

# DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held **remotely via Microsoft Teams** on **Thursday 25 February 2021 at 9.30 am**

**Present:**

**Councillor E Bell (Chair)**

**Members of the Committee:**

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

**Co-opted Members:**

Mr C Robinson and Mr I Rudd

**1 Apologies for absence**

Apologies for absence were received from Councillors C Carr, J Clark and B Kellett.

**2 Minutes**

The minutes of the meeting held on 26 November 2020 were confirmed as a correct record and would be signed by the Chair.

**3 Declarations of interest**

There were no declarations of interest.

**4 Opportunity for Committee to meet Alan Patrickson, the Council's Corporate Director, Neighbourhoods and Climate Change**

The Corporate Director of Neighbourhoods and Climate Change provided the Committee with an overview of his 4 main service areas:

- Community Protection Service - including Environmental Health, Consumer Protection and Licencing. Trading Standards and Licencing had provided advice and guidance to businesses during the pandemic on the new COVID-19 regulations. The Corporate Director was pleased to report that business compliance across the County had been excellent with very few enforcement actions being taken over the previous 12 months.

- Environment Services - including Refuse, Recycling and Clean and Green Teams, Allotment Service, Bereavement Services and Neighbourhood Wardens. The Environment and Design Team was at the forefront of the Council's climate change activities. The Carbon Management Team and Energy Management Team were involved in the climate emergency response plan which would be reported to Cabinet detailing the specific targets and progress made over the previous 12 months.
- Technical Services - including Highway Services, Highway Maintenance, Strategic Highways, Bridge Maintenance, Street Lighting, Public Rights of Way and Winter Maintenance. There was a Head of Service vacancy which would undergo a recruitment process shortly.
- Partnership and Community Engagement – There had been a large increase in the amount of work managing and supporting AAPs who are heavily involved with working in localities and communities. The Partnership Support Team assists the County Durham partnerships as well as many strategic and statutory partnerships and provides support for asylum seekers and resettlement schemes. The Civil Contingencies Unit has been at the forefront over the previous 12 months in response to emergency planning and resilience forum activity during the COVID-19 pandemic.

The Corporate Director confirmed priorities for the service including the climate change agenda, bridge maintenance and the waste disposal renewal contract. The COVID-19 response was a main priority and the Corporate Director advised that he was currently assessing the road map issued by central government to consider how it would apply to services going forward.

Despite the many challenges and changes to the ways of working, the Corporate Director confirmed that they had managed to deliver all services that were permitted during the pandemic whilst maintaining social distancing and safe operating practices. However this has resulted in additional costs and returning those services back to normal safely was under consideration.

- **Quarter 3 2020/21 Health, Safety and Wellbeing Performance Report**

The Committee received 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 three 2020/21 (for copy see file of minutes).

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

- Quarter 3 incidents in numbers
- COVID-19 H&S Update
- Assurance Auditing
- Fire Incidents
- HSE Inspections
- Open Water Safety
- Employee Health and Wellbeing
- Occupational Health Service
- COVID-19 Activity Data
- Potentially Violent Persons Register (PVPR)

Councillor Temple asked if there had been any changes to the number of psychological work related incidents for staff working from home. The Occupational Health and Safety Manager advised that despite psychology studies reporting a detrimental impact, there had been many positives as staff have embraced home working in terms of improved work/life balance. Overall statistics show there has been a decrease in psychological work related incidents. A further review would be needed to fully understand the effects of different ways of working and the lessons learnt during the last year.

Responding to a question from the Chair regarding safety messages relating to open water safety, the Occupational Health and Safety Manager advised that messages regarding cold water shock were communicated by regional organisations such as the Royal Society for the Prevention of Accidents (RoSPA) and the Royal Life Saving Society (RLSS). He added that there were ongoing communications regarding control measures.

**Resolved:**

That the report be noted.

## **6 Changes to the Code of Practice for Local Authority Accounting in the UK**

The Committee received a report of the Interim Corporate Director of Resources which provided a summary of the key accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK (the Code). These changes apply to the 2020/21 Statement of Accounts (for copy see file of minutes).

**Resolved:**

That the report be noted.

## **7 Agreement of Accounting Policies for Application in the 2020-21 Financial Statements**

The Committee considered a report of the Interim Corporate Director of Resources which provided an update on the County Council's accounting policies to be applied in the preparation of the 2020/21 Statement of Accounts and to seek confirmation from the Audit Committee that appropriate policies are being applied (for copy see file of minutes).

### **Resolved:**

That the recommendations within the report be agreed.

## **8 Final Accounts Timetable for the Year Ended 31 March 2021**

The Committee received a report of the Interim Corporate Director of Resources which provided information regarding the Final Accounts timetable for 2020/21. The timetable details the target dates for key actions in order to complete the Statement of Accounts in line with statutory deadlines (for copy see file of minutes).

### **Resolved:**

That the report be noted.

## **9 External Audit - 2019/20 Annual Audit Letter**

The Committee received the Annual Audit Letter for year ending 31 March 2020 from the External Auditor summarising the audit of Durham County Council and Durham County Council Pension Fund (for copy see file of minutes).

Mr Kirkham, Mazars focused on the financial outlook and operational challenges with the impact of the COVID-19 pandemic and highlighted additional fees associated with the additional work carried out during 2019/20.

In response to a question from Mr C Robinson, Mr Kirkham advised that the value for money aspect of funds that had been allocated to Councils in response to the COVID-19 pandemic would be considered as part of the routine audit risk assessment procedures for 2021.

The Interim Corporate Director of Resources added that there was a post payment assurance process for specific government grant funding which was linked to value for money consideration as part of the final account's assessment. He gave assurance to the Committee that work in that area was

undertaken independently of those who administer the schemes and incur those costs.

Councillor Shuttleworth commented on the internal control recommendations within the report where the annual declaration of interests had not been completed for 2019/20. The Interim Corporate Director of Resources advised that all members are requested to complete annual declarations of interest forms and it was individual members responsibility. He assured the Committee that incomplete forms would be pursued and would be made available on the Council's website.

**Resolved:**

That the External Auditor's annual audit letter 2019/20, be noted.

**10 External Audit - Durham County Council Audit Strategy Memorandum Year Ended 31 March 2021**

The Committee received a report from the External Auditor explaining the scope of the audit, the risks identified and the procedures that would be performed to deliver the audit for Durham County Council (for copy see file of minutes).

Mr Collins, Mazars advised of the significant risks and key judgement areas, value for money, fees charged and the approach taken to materiality setting.

In response to a query from Councillor Shuttleworth regarding valuation of property, Mr Collins advised that the External Audit work focusses upon the processes and procedures in place to ensure that revaluations are in line with code of practice requirements. The Interim Corporate Director of Resources added that the finance teams work closely with the dedicated revaluation team within Corporate Property and Land, who follow the regulations and professional standards in terms of providing revaluations for the necessary capital accounting requirements as part of the statement of accounts.

Mr Kirkham responded to a query from Mr I Rudd in relation to additional fees. He explained that this was the first year of the new requirements under the national audits new code of practice and exact figures were unknown at this stage. The information provided gave the committee an estimate cost of additional work that would be involved, however the actual costs would not be available until the audit for 2021 was complete.

**Resolved:**

That the External Auditor's strategy for the year ended 31 March 2021, be noted.

**11 External Audit - Durham Pension Fund Audit Strategy Memorandum Year Ended 31 March 2021**

The Committee received a report from the External Auditor explaining the scope of the audit, the risks identified and the procedures that would be performed to deliver the audit for Durham County Council Pension Fund (for copy see file of minutes).

Mr Reay, Mazars advised of the audit approach, significant risks, fees charged and the approach taken to materiality setting.

**Resolved:**

That the External Auditor's strategy for the year ended 31 March 2021, be noted.

**12 Corporate Governance Review 2020/2021 - Key Dates**

The Committee received a report from the Interim Corporate Director of Resources that informed of the key dates for the corporate governance review for the 2020/21 financial year (for copy see file of minutes).

**Resolved:**

That the report be noted.

**13 Annual Governance Statement for the year April 2019 - March 2020: Actions Update**

The Committee received a report from the Interim Corporate Director of Resources that provided an update on the progress being made in relation to the actions arising from the Council's Annual Governance Statement for the year April 2019 to March 2020 (for copy see file of minutes).

**Resolved:**

That the report be noted.

**14 Strategic Risk Management Progress Report for the Quarter Ended 31 December 2020**

The Committee considered a report from the Interim Corporate Director of Resources which highlighted the strategic risks facing the Council and gave an insight into the work carried out by the Corporate Risk Management Group between October and December 2020 (for copy see file of minutes).

The Risk, Insurance and Governance Manager highlighted the changes since the last report. He informed Members that the risk relating to the County Durham Plan had been closed. The risk relating to replacement

cremators at Mountsett Crematorium had been delayed with the installation start date being put back until June 2021 due to the current COVID-19 restrictions for international travel, with the first installation to be completed in September 2021 and the second in December 2021.

Councillor Temple raised concerns that the Milburngate development was not listed on the risk register. He felt there would be significant changes in risks relating to income and expenditure as contracts were signed before the COVID-19 pandemic. The Risk, Insurance and Governance Manager advised that as part of the risk assessment review all areas are considered. Any risk in relation to the development has not been considered significant enough to be included on the risk register at this stage.

The Interim Corporate Director of Resources added that the Commercial Headleases update presented to Cabinet in February 2021 referenced the continual risk assessment for commercial projects. Although the updated financial model indicated a smaller surplus than originally forecasted, prudent assumptions still indicate an adequate surplus so as not be considered a significant risk. He advised that the Council's property investment strategy was prudent and measured in its approach and only considered strong business cases in terms of regeneration and significant jobs for the County. The financial model would be reviewed quarterly for changes and it was anticipated that the impact of COVID-19 would be short term and that the economy would improve. The commercial deal at Milburngate reflected a long term investment in this development.

**Resolved:**

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

## **15 Revised Risk Management Policy and Strategy**

The Committee considered a report from the Interim Corporate Director of Resources which sought approval of the revised Risk Management Policy and Strategy (for copy see file of minutes).

The Risk, Insurance and Governance Manager reported that two minor changes had been made to the document to reflect changes in governance arrangements.

**Resolved:**

That the revised Risk Management Policy and Strategy be approved.

## **16 CIPFA Guidance: Head of Internal Audit Annual Opinions: Addressing the Risk of a Limitation of Scope**

The Committee received a report from the Interim Chief Internal Auditor and Corporate Fraud Manager that provided information on recently issued guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in relation to Head of Internal Audit (HIA) Annual Opinions: Addressing the Risk of a Limitation of Scope (for copy see file of minutes).

Responding to a query from Mr Rudd, the Interim Chief Internal Auditor and Corporate Fraud Manager confirmed that he was not expecting to be in the position of needing to provide any of the specific limitations detailed in the CIPFA guidance in determining his Annual Opinion for 2020/21.

### **Resolved:**

That the report be noted.

## **17 Internal Audit Progress Report for the quarter ended 31 December 2020**

The Committee received a report from the Interim Chief Internal Auditor and Corporate Fraud Manager which provided information relating to the work that had been carried out by Internal Audit during the period 1 April 2020 to 31 December 2020 as part of the 2020/21 Internal Audit Plan (for copy see file of minutes).

### **Resolved:**

That the report be noted.

## **18 Emergent Internal Audit Plan 2021/2022**

The Committee considered a report from the Interim Chief Internal Auditor and Corporate Fraud Manager which provided details of the emergent Internal Audit Plan for 2021/2022, attached as Appendix 2 (for copy see file of minutes).

Regarding the challenges the team faced in delivering the plan, Mr C Robinson asked if there was anything the Audit Committee could do to support addressing those challenges. The Interim Chief Internal Auditor and Corporate Fraud Manager informed the Committee that the main challenge was the unknown elements of additional work in response to the COVID-19 pandemic in terms of extensions and additional grants. Working remotely was time consuming and he intended to increase resources to help deliver the plan.

Mr Rudd referred to the allocation of resources table and suggested that previous years comparisons would be useful to see where the emphasis was changing. The Interim Chief Internal Auditor and Corporate Fraud Manager confirmed that this information could be provided.

**Resolved:**

That the proposed direction and process for the development of the emergent Internal Audit Plan be noted for formal approval in June 2021.

**19 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 and 2 of Schedule 12A to the said Act.

**20 Internal Audit Progress Report for the quarter ended 31 December 2020**

The Committee received a report from the Interim Chief Internal Auditor and Corporate Fraud Manager which presented the appendices referenced in the Internal Audit progress report in Part A of the Agenda (for copy see file of minutes).

Councillor Temple was concerned that there are still outstanding actions listed from 2017. He suggested that the Corporate Director of Neighbourhoods and Climate Change be invited to a future meeting to provide a progress update in relation to outstanding Rights of Way actions.

**Resolved:**

That Appendix 6 be noted.