

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in **Committee Room 1B - County Hall, Durham** on **Wednesday 31 July 2019 at 10.00 am**

Present:

Councillor J Rowlandson (Chair)

Members of the Committee:

Councillors C Carr, J Clark, B Kellett, J Nicholson, J Robinson, J Shuttleworth and O Temple

Co-opted Members:

Mr C Robinson and Mr I Rudd

1 Apologies for absence

An apology for absence was received from Councillor Bell.

2 Minutes

The minutes of the meeting held on 28 June 2019 were agreed as a correct record and signed by the Chair.

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 2018/2019 Final Outturn for the General Fund and Collection Fund

The Committee considered a report of the Corporate Director of Resources which provided details of the final outturn for the General Fund and Collection Fund 2018/19 (for copy see file of minutes).

The Corporate Director of Resources reported that the gross budget was £1.4 billion and that the pressures in Children and Young People's services continued to be a national problem. He said that some local authorities were showing signs of financial stress. He advised that the revenue budget was positive with a net cash limit underspend of £3.3 million plus an overachievement of core government grant and underspend of £7.8 million

on all other budgets. He assured members that the council were in a good position going forward but that challenges would be faced later in the year once the settlement agreement was known.

Referring to the underspend from Heads of Service, Councillor Shuttleworth commented that the terminology used for each was similar.

Councillor Robinson referring to paragraphs 50 and 51 of the report about top slicing of the schools Dedicated Schools Grant for special educational needs (SEN), informed the committee that the School's Forum had not supported this approach. The Corporate Director of Resources confirmed that a number of discussions had taken place around the SEN budget as the pressures in schools continued and was not reflected in government funding. He added that the council had a good working relationship with the School's Forum.

In response to a question from Councillor Temple about schools converting to academies, the Corporate Director of Resources advised that there were still ongoing discussions about the schools wishing to transfer.

Councillor Carr congratulated the Corporate Director and his team for managing and balancing the budget and sustaining some reserves.

Resolved:

That the report be noted.

5 Treasury Management Outturn 2018/2019

The Committee considered a report of the Corporate Director Resources which provided details of the Annual Treasury Management Review and final outturn on treasury management activities for 2018/19 (for copy see file of minutes).

The Corporate Director of Resources reported that the year-end borrowing position was held at £311m. He advised that there was some uncertainty in terms of interest rates but that rates remained low. He added that the Council's balance sheet was strong and that future borrowing had been agreed. All investments had been made in line with the CIPFA code of practice and balances had been managed well.

Resolved:

That the report be noted.

6 Audit Completion Report 2018/2019 - Durham County Council

The Committee considered a report of the External Auditor which asked Members to note the contents of the External Auditor report on the audit of the statement of accounts for the County Council for the year ended 31 March 2019 (for copy see file of Minutes).

Mr M Kirkham, Mazars introduced the report and was pleased that all deadlines on the conclusion of the accounts with the tight timetable had been met. Working papers were still of a high standard and he acknowledged good work involved in preparing documents and the good working relationships with management and officers of the council.

Mr Collins, Mazars highlighted the audit work carried out in relation to the completion of the accounts. He advised that assurances had been received regarding the significant risks. With regards to plant, property and equipment he advised that they were being pro-active this year to address issues as they arose and would continue to monitor. Questions would be raised in advance to ensure a smoother year. The updated figures from the pension fund actuary had been received and were satisfactory with no additional issues raised. He reported on the unadjusted misstatements and adjusted misstatements.

Councillor Temple asked if the liabilities transferred to a school when converting to an academy and should the academy fail would they revert to the local authority and was this realistic. Mr Kirkham was not in a position to answer this question.

Mr Collins explained that there was no further impact on the balance sheet due to the implementation of IFRS 16 and that there was a note in the accounts setting out future operating lease commitments, in response to a question from Councillor Temple.

In response to a comment from Councillor Shuttleworth about how the value of buildings affects the whole estate, Mr Collins explained that the calculation of depreciation identified used the gross book value and was charged lower than it should have been by £1.3m. He assured members that that this had no impact on the general fund as a consequence.

Resolved:

That the information contained in the report, including the summary of misstatements detailed in section 4 of the report, be noted.

7 Audit Completion Report 2018/2019 - Pension Fund

The Committee considered the Audit Completion Report of the External Auditor relating to Durham County Council Pension Fund for the year ended 31 March 2019 (for copy see file of Minutes).

Mr M Kirkham, Mazars reported that there were significant issues and highlighted two internal control recommendations.

Resolved:

- (i) That the adjustments to the financial statements be noted.
- (ii) That the letter of representation be approved

8 Annual Governance Statement for the year April 2018 to March 2019

The Committee considered a report of the Corporate Director of Resources which sought approval of the final Annual Governance Statement (AGS) to be published as part of the Council's audited Statement of Accounts 2018/2019 (for copy see file of Minutes).

Resolved:

That the final AGS included at Appendix 2 of the report, be approved.

9 Statement of Accounts for the year ended 31 March 2019

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

The Finance Manager – Strategic Finance reported that this was the second stage of the process that included the Pension Fund accounts. A small number of changes had been made since the June 2019 meeting and the significant errors had been reported by Mazars including improving the quality of the tables and adding more text when more explanation was required. There was a major change regarding the pension liability however this did not impact on the revenue position. The outturn position as reported when presenting the draft accounts had remained the same. General reserves were at £25 million, earmarked reserves at £226 million and Pension Fund assets at £31.3 million.

The Corporate Director of Resources thanked the team for preparing the accounts and for their approach to external audit.

Resolved:

That the Statement of Accounts for the Council for the financial year ended 31 March 2019, be approved.

10 Strategic Risk Management - Progress Report for 2019/20: Review 1 January 2019 - 31 May 2019

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 review 1 – 1 January 2019 to 31 May 2019 (for copy see file of Minutes).

The Risk, Insurance and Governance Manager informed the Committee that there were two new risks relating to Mountsett Crematorium and violence and aggression towards members and officers. He added that one risk had been removed from the register relating to homelessness reduction.

In response to a question from Mr Robinson about the ‘failure to protect’ risks in children and adults’ services, the Risk, Insurance and Governance Manager explained that measures were in place and that detailed assessments were carried out, including inspections from Ofsted. He assured members that good governance arrangements were in place. Mr Robinson suggested that the key risks schedule include that detail to give assurance.

Councillor Robinson was pleased to see that the council were putting an emphasis on the risk of employees and members security but asked if any advice had been given to parish councils. The Risk, Insurance and Governance Manager explained that these risks were applied to the County Council however he would find out with regards to the parish and town councils.

Resolved:

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

11 Work of the Audit Committee September 2018 to August 2019

The Committee considered report of the Chair of the Audit Committee that reflected the work undertaken which covered the period September 2018 to August 2019 and how the Committee continued to provide good governance across the Council (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 18 September 2019.