

DURHAM COUNTY COUNCIL

AUDIT COMMITTEE

At a Meeting of the Audit Committee held at the Comeleon House, Tanfield Lea Industrial Estate on Thursday 26 May 2011 at 11.10 a.m.

Present:

Councillor E Bell in the Chair

Members of the Committee:

Councillors C Carr, M Hodgson, L Marshall, R Ord and O Temple.

Co-opted Members

Mt T Hoban and Ms K Larkin-Bramley

Apologies for absence were received from Councillors B Myers and D Southwell.

1 Minutes

The Minutes of the meeting held on 18 March 2011 were agreed as a correct record and signed by the Chairman.

Consideration was given to all current items on the Committee's Action Plan (for copy of action plan see file of Minutes). Several items on the Plan were considered later in the meeting, the position with others was provided and dates were set when these would be reported back to Committee. The Plan would be updated accordingly.

Referring to point number 7 of the Action Plan, the Manager of Internal Audit and Risk informed the Committee that Internal Audit had carried out two pieces of work about the control environment around Housing Benefit. The resultant 2 audit reports would be circulated to Members, and any questions on the reports would be considered at the next meeting of the Committee.

2 Declarations of Interest

Declarations of interest were provided by Members of the Committee. A generic declaration of interest would be recorded as Members were school governors, members of various committees of the Council and of the former District Council's, and bodies such as the Probation Board, Fire Authority and Police Authority. Together with other declarations from Ms Larkin-Bramley, a declaration be provided that she is a lecturer at New College Durham.

3 The Work of Corporate Risk Management April 2010 – March 2011

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that demonstrated the effectiveness of risk management across the Council during the year April 2010 to March 2011, focusing in particular on the management of risks by the Services, and the effectiveness of the Corporate Risk Management Group in supporting Services in their management of risk. The report also provided evidence to support the Annual Governance Statement.

Members referred to paragraph 4 of the report and queried why no revisions were required to the Council's Risk Management Strategy and Policy for 2011/12. The Risk and Governance Manager replied that the Corporate Risk Management Group had undertaken a major revision to the Strategy and Policy last year, which had been reported to the Committee. Following this revision the Risk Management Group had decided that the Strategy and Policy was fit for purpose for 2011/12. Members sought assurance that the Strategy allowed for risks to be addressed as they arose. The Risk and Governance Manager agreed to submit the Risk Management Strategy and Policy to the June meeting of the Committee to provide the assurances sought.

Resolved:

That the report be noted, and that the Risk Management Strategy and Policy be submitted to the Committee in June.

4. The Work of Corporate Risk Management in the Quarter Period January – March 2011

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that highlighted the status of the key corporate and service strategic risks facing the Council and provided an insight into the work carried out by the Corporate Risk Manager and the Corporate Risk Management Group during the period January to March 2011.

Resolved:

That the recommendation in the report be endorsed.

5. Review of Strategic Risk Management

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that demonstrated the outcome of the review of the Council's strategic risk management framework by Zurich Municipal and provided evidence to support the Annual Governance Statement.

Members raised concern about the cost of engaging outside bodies to conduct such reviews. The Risk and Governance Manager replied that the review by Zurich Municipal had been cost-neutral, as part of the Council's insurance agreement provided free risk advice.

The Risk and Governance Manager informed the Committee that the review had identified a number of areas for improvement. The Risk Management Improvement Plan incorporated most of these areas, and a report could be brought to Committee to highlight those areas included in the review that would not be incorporated, together with the reasoning for this.

Resolved:

- (i) That the report be noted
- (ii) That a report be brought to Committee to highlight those areas included in the review that would not be incorporated into the Risk Management Improvement Plan, together with the reasoning for this.

6. Internal Audit Progress Report Quarter Ended 31 March 2011

The Chairman informed the Committee that this report was incorporated into Item No. 15 and would be considered later in the agenda.

7. Quarterly Update on the Payment of Invoices

The Committee received an update from the Corporate Director, Resources on the payment of invoices.

The Corporate Director, Resources informed the Committee that just below 90% of invoices were paid within 30 days, with a target for this to improve to the mid-high 90%.

The Procure to Pay functionality within the Oracle Financials System, which was an automated method of paying invoices, was being implemented, with a Project Board being established and a Project Manager in place. It was anticipated this would be delivered in 4 months or so.

8. Final Accounts – Consolidated Action Plan Update

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that provided an update on progress being made on the Action Plan to address the concerns raised by the Audit Commission in their Interim Governance Report for 2009/10 and the Annual Governance Reports.

Members of the Committee raised queries around the production of a Single Asset Register and the valuations of assets. The Corporate Director, Resources informed the Committee that work would take place after accounts closure/audit and progress would be discussed with the auditor, adding that work would be commencing to consider asset valuations on a 12-month rolling basis. Members agreed that this be placed on the Action List, to be addressed once the accounts had been completed, and requested that a quarterly report be brought to the Committee on asset valuations. It was also agreed that Gerard Darby be invited to

a future meeting to give an update on progress regarding asset valuations and single asset register.

Resolved:

That the report be noted

9. Housing Benefits Inspection – Update Report on Implementing Recommendations

The Committee received an update from the Corporate Director, Resources on the implementation of recommendations from the Audit Commission's Housing Benefits Inspection report in July 2010.

The Corporate Director, Resources informed the Committee that the 20 recommendations from the Inspection were all being progressed, although some had been impacted upon by the Housing Benefits reorganisation.

Regular performance reports on benefits processing are being taken to Corporate Management Team and Cabinet to ensure that strong performance management was in place. Overview and Scrutiny Commission have also had a monitoring role.

A further written update report on progress would be brought to the Committee in three months time, with the Benefits Manager being invited to attend the meeting.

Resolved:

Progress noted and Benefits Manager be asked to attend the Audit Committee in September 2011.

10 – Update on Revenue and Benefits Project

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that provided details on the progress of the implementation of the integrated Revenues and Benefits system.

The Corporate Director, Resources informed the Committee that there had been slippage in the completion date for the project from July 2011 to December 2011. However, the implications of this were being managed, with extra resources and close working with Civica, the software provider.

Resolved:

That the report be noted

11. ISA620 Letter to 'Those Charged with Governance'

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) regarding a request made by the Audit Commission, as part of the 2010/11 final accounts and audit process, relating to the requirements under

International Auditing Standards (UK and Ireland) in respect of preventing fraud and compliance with laws and regulations.

Resolved:

That the report be noted

12. Audit Opinion Plan Durham County Council Pension Fund

The Committee considered a report of the External Auditor (for copy see file of Minutes) that outlined the contents of the Pension Fund audit plan for the 2010/11 audit, in line with the Committee's Terms of Reference.

The External Auditor informed the Committee that an interim report on Pension Fund Governance would be brought to a future meeting.

Resolved:

That the contents of the audit opinion plan be approved.

13. 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 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.

14. Internal Audit Progress Report Quarter Ended 31 March 2011

The Committee considered a report of the Manager of Internal Audit and Risk (for copy see file of Minutes) that provided details of work carried out by Internal Audit during the period January to March 2011.

Referring to the amount of unplanned work carried out during the year, Members requested that historical information from previous years be provided. The Manager of Internal Risk and Audit agreed to bring this information for 2009/10 and 2010/11 to the next Committee meeting.

Members queried the processes around fraud investigation. The Manager of Internal Risk and Audit reported that more information around the area of fraud would be brought to the next Committee meeting, and the Counter-Fraud Officer would be in attendance to address any queries.

Resolved:

That the report be noted.