated with succession planning and business continuity.

Councillor C Carr commented that he was pleased to see such an improvement in the internal audit service and gave his compliments to the staff for their hard work in enhancing the reputation of the team. He further added that he was also pleased to

hear that staff were being trained up and that the level of expertise within the service had grown.

Resolved:

That the content of the report be noted.