

# DURHAM COUNTY COUNCIL

At a **Remote Meeting** of **Audit Committee** on **Friday 25 September 2020** at **9.30 am**

**Present:**

**Councillor E Bell (Chair)**

**Members of the Committee:**

Councillors J Rowlandson (Vice-Chair), B Kellett, J Nicholson, J Robinson and O Temple

**Co-opted Members:**

Mr C Robinson and Mr I Rudd

## **1 Apologies**

Apologies for absence were received from Councillors C Carr and J Shuttleworth.

## **2 Minutes**

The minutes of the meeting held on 29 June 2020 were agreed as a correct record to be signed by the Chair.

Matters Arising:

With regards to minute no. 4, paragraph 5, the Head of Finance and Transactional Services confirmed that the current in year recovery rate was 51.6% compared to 53.52% last year at the same period. This was based on the position to week ending 13 September. As expected, a deficit on the collection fund was materialising and it was widening as the council moved deeper into the year. The level of arrears at the year end would be higher than in previous years and whether the council tax was subsequently recovered in the next financial year would need to be carefully considered at the end of the year when the collection fund was finalised in terms of provision for non-payment.

## **3 Declarations of interest**

There were no declarations of interest.

#### **4 2019/2020 Annual Health, Safety and Wellbeing Performance Report**

The Committee received an annual report of the Occupational Health and Safety Manager, which provided health, safety and wellbeing (HSW) performance for 2019/20.

Councillor Kellet referred to the data from the Employee Assistance Programme (EAP) activity and the increase in calls to the service, he asked whether there was any information on why 75.1% of the calls were from female members of staff. The Occupational Health and Safety Manager confirmed that females were more likely to seek help than males and combined with the workforce being predominantly female. There had been some targeted work to raise awareness but there was more work to do, however national figures confirmed that males were less likely to seek support due to associated stigma.

**Resolved:**

That the report be noted

#### **5 Quarter 1 2020/2021 Health, Safety and Wellbeing Performance Report**

The Committee considered a report of the Occupational Health and Safety Manager which provided an update on the Council's Health, Safety and Wellbeing (HSW) performance for Quarter one 2020/21 (for copy see file of minutes).

The Occupational Health and Safety Manager confirmed that the data covered was from a period which had been impacted by Covid 19.

C Robinson, independent member, referred to the recent lockdown measures across the region which were supported by the Local Authority and asked whether there was anything that could be done to support lifting the restrictions. The Occupational Health and Safety Manager confirmed that the arrangements were discussed regularly by Director of Public Health, CMT and Central Government, with consideration given to transmission and infection rates to determine the best course of action.

Councillor Robinson referred to a web link that Members were sent regularly in order to access up to date information and suggested that he be given access to this information.

**Resolved:**

That the report be agreed.

## **6 2019/2020 Final Outturn for the General Fund and Collection Fund**

The Committee received a report of the Corporate Director of Resources (for copy see file of minutes) which had been agreed by Cabinet in July 2020 and provided information with regards to;

- (a) final revenue and capital outturn for the General Fund for 2019/20;
- (b) final outturn for the Council's Council Tax and Business Rates Collection Fund for 2019/20;
- (c) use of and contributions to earmarked, cash limit and general reserves in year and the closing position regarding balances held at 31 March 2020.

Councillor J Robinson left the meeting at this point and did not return.

Councillor Temple referred to the number of schools with a deficit balance and was concerned that the number of schools in deficit had stayed the same as the previous year, and the deficit had risen by over £1.5m. He referred to the four schools with longstanding difficulties that were receiving additional support and queried whether those schools had reduced deficits or whether they had continued to rise.

The Finance and Transactional Services Manager confirmed that at least two of those schools had increased their deficits and one had reduced it. Of the four schools referred to, two had plans to academise this year and it was expected therefore that the deficit at the end of the financial year would be addressed. The other two would remain and continue to be supported going forward.

Mr I Rudd referred to the term 'cash limits reserves' which was a term used frequently throughout the report and asked for some further information. The Head of Finance and Transactional Services explained that it was not a statutory requirement to have cash limit reserves but it was not unique to Durham. He explained that this encouraged individual service groupings to manage their individual budgets over more than one financial year. Any underspend would be retained and held in an earmarked reserve for the services to use in future years, for example to meet one off costs that were unbudgeted and in addition it avoided services spending towards the end of the financial year for fear that their budgets would be reduced the following year if they were not seen to have spent it all. It promoted services to be self-sufficient and manage their own resources across the medium term.

### **Resolved:**

That the report be noted.

## **7 Treasury Management Outturn 2019/2020**

The Committee considered a report of the Corporate Director of Resources which provided information on the treasury management outturn position for 2019/20 (for copy see file of minutes).

Mr Rudd referred to the Council receiving 1.05% return on investments and paying out 3.42% on debt. He appreciated the amount of investments varied according to the year but asked if the Council did their best to minimise the difference between investment cost and the cost of borrowing.

The Head of Finance and Transactional Services confirmed that this is something that is regularly reviewed. It was not a simple equation of paying off loans at a higher rate of interest and taking out lower rated loans or having less investments to produce a budget positive position, as the Council would incur premiums or early redemption charges if it sought to repay loans early. The premiums that applied to redeem loans early were based on the difference between the loan you were looking to repay and the interest rates at the current time so that authorities could not take out low interest rate loans to pay off high interest rate loans.

Councillor Kellett asked for information on which local authorities the Council had invested in and the Finance Manager explained that other Local Authorities could approach the Council through brokers when short of cash and better rates of interest were being achieved through lending money on a short term basis to other local authorities than from investments in banks and building societies. She confirmed that she would share the identity of the individual authorities with him following the meeting.

**Resolved:**

That the report be noted.

## **8 Audit Completion Report 2019/2020**

The Committee received an Audit Completion Report for the year ending 31 March 2020 which provided a summary of all audit conclusions (for copy see file of minutes).

M Kirkham, Engagement Partner, Mazars confirmed that despite the pandemic and having to work remotely, the Finance Team had worked extremely well in supporting the audit and responding to queries. There had been no relaxation of auditing standards and they had ensured that the appropriate evidence had been received to conclude the audit.

Councillor Temple asked for confirmation that despite flagging this up before, the auditors were still awaiting direct confirmation from a financial institution for one of the Councils investments. He was concerned that the Council were investing with an institution that did not provide a paper trail. J Collins, Senior Manager, Mazars, confirmed that a request was made in April to National Savings & Investments and subsequently followed up. The

explanation given for the delay was due to the Covid 19 pandemic and whilst the Council had provided sufficient evidence, direct confirmation was required in order to complete the audit.

Councillor Temple confirmed that this was unsatisfactory and queried whether anything could be done to assist. The Senior Manager confirmed that both the Council and Mazars would continue to pressurise NS&I for the required information.

In response to a query with regards to a more specific timeline on the recommendation regarding IT security on the use of shared privileged accounts, the Head of Finance and Transactional Services confirmed that he had a meeting the following week to address the concerns raised and reassured the Committee that he would act on the recommendation as soon as possible.

The Head of Finance and Transactional Services confirmed that despite the challenges faced this year and the outstanding issue regarding the NS&I verification, the Council were in a position that not many other Councils had the benefit of, and he thanked Mazars on behalf of himself, the Head of Corporate Finance & Commercial Services and the Corporate Director of Resources.

**Resolved:**

That the report be noted.

## **9 Audit Strategy Memorandum for the Pension Fund**

The Committee received a report of the External Auditor which provided the Audit Strategy Memorandum with regards to the Durham County Council Pension Fund, for the year ending 31 March 2020 (for copy see file of minutes).

The Committee were advised that this report would normally be received earlier in the year, however as a consequence of the pandemic an additional layer of risk had been applied and considered.

Members agreed to move to the next item, which was the completion report.

**Resolved:**

That the report be noted.

## **10 Audit Completion Report 2019/2020 - Pension Fund**

The Committee received a report of the External Auditor which provided the Audit Completion Report with regards to the Pension Fund for the year ending 31 March 2020 (for copy see file of minutes).

### **Resolved:**

That the report be noted.

## **11 Annual Governance Statement for the year April 2019 to March 2020**

The Committee considered a report of the Corporate Director of Resources which sought approval of the Annual Governance Statement (AGS) for 2019/20.

C Robinson referred to actions that were carried forward from previous years and asked whether they would be completed in 20/21. The Corporate Risk & Governance Manager advised that although some of the targets were ongoing, they were monitored regularly and would be picked up in January 2021 when the corporate governance review began. The actions were determined by the services themselves and although some long term issues were carried forward it did not mean they were not being progressed. He agreed to update the Committee early in 2021.

I Rudd complemented the report as changes to the draft report had been highlighted and he suggested that all future reports be formatted in this way.

### **Resolved:**

That the report be approved.

## **12 Statement of Accounts for the year ended 31 March 2020**

The Committee considered a report of the Corporate Director of Resources which sought the approval of the council's statement of accounts for the financial year ended 31 March 2020 (for copy see file of minutes).

The Finance Manager presented the report and advised the Committee that since the Agenda had been published there had been some minor changes made to the supporting notes in the statement. The Table on exit packages on page 332 had been amended to reflect the correct figures and on page 366 the incorrect council tax year had been amended, a paragraph contained in note 17 had been amended to remove duplication and figures revised to ensure they reflected the table in the pack.

Councillor Temple reiterated the comments from I Rudd with regards to amendments in reports – it was much easier for the Committee to read highlighted changes and the Finance Manager confirmed that it could be difficult to highlight all of the changes, but material changes were highlighted in section 4 of the audit completion report.

Councillor Temple confirmed that although the Finance Manager was very diligent in presenting the changes, it was difficult to refer to the pages and it would be appreciated if material changes could be highlighted in future.

**Resolved:**

That the statement of accounts for the council, including the pension fund financial statements, for the financial year ended 31 March 2020 be approved.

**13 Strategic Risk Management - Progress Report for 2020/21**

The Committee considered a report of the Corporate Director of Resources, which highlight the strategic risks facing the Council and to give an insight into the work carried out by the Corporate Risk Management Group between January and May 2020 (for copy see file of minutes).

The Risk Insurance and Governance Manager explained that there was a lag in the data as the report would usually have been considered in July.

**Resolved:**

That the report be noted.

**14 Internal Audit Progress Report Quarter Ended 30 June 2020**

The Committee considered a report of the Interim Chief Internal Auditor and Corporate Fraud Manager, which provided details of the work that had been carried out by Internal Audit during the period 1 April 2020 to 30 June 2020 as part of the six- month Internal Audit Plan to September 2020 (for copy see file of minutes).

**Resolved:**

That the report be noted.

## **15 Independent Review of Local Authority Financial Reporting and Audit**

The Committee considered a report of the Corporate Director of Resources which provided information on the outcome of the Redmond Review (the Review) into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (for copy see file of minutes).

Councillor Rowlandson suggested that a lot of the report didn't apply to this Council; they were not included in the 40% that did not get their audits in on time and a lot of the recommendations were already in place and this suggested Durham was doing well.

I Rudd asked whether the recommendation would affect the internal audit function and whether internal audit got involved in year end checking of accounts. The Finance Manager explained the recommendation was to encourage external and internal auditors to work more closely and confirmed that there could be some duplication of work which could be avoided in future. The Interim Chief Internal Auditor and Corporate Fraud Manager confirmed that the internal control work was done throughout the year and focused around core financial systems rather than the year end checking of accounts. The findings from this work could potentially be used, however, as a further source of assurance by external auditors.

### **Resolved:**

That the report be noted.

## **16 Exclusion of the public**

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 paragraphs 1,2,3 and 5 of Schedule 12A of the Act.

## **17 Internal Audit Progress Report Quarter Ended 30 June 2020**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which provided the Audit Progress Report Quarter Ended 30 June 2020.

### **Resolved:**

That the report be noted.