

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Monday 29 June 2015 at 10.00 am**

### **Present:**

**Councillor E Bell (Chairman)**

### **Members of the Committee:**

Councillors J Rowlandson (Vice-Chairman), L Armstrong, J Carr, M Davinson and O Temple

### **Co-opted Members:**

Mr T Hoban and Ms K Larkin-Bramley

#### **1 Apologies for absence**

Apologies for absence were received from Councillors C Carr, J Robinson and W Stelling.

#### **2 Minutes**

The minutes of the meeting held on the 19 May 2015 were agreed and signed by the Chairman as a correct record.

Consideration was given to the current items on the Committee's Action Plan (for copy of action plan see file of Minutes) with the date set when these would be reported back to Committee.

#### **3 Declarations of interest**

Declarations of interest were provided by Members of the Committee. A generic declaration of interest would be recorded given that Members were school governors, members of various Committees of the Council, former District Councillor's and bodies such as the Probation Board and Fire Authority.

#### **4 Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2015**

The Committee considered a report of the Corporate Director, Resources that assessed whether Durham County Council should be considered a 'going concern', organisation, and whether the annual accounts should be prepared on that basis (for copy see file of Minutes).

Referring to the Housing Revenue Account and the responsibility for managing and maintaining 3,200 garages, Councillor O Temple enquired about the transfer of assets. The Assistant Finance Manager advised that privately sold garages would not transfer and an update would be given at the next meeting.

**Resolved:-**

That the recommendations contained within the report be agreed.

**5 Annual Review of the System of Internal Audit 2014 / 2015**

The Committee considered a report of the Corporate Director, Resources regarding the Annual Review of the System of Internal Audit for 2014/2015 (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager reported that the assessment of ensuring that an effective internal control system had been completed and that a self-assessment against the key elements of the Public Sector Internal Audit Standards (PSIAS) had been carried out.

In response to a query from Mr Hoban regarding the level of customer satisfaction questionnaire returns, the Chief Internal Auditor and Corporate Fraud Manager advised that 47% had been returned which was extremely positive and he was confident that figures would continue to increase.

**Resolved:-**

- (i) That the findings and conclusions of the 2014/2015 review of the effectiveness of the system of Internal Audit contained within this report, be noted.
- (ii) That the Service Improvement Plan for Internal Audit as a result of this assessment detailed in Appendix 2, be noted.

**6 Annual Audit Opinion and Internal Audit Report 2014 / 2015**

The Committee considered a report of the Corporate Director, Resources that provided assurance opinion on the adequacy and effectiveness of Council's internal control environment and the Annual Internal Audit report for 2014/2015 (for copy see file of Minutes).

The Committee were informed that based on the work undertaken during the year, Internal Audit provided a Moderate overall assurance opinion on the adequacy and effectiveness of internal control operating across the Council in 2014/2015. The opinion was the same as 2013/2014 and provided assurances that there was a sound system of control in place, however there were still areas to improve.

**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 2014/2015 be noted.

**7 Draft Annual Governance Statement 2014 / 2015**

The Committee considered a report of the Corporate Director, Resources which presented the draft Annual Governance Statement and a list of significant governance improvements (for copy see file of Minutes).

The Risk, Insurance & Governance Manager highlighted how the Council complied with providing assurances on corporate governance and the key actions in place to help deliver the Annual Governance Statement.

**Resolved:**

That the first draft of the Annual Governance Statement for 2014/15 be agreed.

**8 External Audit Progress Report**

The Committee considered a report of the External Auditor, Mazars that set out progress to June 2015 (for copy see file of Minutes).

Ms Banks, Mazars informed the Committee that the final accounts would be signed off by the Corporate Director, Resources on the 30 June and that IT auditors had completed work on the review of general IT controls. The next phase would begin upon receipt of the financial statements at the end of June.

Mr Waddell, Mazars added that some issues were identified that were low risk, however they would not affect the audit opinion. A report summarising the issues would be reported to Audit Committee in September 2015.

**Resolved:**

That the progress report be noted.

**9 Compliance with International Auditing Standards**

The Committee considered a report of the Chairman of Audit that provided a response to a letter from Mazars regarding compliance with International Auditing Standards. A response from the Corporate Director, Resources was appended to the report for Members information that related to a similar request from Mazars (for copy see file of Minutes).

The Chairman congratulated the Chief Internal Auditor and Corporate Fraud Manager and his team for the exceptional turnaround in work carried out that had an impact on the entire organisation.

**Resolved:-**

That the responses from the Chairman of Audit and the Corporate Director, Resources be noted.

**10 Internal Audit Plan, Strategy and Charter 2015 / 2016**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which outlined the Annual Internal Audit Plan for 2015/2016, Internal Audit Strategy and the Audit Charter (for copy see file of Minutes).

**Resolved:-**

- (i) That the change in audit year (April to March) as per paragraph 7, be noted;
- (ii) That the Internal Audit Strategy in Appendix 2, be approved;
- (iii) That the proposed Internal Audit Plan for 2015/2016, as detailed in Appendix 3, be approved;
- (iv) That the revised Audit Charter in Appendix 4, be approved.

**11 Confidential Reporting Code (Whistleblowing)**

The Committee considered a report of Corporate Director, Resources that sought to approve the revised Confidential reporting Code (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager highlighted the changes to the policy and explained that there had been no formal cases referred via the confidential reporting code, however there had been 3 investigations resulting from employees anonymously reporting to Internal Audit. He added that the Confidential Reporting Code would be available on the external website so that former employees, contractors and members of the public had access to the document.

**Resolved:**

That the revised Confidential Reporting Code be approved.

**12 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 item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the said Act.

**13 Protecting the Public Purse - Annual Report 2014/15**

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 for 2014/15 (for copy see file of Minutes).

**Resolved:**

That the recommendation contained within the report be approved.