

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Friday 29 September 2017 at 11.00 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

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

Co-opted Member:

Mr C Richardson

Prior to the commencement of business the Chairman reported the resignation of Co-opted Member David Beavis due to other commitments on his time. The Chair read out Mr Beavis' letter of resignation which expressed his thanks and gratitude to all those involved with the Committee.

The Committee agreed that a letter be sent to Mr Beavis expressing the Committee's appreciation for his valuable contribution to the work of the Committee throughout his time as a co-opted Member.

1 Apologies for absence

There were no apologies for absence.

2 Minutes

The Minutes of the meeting held on 31 July 2017 were agreed as a correct record and were signed by the Chairman, subject to it being recorded that Mr David Beavis was not in attendance and had submitted his apologies.

3 Declarations of interest

There were no declarations of interest.

4 Audit Completion Report 2016/2017 - Durham County Council - Report of External Auditor

The Committee considered a report of the External Auditor which asked Members to note the contents of the External Auditor report on the audit of the statement of

accounts for the County Council for the year ended 31 March 2017 (for copy see file of Minutes).

Mr M Kirkham, Mazars introduced the report and stated that with the exception of the errors identified in the floor areas used in the valuation of assets which was reported at the last meeting, there were no matters of concern to report. Further work had been completed with Officers in Assets with satisfactory results and an unqualified opinion on the accounts, together with an unqualified Value for Money conclusion would be issued on 30 September 2017.

Given that the results of the work carried out were 'satisfactory' the Chairman asked if there were any material errors to report. Mr Kirkham explained that their role as External Auditor was to provide an opinion based on reasonable assurance and did not control programmes of work that followed as a result.

Following a request for clarification from Councillor Carr regarding the errors identified, Members were informed by Mr J Collins of Mazars that sample testing had been extended across the Children and Young People's Service and to Regeneration and Local Services.

The Asset Services Manager advised that the cause had been simple human error in that the information used in the calculation of floor areas had been incorrect. This had now been addressed and a process implemented to update the data used.

Following a question from Mr C Richardson, Mr Kirkham advised that there were no additional caveats in terms of their opinion and the conclusions Mazars had reached. An assurance for the Committee was the work that had been completed to prevent future errors and the internal controls put in place to ensure that correct data was used in current and future valuations.

Following comments from Councillor Temple, the Corporate Director of Resources advised that in addition to the control recommendations, asset valuation would be part of a wider review of Assets.

Resolved:

That the information contained in the report, including the adjustments to the financial statements included in Appendix A of the report, be noted.

5 Governance Statement for the year April 2016 to March 2017 - Report of Corporate Director, Resources

The Committee considered a report of the Corporate Director of Resources which sought approval of the final Annual Governance Statement (AGS) to be published as part of the Council's audited Statement of Accounts 2016/2017 (for copy see file of Minutes).

Resolved:

That the final AGS included at Appendix 2 of the report, be approved.

6 Statement of Accounts for the year ended 31 March 2017 - Report of Corporate Director, Resources

The Committee considered a report of the Corporate Director of Resources which sought approval of the Statement of Accounts for the Council for the financial year ended 31 March 2017 (for copy see file of Minutes).

On behalf of the Committee the Chairman thanked all those employees who had been involved in the preparation of the Statement of Accounts.

Resolved:

That the Statement of Accounts for the Council for the financial year ended 31 March 2017, be approved.

7 External Audit Progress Report - September 2017 - Report of the External Auditor

The Committee considered a report of the External Auditor which asked the Committee to note progress with the external audit of Durham County Council to date (for copy see file of Minutes).

Mr Collins reported that work on the Council's Housing Benefits subsidy return was ongoing and would be reported to the next meeting of the Committee.

Councillors Carr and Robinson noted proposed changes to housing benefits and were informed by the Corporate Director of Resources that the potential impact of the changes on the Council in terms of the MTFP, would be explored and addressed.

Mr Collins highlighted that the Annual Regulatory Compliance and Quality Report 2016/2017 had concluded that Mazars had maintained its performance against the regulatory compliance indicators since last year, with all of the 2016/2017 indicators scored as green.

Mr C Richardson noted that in accordance with National Audit Office Guidance on cyber security and information risk that Audit Committees should be scrutinising the Council's arrangements. The Chairman suggested that this be considered by the Committee at its next meeting.

Councillor Robinson understood that Mazars would be taking on the audit of a number of Parish Councils in County Durham, and was informed by Mr Kirkham that hand-over arrangements were in place with dedicated Officers assigned to this work.

Resolved:

That the contents of the External Auditor's progress report be noted, and consideration be given to the Council's arrangements for cyber security at the next meeting.

8 Internal Audit Progress Report for the quarter ended 30 June 2017 - Report of Chief Internal Auditor and Corporate Fraud Manager

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed Members of the work that had been carried out by Internal Audit during the period 1 April 2017 to 30 June 2017 as part of the 2017/2018 Internal Audit Plan (for copy see file of Minutes).

The Audit and Fraud Manager highlighted progress with the Plan for each Service Grouping, and informed Members of the unplanned audit reviews in the quarter. The report also provided a summary of progress on actions due, implemented and overdue, and finalised audits that had been issued with a limited assurance opinion. A summary of actual performance as at the end of June 2017 was included in Appendix 5 of the report.

Councillor Temple referred to the limited assurance opinion given in respect of the Final Report issued for safe recruitment at Sacriston Primary School. The Chief Internal Auditor and Corporate Fraud Manager advised that the Audit Report had been referred to the Corporate Director of Children and Young People's Services and it had been agreed that a wider sample of schools would be carried out. The Member considered that the Final Report should also be considered by the Children and Young People's Overview and Scrutiny Committee. Councillor Robinson also suggested that local Members be made aware of the findings.

In response to a question from Councillor Davinson about the review of Assets, the Member was informed that this had been added to the Internal Audit Plan as at the end of June 2017.

Resolved:

That

- a) the amendments made to the 2017/2018 Annual Internal Audit Plan be noted;
- b) the work undertaken by Internal Audit during the period ending 30 June 2017 be noted;
- c) the performance of the Internal Audit Service during the period be noted;
- d) the progress made by service managers in responding to the work of Internal Audit be noted;

- e) the Final Report and the work to be carried out regarding safe recruitment at schools be referred to Children and Young People's Overview and Scrutiny Committee.

9 Exclusion of the Public

Resolved:

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 paragraph 1 of Part 1 of Schedule 12A of the Act.

10 Internal Audit Progress Report for the quarter ended 30 June 2017 - Report of Chief Internal Auditor and Corporate Fraud Manager

The Committee considered the report of the Chief Internal Auditor and Corporate Fraud Manager which presented the appendices in the Internal Audit Progress Report referred to in Part A of the Agenda (for copy see file of Minutes).

Members expressed concern that the target dates in respect of overdue actions in a number of Service Groupings had been revised. The Committee was concerned about the potentially significant wider implications of failure to complete actions by the original target date.

Members discussed suggestions for monitoring overdue actions by the Committee. It was proposed that Officers complete the report for quarter two and discuss with the Chairman and Vice-Chairman of the Committee the areas where slippage had occurred. It was also proposed that Managers be informed that the owners of actions may be invited to attend Audit Committee to discuss the reasons for the slippage in target dates.

Resolved:

That the content of Appendices 6 and 7 be noted, and the proposed actions in respect of the overdue areas as outlined, be agreed.

The Chairman agreed that consideration be given to the following item of business.

11 Any Other Business - Communications

The Chief Internal Auditor and Corporate Fraud Manager informed Members that he was unable to provide any information at present but would provide an update with regard to ongoing matters regarding Communications in due course.