

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1B - County Hall, Durham on **Friday 28 June 2019 at 11.00 am**

Present:

Councillor E Bell (Chair)

Members of the Committee:

Councillors J Rowlandson (Vice-Chair), C Carr, J Clark, B Kellett, J Nicholson and O Temple

Co-opted Members:

Mr I Rudd

1 Apologies for absence

Apologies for absence were received from Councillors J Robinson, J Shuttleworth and Mr C Robinson

2 Minutes

The minutes of the meeting held on 31 May 2019 were confirmed as a correct record and signed by the Chairman.

3 Declarations of interest

Declarations of interest were provided by Members. 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 Quarter 4 2018/19 Health, Safety and Wellbeing Performance Report

The Committee received a report from the Resources Health, Safety and Wellbeing Strategic Group that provided an update on health, safety and wellbeing performance for quarter four of 2018/19 (for copy see file of Minutes).

The Occupational Health and Safety Manager highlighted the key areas of the report including:

- Enforcement Body Intervention & significant incidents
- Fire Safety Audits
- Fire Incidents
- Fire Inspections
- Occupational Health Service
- Health and Safety Team Audit & Inspections
- Open Water Safety
- Employee Mental Health and Wellbeing
- Potentially Violent Persons Register (PVPR)

The statistical information within the report showed a positive reduction in RIDDOR specific injury related accidents and that the overall figures for all accidents remained static.

Councillor Carr was pleased with the reduction in RIDDOR related accidents and that mental health was recognised for employees.

Further to a question from Councillor Temple about the PRVR register, the Occupational Health and Safety Manager explained that an individual was on the register for a period of 12 months and provided that there was no repeated behaviour they would be removed. This was dealt with on a case by case basis. The Litigation Manager, Resources advised that there was a mechanism in place for those individuals who wanted to appeal being placed on the register.

Councillor Clark was informed that with regards to the two year pilot for early intervention and improving musculoskeletal health and wellbeing to reduce sickness absence, there was another 6 months until completion after which anecdotal evidence would be shared.

Resolved:

That the report be noted.

5 Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2019

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

The Finance Manager - Strategic Finance referred to the net assets of the Council for the last five years and assured members that the external auditor had provided a value for money conclusion at the year end about the use of resources.

With reference to paragraph 16 of the report, Councillor Carr pointed out that he had never see the value of plant increase. The Finance Manager explained that for accounting purposes plant was grouped together with property and equipment and detail of the breakdown would be provided for information.

Councillor Kellett requested further details on depreciation.

Resolved:

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

6 Annual Review of the Effectiveness of Internal Audit 2018/2019

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).

The Chief Internal Auditor and Corporate Fraud Manager reported that the review found the structure and resourcing level satisfactory. The service had employed two apprentices who were working well within the team.

Councillor Carr was delighted with the introduction of the apprentices.

Further to a question from Councillor Temple, the Chief Internal Auditor and Corporate Fraud Manager explained that the feedback from schools was improving due to chasing up sooner rather than at the end of each quarter.

Resolved:

That the content of the report be noted.

7 Protecting the Public Purse Annual Report 2018/2019

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Protecting the Public Purse Update Report for 2018/19 (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 2018/2019.
- Proactive Counter Fraud work completed.
- Progress on the Council's participation in the National Fraud Initiative (NFI) 2018/2019
- Fraud Reporting
- Fraud Training
- Fraud Awards

The Chief Internal Auditor and Corporate Fraud Manager informed the committee that the number of referrals over the past four years had resulted in £4.6 million in

savings and was as a result of partnership working. This figure was currently standing at £5.1 million. He was also pleased to report that the Corporate Fraud Team had won an 'Acknowledge' award at the Fighting Fraud and Corruption Locally awards ceremony in March 2019 and were shortlisted for the IRRV Performance Awards.

The Chairman congratulated the staff from the Corporate Fraud Team who were very pro-active in the approach and had saved over £5 million.

Further to questions from Mr Rudd, the Chief Internal Auditor and Corporate Fraud Manager explained that the tenancy fraud type was to investigate if the right to buy had been applied incorrectly and to look at the issue of abandonment which would allow social housing to be kept in the system. He added that the team were not looking at unpaid rent as this was the responsibility of the housing provider.

Resolved:

That the contents of the report be noted.

8 Annual Internal Audit Opinion and Internal Audit Report 2018/2019

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 2018/19 (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager confirmed that he had given a moderate overall assurance opinion for 2018/19. He advised that although a moderate opinion had been given that this as seen as positive whilst recognising the transformation agenda for the Council that was harmonising work practices. Members were also advised that there were 10 Limited Assurance audit opinions given during the year, which was a decrease in last years figures.

Councillor Temple asked if it was possible to move forward to reach a substantial opinion. The Chief Internal Auditor and Corporate Fraud Manager said that with an organisation this size and diverse that it would be difficult. He assured members that feedback was received from Ofsted, the CQC and the External Auditors before reaching a final decision.

Referencing Ofsted, Councillor Clark asked if it would be possible to have scope for some areas to be shown as substantial so that a true picture could be seen for the service areas that were doing really well.

The Chief Internal Auditor and Corporate Fraud Manager assured members that some areas were substantial, such as the Key Financial Systems. This gave some reliance and meant that focus could be shifted elsewhere as this removed the need to audit as often.

Councillor Carr asked that were a service area was failing could the Chief Officer be invited along to explain what they were doing to put things right. The Chief Internal

Auditor and Corporate Fraud Manager said that this was planned for future meetings.

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 2018/19 be noted.

9 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.

10 Statement of Accounts for the year ended 31 March 2019

The Committee considered a report of the Corporate Director of Resources which presented the Statement of Accounts for the year ended 31 March 2019 (for copy see file of Minutes).

The Finance Manager - Strategic Finance reported that stage one had been achieved by the deadline of 31 May 2019 and the accounts were now in the public inspection period until 12 July 2019, with the final set of accounts coming back to Audit Committee on 31 July 2019 for approval.

She went on to highlight the five core statements, the general reserves and the earmarked reserves. With reference to the Pension Fund accounts she reported that the External Auditor had found no material errors with the exception of the national issue around the McCloud judgement regarding age discrimination on pension payments. She assured members that advice had been sought from the Pension Fund Actuary and CIPFA. The External Auditor had met with the National Audit Office and advice had been for this to be included within the figures in the accounts for 2018/19. The Pension Fund Actuary had been asked to undertake further detailed calculations.

For further background, Mr Collins from Mazars, advised that the Supreme Court had upheld a decision on the McCloud issue and that this would have an affect across the public sector for perceived age discrimination with an obligation to correct any wrong doings. Audit firms have been tasked with requiring their clients to demonstrate the effect would not be material on the Pension Fund Liability. A piece of work had been commissioned to show what the impact would be and to provide an estimate. Therefore, there was an obligation to demonstrate that there was enough evidence that a reliable estimate could be made. An assurance on the work carried out in line with expectations would be required.

Mr Collins reported a further issue with the Pension Fund Accounts was with regards to gender discrimination. Although not as significant an issue in terms of the accounts, the Council was asked to demonstrate no material liability.

Mr Rudd asked if it was possible to highlight the changes in the accounts from year to year. He also asked what the Council were measuring against with regard to savings. The Corporate Director of Resources explained that the savings were measured against the original budget, set in February 2019.

Councillor Temple was advised that the schools reserve was also included in the total figure of reserves. Councillor Temple went on to ask about the changes to the MRP Policy and was informed by the Corporate Director of Resources that re-paying debt would be done in a different way and that the period for MRP would be extended. He added that this was included in the budget from 2019/20 but showing as an overspend from previous years however this years budget had not reflected that.

Councillor Temple enquired about which assets had been reclassified to/from held for sale and further details will be provided following the meeting.

Resolved:

That the draft statement of accounts for the County Council for the financial year ended 31 March 2019 be noted.

11 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.

12 Protecting the Public Purse - Annual Report 2018/19

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Protecting the Public Purse Update Report for 2018/19 (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager referred members to the cases of potential internal fraud reported and the ongoing investigations.

Resolved:

That the report be noted.