

DURHAM COUNTY COUNCIL

AUDIT COMMITTEE

AT A MEETING of the **AUDIT COMMITTEE** held at the County Hall, Durham on **TUESDAY 9 SEPTEMBER 2008** at **9.00 a.m.**

PRESENT

COUNCILLOR O. TEMPLE in the Chair

Councillors Carr and R Ord

Non Voting – Co-opted Members
Ms Larkin-Bramley

Apologies for absence were received from Councillor E Bell and Mr. Hoban

A1 Minutes

The Minutes of the Meeting held on 25 June 2008 were confirmed as a correct record and signed by the Chairman.

A2 Declarations of interest

Ms Larkin-Bramley declared an interest in relation to the Statement of Accounts as an Independent Member of the Police Authority, a Governor of Durham Johnston School, and a Member of the County Durham Probation Board and as a lecturer at New College.

A3 Draft Statement of Accounts 2007-2008

The Committee considered a Report of the County Treasurer (for copy see file of Minutes) presenting the published accounts for Durham County Council for the year ended 31st March 2008 – the ‘Statement of Accounts’, as previously presented to the Committee on 25 June 2008. The County Treasurer explained that this was so as the final Statement Accounts were still in the process of being revised for presentation to County Council on 23 September because of –

- The need to provide Group Accounts, as urged by the External Auditor

- The need to adjust the Financial Reporting Standard (FRS) 17 relating to the Pension Fund, in order that the current estimated and actual level of the Fund were within prescribed tolerances.

Resolved:

1. That in the circumstances and with regret it be accepted that the final Statement of Accounts for 2007-08 have been unable to be examined and therefore an opinion has not been able to be provided to the County Council on their robustness.
2. That the County Treasurer consult with the External Auditor and bring forward recommendations to a future meeting on how best to plan for dealing with the Statement of Accounts in 2008-09.

A4 The Work of Corporate Risk Management in relation to the Quarter Period April 2008– June 2008

The Committee considered a report of the Head of Internal Audit and Risk Management on behalf of the Corporate Risk Management Group (for copy see file of Minutes) providing the Risk Management update report which had been presented to Cabinet on 28 August 2008.

As well as good management practice, the report also positively responded to the Key Lines of Enquiry in the Use of Resources element of the Comprehensive Performance Assessment.

Risks relating to Local Government Reorganisation (LGR) were being managed within the LGR Programme and were distinct from the service and corporate risks of the County Council.

At the end of June 2008, the major risks being managed were:

- Failure to effectively manage the implementation of the LGR Programme. There is a process in place to manage the risks to the Programme. This is part of the overall programme governance structure, which has been established to reduce the impact and likelihood of this strategic risk occurring.
- Failure to effectively implement an equality proofed pay structure under Single Status and Job Evaluation. Management continue on an ongoing basis to actively address these risks.
- Failure to deliver the Building Schools for the Future programme within time and budget, with minimal disruption to service delivery. Risks are managed by the project team, and key risks are highlighted monthly to the project board.
- Failure to effectively implement the proposed Waste Management Contract. Risks are managed by the project team, and key risks are highlighted to the joint Member/Officer Waste Management Contract project board.
- Failure to support well-being of workforce. Management continually monitor trends closely to establish if our strategies and interventions support reductions in absence.

The Committee also noted an emerging risk in the quarter April to June 2008, that in order to meet European funding regulations, all appropriate documentation and records must be retained for at least 3 years after the final programme payment has been made. If this requirement was not complied with, it may result in the repayment of grants already received.

In the ensuing discussion the Head of Internal Audit and Risk Management reminded Members that training had been arranged for 10 October, which would also include reviewing the Committee's Terms of Reference and an examination of the Risk Process.

In response to a question from Councillor Carr about delivery of the LGR programme the County Treasurer explained that whilst the Workstreams will have addressed the "must haves" by early October, they would have a continuing role to play in the run-up to Vesting Day.

In response to Councillor Ord's concerns about the delay in resolving Equal Pay and implementing Job Evaluation and the adequacy of budget provision for this, the County Treasurer provided a summary of progress and explained the issues that remained to be addressed. In his view it would be unlikely that the position would be fully resolved by 1 April 2009, although the problems that the County Council were facing were similar to other local authorities nationally. The Committee were of the view that the County Treasurer pass on these concerns to the Human Resources Committee and seek assurances that the position was be addressed as expeditiously as possible.

The Committee were also of the view that the more detailed Corporate Risk Management Group's Risk Report be presented quarterly rather than half-yearly.

Resolved:

1 That the Report be noted and that in future the more detailed Corporate Risk Management Group's Risk Report be presented quarterly rather than half-yearly.

2 That the County Treasurer pass on to the Human Resource Committee the concerns that had been expressed about the length of time that was being taken to resolve Equal Pay and implement Job Evaluation and seek assurances that this was being dealt with as expeditiously as possible.

A5 Internal Audit interim progress report

The Committee considered a report of the Head of Internal Audit and Risk Management (for copy see file of Minutes) about the work undertaken by Internal Audit between 01 April 2008 and 30 June 2008 and providing detail on the progress made against the annual audit plan for the financial year 2008/09. The report also provides an

update on the progress made in implementing recommendations agreed with managers relating to 2007/08.

Thus far forty issues of high priority have been identified. Fourteen of these relate to the development of the Authority's corporate governance arrangements and are currently being agreed in the form of an action plan with responsible officers. The remaining twenty six issues relate to work undertaken at schools seeking to attain the Financial Management Standard (FMSiS), and are reported on an individual basis to School Governing Bodies

Internal Audit will continue to work with the managers responsible for these issues in seeking to ensure that envisaged improvements in systems of internal control are realised.

In response to a question from the Chairman about the number of Customer Satisfaction forms returned the Committee were informed that these were in the order of 50%, although at present the returns were voluntary.

Councillor Carr suggested that Appendix 3 to future reports indicate whether the accepted recommendations were high, medium or low priority.

Resolved:

- 1 That the recommendation in the Report be agreed.
- 2 That Appendix 3 of future reports be revised to indicate whether accepted recommendations were of high, medium or low priority.
- 3 That in future Services be required to return Customer Satisfaction forms as part of the process.