

DURHAM COUNTY COUNCIL

AUDIT COMMITTEE

At a Meeting of the Audit Committee held at the on Thursday 30 June 2011 at 10.00 a.m.

Present:

Councillor E Bell in the Chair

Members of the Committee:

Councillors L Marshall, B Myers, R Ord, D Southwell and O Temple.

Co-opted Members

Mr T Hoban and Ms K Larkin-Bramley

Apologies for absence were received from Councillors C Carr, B Harrison and M Hodgson

1 Minutes

The Minutes of the meeting held on 26 May 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.

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 Annual Internal Audit Report 2010/11

The Committee noted a report of the Manager of Internal Audit and Risk (for copy see file of Minutes) that detailed the Annual Internal Audit Report for 2010/11.

Members were concerned about the duplicate payments being made through the Oracle system and asked for a report about improvements being carried out in this area.

Resolved:

That the Annual Internal Audit Report and the overall opinion provided on the adequacy and effectiveness of the Council's control environment for 2010/11 be noted

4 Review of the Effectiveness of Internal Audit

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that advised members of the outcome of the annual review of the effectiveness of Internal Audit.

Members were advised that it was proposed to change the title of the Manager of Internal and Risk to that of Chief Internal Auditor, which would provide clarity that the post holder is the head of internal audit.

Resolved:

That the recommendation in the report be agreed.

5 Strategic Audit Plan and Annual Internal Plan 2011/12

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that:-

- *Outlined the audit strategy to implement a risk based approach to internal audit to help provide assurance on the effectiveness of risk management across the Council at both a strategic and operational level.*
- *Updated management with progress made in developing an assurance framework for the Council to help improve the Council's corporate governance arrangements and inform strategic audit plans.*
- *Outlined the overall strategy for developing strategic and annual audit plans.*
- *Presented a draft strategic audit plan for the Council to outline how the audit strategy is to be delivered as part of a rolling programme of planned assurance reviews, and*
- *Presented an annual plan for the period July 2011 to June 2012 for approval*

In response to concerns raised about the role of the Audit Committee about whistle blowing, Members were informed that issues were dealt with and the risks associated were considered as appropriate. The Head of Legal and Democratic Services informed Members that the whistle blowing policy was included in the County Council's Constitution and copy was available on the internet.

Members referred to the timing of reviews included in the strategic plan where a limited assurance opinion had been provided previously and asked further details of follow up. The head of IA audit agreed to review how further assurance could be

provided to the Audit Committee through progress reports that audit recommendations relating to such audits had been implemented..

Cameron Waddell, Audit Commission advised that in other public bodies he was aware of the audit practice of not issuing recommendations, allowing the responsible manager to suggest to action to emphasis the responsibility of service managers to take appropriate action in response to issues raised by Audit. The Chairman suggested that the Committee should embrace the potential that this may bring and a pilot of this approach should be considered..

Resolved:

- (i) That the audit strategy to improve the risk based approach to internal auditing and the development of draft strategic and annual audit plans be noted.
- (ii) That the draft strategic plan for 2011-2016 is noted and that the annual audit plan covering the period July 2011– June 2012 be approved.
- (iii) That work would continue during the year to monitor and improve draft strategic plans and that consultation on the development of each subsequent annual audit plan would continue as usual as part of the annual planning process be noted.

6 Review of the Effectiveness of the Audit Committee - Update

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that presented an action plan for agreement following the workshop held on 13 May 2011 to consider the results of the Audit Commission's SNAP (survey 'n' analysis package) Survey on the effectiveness of the audit committee.

Resolved:

Members agree the required actions and target implementation dates set out in the action plan.

7 Future of Local Public Audit Consultation

The Committee considered a report from the Corporate Director, Resources (for copy see file of Minutes) that informed Members of a consultation exercise being undertaken by the Department of Communities and Local Government (CLG) regarding the future of public audit following the announcement in August 2010 to disband the Audit Commission.

Resolved:

- (i) That CLG's proposal for the new local external audit regime as set out in the consultation document be noted.
- (ii) That our response to the 50 consultation questions be agreed.

- (iii) That the action being taken to transfer the work of the Audit Commission to the private sector for the 2012/13 accounts until such time as the Council can start to appoint its own auditors be noted.

8 Risk Management Improvement Plan

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that informed the Audit Committee of the proposed Risk Management Improvements for 2011/12, as requested by the Committee following the recent review of the Council's strategic risk management framework by Zurich Municipal.

Resolved:

That the report be noted

9 Risk Management Strategy and Policy for Year April 2011 - March 2012

The Committee received a report from the Corporate Director, Resources (for copy see file of Minutes) that sought approval of the draft Risk Management Strategy and Policy.

The Risk and Governance Manager circulated an example of a risk assessment (relating to fraud) to demonstrate how the strategy is applied in practice.. Members welcomed this approach and the clarify it provided.on the strategy.

Resolved:

That the recommendations contained within the report be approved.

10 Bribery Act 2010

The Committee received a report of the Corporate Director, Resources (for copy see file of Minutes) that provided a briefing to Members in relation to The Bribery Act 2010 which comes into force in July 2011.

Resolved:

That the report be noted

11 Durham Pension Fund Interim Governance Report

The Committee considered a report of the External Auditor (for copy see file of Minutes) that presented the Audit Commission's Durham Pension Fund Interim Governance Report.

Resolved:

That the report be noted

12 Durham County Council Summary Interim Governance Report

The Committee considered a report of the External Auditor (for copy see file of Minutes) that presented the Audit Commission's Interim Governance Report.

Resolved:

That the report be noted

13 Interim Governance Report – Response

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that provided Members with comments on the Audit Commission's draft Interim Governance Report.

Cameron Waddell, Audit Commission reported that there had been improvements since last year however, there were still a number of risks identified, and the action plan at Appendix 1, made recommendations for each area of concern.

It was noted that the action plan to formally response to the recommendations made and actions taken/planned to address, with timescales where necessary, would be completed and reported to Committee at a later date.

An update was provided by Cameron Waddell on the current position regarding the completion of the draft financial statements. Members noted concerns that not all group accounts had been prepared in time for the 30 June 2011 deadline and the Chairman and Vice-Chairman confirmed that they would make this a priority to finalise the accounts as a matter of urgency. The external auditors were confident that they would have all of the necessary information by 28 July 2011.

Resolved:

That Members note the recommendations raised in the Audit Commission's Interim Governance Report and the on-going work to implement them.

14 Any Other Business

The Chairman agreed to consider the following items of business:-

Draft Annual Governance Statement for the year April 2010 – March 2011

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that sought approval of the draft Annual Governance Statement (AGS) and a list of significant improvement made.

Resolved:

That the recommendations contained within the report be approved.

Programme of Work for Durham County Council Group Accounts 2010/11

The Committee noted a letter from the External Auditor (for copy see file of Minutes) relating to a risk identified to the Group Accounts Opinion Audit.

Resolved:-

That the identified risk be noted.

15 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.

16 Annual Fraud Report 2010-11

The Committee considered a report of the Manager of Internal Audit and Risk (for copy see file of Minutes) that informed Members of action taken by Internal Audit during 2010/11 and further action planned, to raise awareness of the risk of fraud and corruption. The aim has been to help embed a strong counter fraud culture across the Council, in accordance with the Council's Counter Fraud and Corruption Strategy. Members were advised of cases of potential fraud and irregularity reported during 2010/11 together with an update on progress and outcomes. The report aimed to raise awareness of potential fraud risks arising from the Audit Commission's 'Protecting the Public Purse' 2010 publication.

Resolved:

That the recommendations contained within the report be agreed.