

# **DURHAM COUNTY COUNCIL**

## **AUDIT COMMITTEE**

**At a Meeting** of the **Audit Committee** held at the County Hall, Durham on **Thursday 28 July 2011 at 10.00 a.m.**

Present:

**Councillor E Bell** in the Chair

### **Members of the Committee:**

Councillors C Carr, M Hodgson, L Marshall, B Myers, R Ord, D J Southwell and O Temple.

### **Co-opted Member**

Mr T Hoban

Apologies for absence were received from Councillor B Harrison, and Ms K Larkin-Bramley.

### **1 Minutes**

The Minutes of the meeting held on 30 June 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.

In relation to point 1 on the Action Plan concerning the payment of invoices, the Corporate Director, Resources advised that the project was on track with the results in quarter 1 being encouraging. Members noted this would be the last update on the position.

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.

Specific declarations were provided by those members on the Pension Fund Committee in relation to item 3, and Councillor D J Southwell, as a Director of East Durham Homes, and Councillor B Myers, Director of Dale and Valley Homes in relation to item 4.

### **3 Statement of Accounts for the year ended 31 March 2011**

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) which presented the Statement of Accounts for the year ended 31 March 2011.

The Corporate Director, Resources advised of the procedure for approval of the accounts, and in his absence his deputy financial officer had signed the accounts by 30 June.

He pointed out that there were two missing notes from the accounts which would be included shortly and these related to segmentation reporting, and agency expenditure. One element of the group financial accounts, Premier Waste, which had not been included by 30 June, were now included in the accounts presented to Committee.

External audit had undertaken a technical review of the accounts, and had flagged up some issues including the segmental reporting, a note on comprehensive income and expenditure, a note on movement statement, and revised entries for the change in council stock valuation. The Corporate Director explained the position of the council stock valuation and the effect this would have on the balance sheet.

Further explanation was requested for the large increase in Investment Management Fees in the pension fund accounts. More details would be provided in the notes to the Accounts at paragraph 12.

#### **Resolved:**

That the Statement of Accounts for the year ended 31 March 2011 be noted.

### **4 2010/11 Final Outturn for General Fund and Housing Revenue Account**

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) with details of the Final Outturn for both the General Fund and the Housing Revenue Account (HRA) for 2010/11 including an Annual Treasury Management Report. The report considers both Revenue and Capital.

Clarification was provided on the distinction between Service Direct, Direct Services, and NEWCO, and the classification of a strategic reserve for early retirement/ voluntary costs.

Further clarification was requested on the purpose of the earmarked Planning Reserve, grants/loans made to Durham County Cricket Club and the reason for the high level of slippage on the capital programme within CYPS.

(A response to these queries was subsequently provided to all Committee Members 1<sup>st</sup> August 2011).

**Resolved:**

That the report be noted.

**5 Draft Annual Report to Council 2010/11**

The Committee considered a draft report of the Chair of the Audit Committee that set out the work of the Audit Committee for 2010/11 which would be presented to full Council on 21 September 2011 (for copy see file of Minutes). It set out how the committee had been successful in improving governance across the Council.

**Resolved:**

That the draft annual report be agreed.

**6 The Work of Corporate Risk Management in the Quarter period April – June 2011**

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) which highlighted the strategic risks facing the Council, including the status of the corporate strategic risks, and to give an insight into the work carried out by the Corporate Risk Manager and the Corporate Risk Management Group during the period April to June 2011.

The Corporate Director, Resources explained that he was confident of the assessment of the net impact and the net likelihood of the risk relating to 'slippage in delivery of the MTFP'. He advised members of a recent report to Cabinet on the delivery of the savings identified in the MTFP which would give members a level of assurance that this risk was being managed effectively.

**Resolved:**

The Committee confirmed that the report provided assurance that the strategic risks are effectively being managed within the risk management framework.

**7 Bank Account Update**

The Corporate Director, Resources provided members with an update on the position with the Authority's bank accounts following a report to the Committee in January that there were 27 different bank accounts in operation. The objective was that by 1 April 2011 the Authority would have 3 bank accounts- one for income, one for giros/ post office payments, and the other for payments. Timescales are however linked to the implementation of the new cash collection system and the housing and council tax benefit systems. There has been some slippage but good progress is being made. The review also highlighted the need to reduce the number of petty cash accounts in operation and the introduction of procurement cards.

Concerns were raised in relation to the implications of cash handling now the cashiering facilities at the former district offices have been removed. The Corporate Director advised he was aware of these risks and that proper policies and procedures had been put in place to address this.

**Resolved:-**

The Committee noted the update.

## **8 External Audit Progress Report**

The Committee considered a report of the External Auditor (for copy see file of Minutes) that provided the committee with progress in delivering their responsibilities as external auditor.

An update was provided by Cameron Waddell on the current position regarding the completion of the draft financial statement, and advised that they were in the early stages of their audit of the accounts. As reported earlier in the meeting they had undertaken a technical assessment of the accounts and had provided feedback to the Corporate Director, and would continue with their audit.

**Resolved:**

That the report be received.