

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1B, County Hall, Durham on **Monday 29 February 2016 at 10.00 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

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

Co-opted Members:

Mr T Hoban

The Chairman welcomed Felix Dudgeon to the meeting, who was currently in his third year at university and was interested in the work of the Audit Committee to help with completing his dissertation.

The Chairman advised that this was the last meeting for the two co-opted members of the Committee, Ms Kathryn Larkin-Bramley and Mr Tom Hoban. Unfortunately, Kathryn had submitted her apologies for the meeting. The Chairman placed on record his thanks and appreciation for the amount of work carried out by Tom and Kathryn as the detail and commitment shown by them had been remarkable.

He introduced the Chairman of the County Council, Councillor J Blakey, who presented gifts of appreciation.

Mr Hoban said that he had enjoyed the last 9 years that he had served on the Committee and thanked officers and Members for the professionalism throughout. He was pleased to see the County was in good hands.

1 Apologies for absence

Apologies for absence were received from Councillors J Robinson, W Stelling and Ms K Larkin-Bramley

2 Minutes

The minutes of the meeting held on 30 November 2015 were agreed and signed by the Chairman as a correct record.

3 Declarations of interest, if any

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 Co-opted Members to the Audit Committee

The Committee considered a report of the Corporate Director of Resources that advised that it would be the last meeting for the two co-opted members on the Committee following 9 years of service, and advised of the process of appointment of two new co-opted members (for copy see file of Minutes).

Resolved:

- (i) That the Council make two new appointments of non-voting co-opted members to the Committee for a three year period commencing on 1 May 2016, and of the recruitment process agreed by Council be noted.
- (ii) That the Committee place on record the excellent service and contribution of Tom Hoban and Kathryn Larkin-Bramley during their 9 years' service as co-opted members to the Audit Committee.

5 Agreement of Accounting Policies for Application in the 2015-16 Financial Statements

The Committee considered an update from the Corporate Director of Resources on the County Council's accounting policies to be applied in the preparation of the 2015/16 Statement of Accounts and to seek confirmation that appropriate policies are being applied (for copy see file of Minutes).

The Assistant Finance Manager, Corporate Finance highlighted the changes to be applied in preparing the 2015/16 Statement of Accounts. He advised that two new accounting policies were being considered about the recognition of rates and the changes in code with a fair value measurement.

Resolved:-

That the recommendations contained within the report be agreed.

6 Final Accounts Timetable for the Year Ended 31 March 2016

The Committee considered a report of the Corporate Director of Resources that provided Members with the Final Accounts Timetable for 2015/16 detailing the deadlines for key actions to complete the Statement of Accounts in line with statutory deadlines (for copy see file of Minutes).

The Assistant Finance Manager, Corporate Finance highlighted key dates in the working document and advised that the authority would be carrying out a dry run of the earlier completion date for 2016/17.

Members were advised that the changes to the dates were being introduced by Audit and Accounting regulations.

Resolved:-

That the report be noted.

7 Changes to the Code of Practice for Local Authority Accounting in the UK 2015-16

The Committee considered a report of the Corporate Director of Resources that 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), applied to the 2015/16 accounts (for copy see file of Minutes).

The Corporate Director of Resources assured Members that measures were in place to address the change in accounting policies. However, he added that this challenge would become increasingly difficult for the authority to manage, due to the continuation of austerity cuts and the savings yet to be made.

Mr Hoban said that it had been a struggle for the authority to hit dates whilst going through re-organisation and asked what had driven this change. He was informed that the driver had been through accounting bodies to make the year end accounts more timelier with other public sector organisations, such as the Health Service.

Members were assured that arrangements were in place although it was noted that this would be challenging.

Resolved:-

That the report be noted.

8 External Audit Progress Report - February 2016

The Committee received a report from the External Auditor that gave an update on progress on the External Audit report for Durham County Council (for copy see file of Minutes).

Councillor Temple enquired as to whether the e-learning course for whistleblowing was available for the Committee Members. The Chief Internal Auditor and Corporate Fraud Manager said that he would look into this and report back. The External Auditor added that there may be a cost associated to this training.

Mr Hoban asked if there were challenges made to the opinions of the Internal Valuer and was advised that the opinions were accepted but that there was close working with the External Auditor, who also gives an opinion. The Chairman asked for assurance that the knowledge of the Internal Valuer was kept up to date and that there was a continuation of work with the External Auditor. The Assistant Finance Manager assured Members that there was evidence to show the judgements taken by the Internal Valuer and that the work with the External Auditor was vitally important.

Resolved:-

That the report be noted.

9 External Audit Certification of Claims and Returns

The Committee received a report from the External Auditor regarding grant certification for 2014/15 (for copy see file of Minutes).

The External Auditor highlighted the areas of grant certification work that has been completed:-

- Housing Benefit Subsidy
- Pooling of Housing Capital Receipts Return
- Teachers' Pension Return

Referring to Housing Benefit Subsidy, Councillor Temple asked for information about underpayments as this was not evident. The Chairman asked that this information be reported back. The Corporate Director, Resources advised that £200m had been paid in housing subsidy and said that this was an entitlement that the Council were processing on behalf of the government. He could understand the concern about underpayments but assured Members that the authority were doing everything possible to ensure that people were getting what they were entitled to. He added that the service had performed well in this area and worked well with the external auditors.

The Chairman said that it was pleasing to see the progress that had been made in this area. Councillor L Armstrong said that Members of Corporate Issues Overview and Scrutiny Committee received regular updates about this area of work.

Resolved:-

That the report be noted.

10 Local Code of Corporate Governance

The Committee considered a report of the Corporate Director of Resources that gave an update of the Local Code of Corporate Governance for the revised Council Constitution (for copy see file of Minutes).

Resolved:-

That the revised Local Code of Corporate Governance be agreed.

11 Counter Fraud and Corruption Policy and Fraud Response Plan

The Committee considered a Report of Chief Internal Auditor and Corporate Fraud Manager that sought to review and approve the revised Counter Fraud and Corruption Policy and the Council's Fraud Response (for copy see file of Minutes).

Resolved:

That the revised Counter Fraud and Corruption Policy and the Fraud Response Plan be approved.

12 Anti Money Laundering Policy

The Committee considered a Report of Chief Internal Auditor and Corporate Fraud Manager that sought to review and approve the revised Anti Money Laundering Policy (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager assured the Committee that employees know where to access the policy and advised that all new employees were given a copy as part of their induction pack.

Resolved:

That the revised Anti Money Laundering Policy be approved.

13 Strategic Risk Management - Progress Report for the quarter ended 31 December 2015

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 October to December 2015 (for copy see file of Minutes).

The Strategic Insurance & Risk Officer informed the Committee that there were 24 strategic risks with the removal of two since the last report. The risk regarding the banking contract had been reduced as had completed successfully on 11 May 2015.

The Chairman asked that assurance could be given in terms of how risks were managed, and was advised that training and guidance was given and that procedures and policies are adhered to. The Corporate Director of Resources informed Members that he Chairs the Corporate Risk Management Group and issues were reported regularly to Corporate Management Team. He advised that this group was attended by senior managers and that the Cabinet Portfolio Holder for Corporate Services.

Resolved:

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

14 Emergent Internal Audit Plan 2016/2017

The Committee considered a Report of Chief Internal Auditor and Corporate Fraud Manager that provided details of the emergent Internal Audit Plan for 2016/2017 and gave an update on the development of the 2016/2017 Internal Audit Plan (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager advised that the authority had taken the lead in this area of work with colleagues from other local authorities following suit.

The Chairman said that this was an excellent way of keeping the Committee informed and commended the team for providing a clear understanding of the Plan.

Resolved:-

That comments on the proposed direction and process for the development of the emergent Internal Audit Plan be noted and that the plan would be reported to the meeting on 17 May 2016 for approval.

15 Internal Audit Progress Report for the quarter ended 31 December 2015

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period October to December 2015 (for copy see file of Minutes).

The Audit and Fraud Manager highlighted the movements in the plan, removed audits and unplanned reviews added to the plan. The Committee were advised that there were no draft audit reports outstanding and that 95% of actions had been implemented. 73% of the Service groupings had responded to the survey, with an average score of 4.5 out of 5. There had been 2 audits finalised in the quarter that had been given a limited assurance opinion.

Councillor Davinson noted that the survey response rate from CAS had improved and congratulated the team for making the necessary changes.

Resolved:

- (i) That the amendments made to the 2015/2016 Annual Audit Plan, be noted.
- (ii) That the work undertaken by Internal Audit during the period ending 30 December 2015 and the assurance on the control environment provided, be noted.
- (iii) That the performance of the Internal Audit Service during the period, be noted.
- (iv) That the progress made by service managers in responding to the work of Internal Audit, 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 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.

17 Internal Audit Progress Report for the quarter ended 31 December 2015

The Committee considered Appendices 6 and 7 of the report of the Chief Internal Auditor and Corporate Fraud Manager which detailed the actions agreed by

managers in response to internal audit recommendations that were outstanding (for copy see file of Minutes).

Resolved:

That the report be noted.