

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Thursday 4 April 2013 at 10.00 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

Councillors O Temple (Vice-Chairman), B Harrison, R Ord and D J Southwell

Co-opted Members:

Mr T Hoban

Apologies:

Apologies for absence were received from Councillor Colin Carr, Councillor Brian Myers and Kathryn Larkin-Bramley

1 Apologies for Absence

Apologies for absence were received from Councillors C Carr, B Myers and K Larkin-Bramley.

2 Minutes of the meeting held on 21 February 2013

The Minutes of the Meeting held on 21 February 2013 were confirmed as a correct record and signed by the Chairman.

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 Exemptions to the P2P Process - Report of Corporate Director, Resources

The Committee received a report of the Corporate Director of Resources that presented an overview of the approved exemptions to the standard Procure to Pay (P2P) Process (for copy see file of Minutes).

Mr Chris Jones, Transaction Accounts team explained to Members about the approval process in place for the payment of invoices, the guidance used and exceptions to the process. Some areas such as utility and telephone bills were not known until after the billing period. In February 2013 14% of invoices were classed as an exemption, equating to 23% value of all invoices paid. Approximately 29,000 invoices are paid each month. Mr Jones informed the Committee that the P2P board would continue to monitor and make improvements to the process.

The Corporate Director, Resources commended the team for the improvements made as the Committee had previously raised concerns. He added that as many invoices as possible were automated and Oracle was performing well. Operators had recently been reminded how to best use the system for invoices however it was recognised that there will always be exceptions to the process.

Councillor Ord welcomed the report and asked if Oracle was beneficial. Mr Jones confirmed that the system was working very well.

Mr Hoban asked how often signatory lists are checked and what size were the payment batches referred to in Appendix 2. Mr Jones confirmed that the P2P board were exploring the signatories but initially it was up to each Service to review and a manual batching system was in place through a central point. Councillor Harrison added that reviewing signatories was an HR issue and a reminder should be issued to them to update systems when required. The Manager of Internal Audit and Risk said that this was already in place but that checks would be made as to how the system is administered. There was a high risk involved with the manual process so checks would be made at how effective the control was.

Councillor Southwell congratulated the team on the work carried out so far but asked that improvements continue to be made and suggested that best practice is explored with other authorities. He suggested that invoices should be returned if all information was not correct.

Councillor Temple reiterated the comments made about the report and stated that it was useful for the Committee. As Mr Jones explained that no targets were in place for the exempt invoices paid, Councillor Temple added that there would be merit in introducing different target dates with a higher date for automated invoices. He suggested that a report be brought back to Committee on achieved targets and any changes made.

The Chairman thanked Mr Jones for the report and passed on congratulations from the Committee.

Resolved:-

That the report be noted.

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 2012/13 accounts (for copy see file of Minutes).

The Assistant Finance Manager, Strategic Finance highlighted changes in and their relevance to the Council. He added that further changes would be made next year that would affect the County Council.

Resolved:-

That the report be noted.

6 Consideration of "Going Concern Status" for the Statement of Accounts for the year ended 31 March 2013 - Report of Corporate Director, Resources

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

The Assistant Finance Manager, Strategic Finance said that robust needs were in place and linked around financial performance.

In relation to a question from Councillor Southwell, the timetable for the statements of accounts was given. The two stage process ensures that the Accounts are with the External Auditors by 30 June 2013 with formal approval in September. He gave assurances that regular weekly meetings were held to evaluate the progress on the accounts.

Mr Hoban asked for clarification on the agreed tri-borough collaboration arrangements detailed in the report and was assured that feedback would be given following the meeting.

Resolved:-

That the recommendations contained within the report be agreed.

7 Agreement of Accounting Policies for Application in the 2012/13 Financial Statements - Report of Corporate Director, Resources

The Committee received an update from the Corporate Director of Resources on the County Council's accounting policies to be applied in the preparation of the 2012/13 Statement of Accounts and to seek confirmation that appropriate policies are being applied (for copy see file of Minutes).

The Assistant Finance Manager, Strategic Finance highlighted the changes to be applied in preparing the 2012/13 Statement of Accounts and asked that delegated authority be approved for the Corporate Director, Resources to amend the policies as and when required and report back to Committee.

Councillor Southwell asked about a whether there was a policy showing the costs to the County Council for having to pay a shortfall of Council Tax, as he could see no indication in the Statement of Accounts. He referred to the fact that the County Council have to pay a shortfall if tenants receive a discount towards Council Tax. The Corporate Director, Resources said that all costs would be shown in the budget statement. He explained that discretionary housing benefit payment had been in place for many years for use by vulnerable families. The new bedroom tax would affect a lot of families and it was not yet known as to whether the £880,000 from government would be enough to help support such families.

Resolved:-

That the recommendations contained within the report be agreed.

8 Final Accounts Timetable for the year ended 31 March 2013 - Report of Corporate Director, Resources

The Committee considered a report of the Corporate Director of Resources that provided Members with the Final Accounts Timetable for 2012/13 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, Strategic Finance gave an update on progress made so far with the preparation to complete the Statement of Accounts. In 2012/13 there were 69 tasks in the timetable, 47 on time, 13 late, 6 on target, 1 cross-service cutting and 2 n/a. Of the 13 that were late the actions were detailed on the timetable. In 2011/12 there were 76 tasks, 54 on time, 19 late and 3 n/a. There had been no concerns raised about those that were late. Ongoing discussions were taking place with the auditors with more robust challenges and roles being clarified. One of the challenges were staff carrying out roles post LGR for the first time however good practice of working together has improved deadlines.

Councillor Southwell commented that staffing structures should be finalised now and people need to be held to account. He would expect there to be improvements next year.

Resolved:-

That the report be noted.

9 Action Plan - 2011/12 Audit of Accounts - Update - Report of Corporate Director, Resources

The Committee received an update from the Corporate Director of Resources on the progress on implementation of the Action Plan from the agreed recommendations for improving control weaknesses incorporated in the External

Auditor's 2011/12 Interim and Final Governance Reports (for copy see file of Minutes).

The Assistant Finance Manager, Strategic Finance informed Members that the Action Plan continues to be monitored through the Performance Framework and was very positive. The migration of housing dwellings for Durham City was now included in the live system at CIPFA as a single asset register, and it was expected to sign off at an early stage this year. He gave an assurance to the Committee that the Accounts could be closed as the risks had now been removed.

Resolved:-

That the report be noted.

10 Durham County Council - Audit Strategy Memorandum 2012/13 - Report of the External Auditor

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 Hoban enquired about how serious the bank reconciliation was and the Corporate Director, Resources explained that it had been a historical issue but that following improvements the system was robust and performing well. He gave an assurance that it would be as up to date as possible.

Resolved:-

That the report be noted.

11 Durham County Council Pension Fund - Audit Strategy Memorandum 2012/13 - Report of the External Auditor

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).

Resolved:-

That the report be noted.

12 Pension Fund Committee - Terms of Reference - Report of Corporate Director, Resources

The Committee received a report of the Corporate Director of Resources about the operational terms of reference for the Pension Fund Committee (for copy see file of Minutes).

Resolved:-

That the report be noted.

13 Action Plan for Corporate Governance Improvements - Report of Corporate Director, Resources

The Committee considered a report of the Corporate Director of Resources giving progress in implementing the agreed governance action plan, highlighting areas of improvement arising from the annual review of the effectiveness of corporate governance arrangements (for copy see file of Minutes).

Resolved:-

That the report be noted.

14 Financial Management Standards - Report of Corporate Director, Resources

The Committee considered a report of the Corporate Director of Resources giving an update on the development and implementation of Financial Management Standards (for copy see file of Minutes).

The Corporate Director, Resources stated that the report sought to give further assurance to the Committee that processes to ensure that key financial systems and a more detailed framework were in place. Services had been centralised and senior service managers had a responsibility to report directly to the Corporate Director about any issues.

Resolved:-

That the report be noted.

15 Any Other Business

The Chairman agreed that the following items of business were of sufficient urgency to warrant consideration:-

1. Partnership working – The Committee requested information to be brought back that could provide some assurance on the effectiveness of partnership working, following example referred to by Councillor Temple on the closure of Derwentside Citizens Advice Bureau.

2. Guidance for elected members on becoming Trustees and their involvement with partnerships – Members asked for assurances to be sought when nominated to act as Trustee or representative to a third party external organisation as the Council's representative.

Resolved:-

That the key areas of strategic risk are assessed, that assurances are provided and mechanisms are in place and report would be brought to Committee to explain the process.

3. Grants and loans paid to third parties. Councillor Harrison asked about risks when an organisation changes and the risk identified with clawback of external grants and funds. Councillor Ord referred to the long term loan to DCC Cricket Club. The Committee were advised that Audits are planned to review both grants payable and receivable and the outcomes of these will be reported to Committee in due course.

Resolved:-

That outcomes will be reported back to Committee.

16 Exclusion of the public

That under Section 100 (A) 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 3 of Schedule 12A to the said Act.