

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Tuesday 17 May 2016 at 10.00 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

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

Co-opted Members:

Mr D Beavis and Mr C Robinson

The Chairman welcomed the newly appointed co-opted members to their first meeting – Mr David Beavis and Mr Clive Robinson.

The Chairman reported that this was the last meeting that the Corporate Director of Resources would be attending before his retirement. He thanked Mr McLure for his great assistance, forth right approach and the way in which he conducted himself in the meetings of this Committee. He presented Mr McLure with some civic gifts.

Mr McLure was humbled by the Chairman's words and said that it had been a pleasure working for a great council for the last six years and to the end of his career. He said that the Committee was held in the highest regards and gave his best wishes for the future.

1 Apologies for absence

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

2 Minutes

The minutes of the meeting held on 29 February 2016 were agreed and signed by the Chairman as a correct record.

Councillor O Temple referred to Item 8 of the Minutes and asked if any progress had been made in relation to an e-learning course for Members on Whistleblowing. The Chief Internal Auditor and Corporate Fraud Manager advised that his team had been in discussions with CIPFA and Meritech and were now working on their own package that would be developed and rolled out.

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 External Audit - Durham County Council Audit Strategy Memorandum Year Ended 31 March 2016

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

Mr J Collins, Mazars, highlighted the key points in the report including significant risks, value for money and fees.

Resolved:-

That the report be noted.

5 External Audit - Durham County Council Pension Fund Audit Strategy Memorandum Year Ended 31 March 2016

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

Ms S Liddle, Mazars introduced herself to the Committee as the Engagement Manager for Pension Fund Accounts and the team leader for the County Council Accounts. She highlighted the significant risks, including the valuation for unquoted investments. This was not information that appeared regularly on the stock exchange and the estimation techniques included risks.

Councillor Temple was advised that the description of risk on the unquoted investments at 32% was a normal figure and was no higher than other authorities.

Mr D Beavis asked if there were any recommendation to mitigate risks as referred to in the management override risk. He was advised that the Council do already have controls in place and Internal Audit would provide checks and assurances. Mr Collins added that risks could occur at the year end with potential to change statements and manipulate accounts. The Chief Internal Auditor and Corporate Fraud Manager assured Members that there were plans for the Pension Fund and County Council with anything significant being reported to this Committee.

Resolved:-

That the report be noted.

6 External Audit - Progress Update May 2016

The Committee considered a report of the External Auditor, Mazars that set out progress to May 2016 (for copy see file of Minutes).

Mr Collins, Mazars informed the Committee that the work on the final accounts would commence shortly. He asked Members to note the changes on the public inspection of the accounts. It was now the role of the Responsible Financial Officer to publish a statement to inform about the period for the exercise of public rights, and to inform the External Auditor the date that this period commences. The 30 day inspection period must include the first ten working days of July.

Members were updated in relation to national publications, including 'Guidance for Directors of Companies partly or fully owned by the public sector'.

The Corporate Director, Resources referred to the guidance for directors and following the Committees interest in this area he advised that the Council would be embarking on a training programme for employees and Members involved with companies.

Resolved:

That the progress report be noted.

7 Strategic Risk Management Progress Report for the Quarter period January to March 2016

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 January to March 2016 (for copy see file of Minutes).

The Strategic Insurance & Risk Officer informed the Committee that there were 23 strategic risks with the removal of one since the last report. The increased and emerging risks were highlighted.

The Chairman welcomed to the meeting the Strategic Manager for Policy, Planning and Partnerships, the Strategic Manager for Safeguarding and Access and the Local Safeguarding Children Board Business Manager, who would be available to answer any queries in relation to the increased risks within Children and Adult Services.

Mr C Robinson asked what the rationale was behind the decision to decrease the risk of 'failure to protect a child from death or serious harm' to major. The Strategic Manager for Policy, Planning and Partnerships advised that assessments are carried out using the criteria and this moved some of the risk from critical to major. The risk to the stakeholder would remain critical. The Strategic Insurance & Risk Officer added that there are number of things to take into account such as the financial, service delivery and stakeholder impact. He advised that the financial and stakeholder delivery risks were less than critical using the criteria.

The Local Safeguarding Children Board Business Manager informed the Committee that there was a requirement to carry out serious case reviews. The 'Working Together' document provided information as to whether a serious case review must be held. Members were informed that there has been a national increase to the number of serious case reviews held and that any decisions are taken to a panel for approval.

The Strategic Manager for Safeguarding and Access referred to the risk of 'A service failure of Adult Safeguarding leads to death or serious harm to a service user' increasing from unlikely to possible. Members were advised that the profile had changed and that the risk of serious harm had not increased. There were NHS changes to learning disabilities and a national drive to look at mortality reviews. Processes were being reviewed and looked at in more detail taking on board consequences of lessons learnt.

Mr Robinson expressed concern of the significance of the changes and the Chairman suggested that it was important for the Committee to understand the differences in the criteria used. He said that the Committee needed assurances that everything was being done to mitigate risks and to have some understanding of any subtle changes being made.

The Strategic Manager for Safeguarding and Access assured the Committee that the risk in terms of the individual concerned would remain as critical however when looking at service delivery this would not be critical.

Referring to the emerging risk of 'potential industrial action in response to proposed changes to teaching assistants terms and conditions', Councillor Temple said that it had been a difficult day at the full Council meeting the previous day. He expressed concern that this risk had only appeared on this Committees' papers today. He had concerns that this had not been flagged up previously and questioned if the mechanisms of delivering the risk to this Committee were not as good as they should be. He went on to refer to the disposal of the Single Status Pay in 2013 and in particular the four groups of employees that were set aside – such as the Salisbury grade, Youth Workers and Craft Workers and those above spinal column 39. He asked that the Committee seek analysis of where we stand with those groups.

Councillor M Davinson said that the Public Health workers should also be added to that list.

The Chairman agreed that risks surrounding this may be substantial in future.

Councillor Temple added that the risk to the Council would be overwhelming and he re-iterated his point that the risk had not been delivered to this Committee and questioned if there was a failure in the system.

The Corporate Director of Resources said that these points would be taken on board and discussed further in terms of the dormant risks in relation to the other five groups of employees mentioned. He added there would be an emerging risk of equal pay claims. In terms of the full Council meeting on 16 May 2016 he advised

that an agreement had been reached to move to a formal stage of consultation whereby existing contracts would be terminated and new contracts offered, effective from 2017. The potential risk of industrial action had increased and discussions were taking place with head teachers to mitigate to the risk of education available to children.

The Chairman asked that these concerns were addressed and reported back to the Committee.

Resolved:

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

8 Internal Audit, Plan, Strategy and Charter 2016/2017

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which outlined the Annual Internal Audit Plan for 2016/2017, Internal Audit Strategy and the Audit Charter (for copy see file of Minutes).

Mr Beavis was assured that there was flexibility to accommodate emerging plans. He was advised that any changes to the plan would be reported to this Committee.

Resolved:-

- (i) That the Internal Audit Strategy in Appendix 2, be approved;
- (ii) That the proposed Internal Audit Plan for 2016/2017, as detailed in Appendix 3, be approved;
- (iii) That the revised Audit Charter in Appendix 4, be approved.

9 Internal Audit Progress Report Quarter Ended 31 March 2016

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 January to March 2016 (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 93% of actions had been implemented. 77% of the Service groupings had responded to the survey, with an average score of 4.4 out of 5. There had been 3 audits finalised in the quarter that had been given a limited assurance opinion.

Councillor Davinson noted once again that the survey response rate from CAS-Schools had improved. The Chairman congratulated the team for working hard to achieve this improvement.

Mr Beavis asked if the service could be compromised for asking for feedback. The Chief Internal Auditor and Corporate Fraud Manager explained that it was a requirement to request feedback on every assignment carried out. The service had found that the best way to do this was by means of a survey. It was found to be a learning curve for all involved in the process.

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 31 March 2016 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.

10 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.

11 Internal Audit Progress Report Quarter Ended 31 March 2016

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).

Full limited assurance reports were circulated for information and would be discussed at the next meeting.

Resolved:

That the report be noted.