

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1B, County Hall, Durham on **Thursday 30 November 2017 at 10.00 am**

Present:

Councillor J Rowlandson (Chairman)

Members of the Committee:

Councillors M Davinson and O Temple

Co-opted Member:

Mr C Robinson

1 Apologies for absence

Apologies for absence were received from Councillors E Bell, C Carr, J Carr, J Robinson, S Robinson and J Shuttleworth

2 Minutes

The Minutes of the meeting held on 29 September 2017 were agreed as a correct record and were signed by the Chairman.

3 Declarations of interest

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 Cyber Security

The Committee received a presentation from the Strategic Manager, Customer and Digital Services that gave an update on Cyber Security (for copy see file of Minutes).

The presentation highlighted the following:-

- The team who dealt with cyber security
- Recent developments -
 - Incidents – 1.3m attacks per week and 80k SPAM emails per week
 - Our stance – including regional and internal exercises
 - Business continuity – plan reviewed annually
 - ICT Architecture

- Compliance and standards
- Working with others
 - National and Regional Bodies
 - Cybercrime Task and Finish Group
 - DCC Business Continuity Board
- Ongoing and Future Work

The Strategic Manager advised of a phishing exercise sent to all members of staff. Councillor Davinson was advised that the service were aware of who had responded to the e-mail and members were assured that this was followed up.

With regards to school cyber security, members were informed by the Strategic Manager that a lot of work was carried out with the schools and that there were firewalls between us and them. They could access certain systems but required authentication details in order to use them. They would also receive copies of the phishing flyer to ensure they were fully aware of the dangers of e-mails.

Mr Robinson was assured that all standards were being complied with and that as standards changed so did the responses. He was advised that all of the checklists were of things that the authority should be doing and that constantly tested us.

The Corporate Director of Resources commented that there was a continuing need around culture and staff training to ensure that managers and their staff understood their responsibilities. He assured the Committee that there was loads of work being undertaken to improve the way we worked.

5 Co-opted Members to the Audit Committee

The Committee considered a report of the Corporate Director of Resources that advised of the recruitment process to be undertaken to fill the vacancy that had recently arisen (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager advised that the Committee had received the resignation of Mr David Beavis, co-opted member. It was proposed to fill the vacant post for the remaining period of the three year term due to expire on 30 April 2019, by means of a recruitment process.

Resolved:

- (i) That the recruitment process to be undertaken to fill the vacant co-opted member position be noted.
- (ii) That the Committee place on record the contribution of David Beavis for his service as co-opted members to the Audit Committee.

6 Annual Audit Letter 2016/2017

The Committee received the Annual Audit Letter 2015/16 from Mazars summarising the 2015/16 audit of Durham County Council and Durham County Council Pension Fund (for copy see file of Minutes).

Resolved:

That the contents of the letter are noted.

7 External Audit Progress Report - November 2017

The Committee received a report from the External Auditor that gave an update on progress on the External Audit report for Durham County Council (for copy see file of Minutes).

Mr Collins, Mazars informed the Committee that planning of the 2017/18 audit had commenced and that any emerging issues were being discussed with the finance team.

With regards to the Housing Benefit Subsidy Mr Collins informed the Committee that the work was complete and that the grant certification would be presented to the next meeting. He added that he was not aware of any significant changes.

Resolved:-

That the report be noted.

8 Update on the Local Code of Corporate Governance

The Committee considered a report of the Corporate Director, Resources that sought approval of the updated Local Code of Corporate Governance for inclusion in the Council's Constitution (for copy see file of Minutes).

The Risk, Insurance & Governance Manager highlighted the changes and advised that in order to make the document more reader friendly and accessible it was proposed to summarise the key points. He went on to explain that in order to provide continuous assurance senior management had agreed to provide feedback on governance issues during quarterly risk reviews rather than through an intense period between March and April each year.

Further to a discussion about making more information available to the public the committee were assured that the wording in the AGS would be clearer in terms of when this information would be available. The Chief Internal Auditor and Corporate Fraud Manager assured the committee that the information was gathered in a secure environment and feedback was received on when inspections and quality reviews took place. A level of judgement was then made about the level of reliance and a combined assurance opinion given.

Resolved:

That the revised Local Code of Corporate Governance be approved.

9 Strategic Risk Management - Progress Report for the quarter ended 30 September 2017

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 the period July to September 2017 (for copy see file of Minutes).

The Risk, Insurance and Governance Manager informed the Committee that there were 23 strategic risks and highlighted the key changes during this quarter. The new risk was the 'potential breach of the EU General Data Protection Regulations' which meant that the Council would be tightening data protection.

The Committee were advised that following the new risk last quarter of Cyber-crime a lot of work was taking place around the risk from third party providers as the Council did not know how affective these systems were.

Resolved:

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

10 Risk Management Process Review

The Committee considered a report of the Corporate Director of Resources that shared the findings of a review into the strategic risk management process to determine whether it was fit for purpose and to recommend options for the future reporting of risk (for copy see file of Minutes).

The Risk, Insurance and Governance Manager reported that currently risks were reported to the Committee four times per year however as it was not possible to evenly spread them due to the committee dates and recess periods it was proposed to move to three review reports per year. Members were assured that risks would continue to be managed and the Chairman and Vice-Chairman of the Committee would be appraised of any emerging risks in between meetings.

Resolved:

That Option 2 be approved and risks reported to Audit Committee three times per year.

11 Internal Audit Progress Report for the quarter ended 30 September 2017

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed Members of the work that had been carried out by Internal Audit during the period 1 April 2017 to 30 June 2017 as part of the 2017/2018 Internal Audit Plan (for copy see file of Minutes).

The Audit and Fraud Manager highlighted progress against the Plan for each Service Grouping, and informed Members of the amendments to the plan and the unplanned audit reviews in the quarter. The report also provided a summary of progress on actions due, implemented and overdue, and finalised audits that had been issued with a limited assurance opinion.

Resolved:

- (i) That the amendments made to the 2017/2018 Annual Internal Audit Plan be noted;
- (ii) That the work undertaken by Internal Audit during the period ending 30 September 2017 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

Resolved:

That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A of the Act.

13 Internal Audit Progress Report for the quarter ended 30 September 2017

The Committee considered the report of the Chief Internal Auditor and Corporate Fraud Manager which presented the appendices in the Internal Audit Progress Report referred to in Part A of the Agenda (for copy see file of Minutes).

Members were advised that there were five audits finalised in the quarter that had been issued with a limited assurance opinion.

Following concerns raised at the last meeting the Committee received updates and assurances on outstanding actions from the Head of Commissioning, the Sustainable Transport Manager, the Parking and Transport Infrastructure Team Leader, the ICT Services Support Manager, the Senior Project Manager and the Finance Manager for Resources.

Resolved:

That the content of Appendices 6 and 7 be noted, and the proposed actions in respect of the overdue areas as outlined, be agreed.

14 Protecting the Public Purse - Activity Update as at 30 September 2017

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 2017 (for copy see file of Minutes).

Resolved:

That the recommendation contained within the report be approved.

15 Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration

The Chairman of the meeting read out a statement from the Chairman of the Audit Committee in relation to an investigation carried out by the Corporate Director of Resources and the Chief Internal Auditor and Corporate Fraud Manager.

The Corporate Director of Resources presented details of the investigation together with the outcome.

Resolved:

That the outcome of the investigation be noted.