

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Monday 29 July 2013 at 9.30 am**

### **Present:**

**Councillor E Bell (Chairman)**

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

Councillors J Rowlandson (Vice-Chairman), S Forster, J Hillary and O Temple

### **Co-opted Members:**

Mr T Hoban

#### **1 Apologies for Absence**

Apologies for absence were received from Councillor L Armstrong, C Carr, T Smith and W Stelling and Ms K Larkin-Bramley.

#### **2 Minutes of the meeting held on 27 June 2013**

The minutes of the meeting held on 27 June 2013 were agreed and signed by the Chairman as a correct record.

Consideration was given to all current items on the Committee's Action Plan (for copy of action plan see file of Minutes) with dates set when these would be reported back to Committee. The Plan would be updated accordingly.

The Strategic Finance Manager gave an update on Item 5 of the Action plan relating to the external audit progress report on Journals. She explained that all journals are printed off and signed by senior members of staff but not all are shown on Oracle. The facility is available but it was felt that it would not be sustainable to add them all to this system as could cause delays in the journals being signed off.

#### **3 Declarations of interest**

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 Strategic Risk Management - Progress Report for the Quarter period April to June 2013**

The Committee considered a report of the Corporate Director, Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during April to June 2013 (for copy see file of Minutes).

Members were informed of new risks, those that had been removed and key risks.

**Resolved:**

That the report provides assurance that strategic risks are being effectively managed within the risk management framework across the Council.

**5 2012/13 Final Outturn for General Fund and Housing Revenue Account**

The Committee noted a report of the Corporate Director, Resources which provided details of the final outturn for both the General Fund and the Housing Revenue Account for 2012/13 including the Annual Treasury Management Review (for copy see file of Minutes).

Councillor Temple asked questions about the total loss to the Council from Premier Waste, the implications for the future on £10m of capital receipts and commented about goalposts shifting regarding the reserves policy increasing as the net revenue expenditure was falling.

The Corporate Director, Resources explained that the Council had agreed to put in further concessions in relation to premier Waste as there would be significant problems if the company went into liquidisation. He informed the Committee that all creditors had signed up to a company voluntary arrangement (CVA). In relation to capital receipts the Corporate Director explained that the market was very flat and £10m was a prudent target. £8m had been delivered and even though short of the forecast no problems had been encountered. With regards to the comment made about general reserves it was explained that the Council had taken a prudent approach.

Councillor Temple said that part of the pressures in earmarked reserves were making reductions too early and there had been a marked rise over the last 3 years on total reserves. The Corporate Director advised the cash limit of £20m earmarked reserves would be spent and that Service Directors were responsible for overspends that could be smoothed out through the cash limit. He added that decisions are taken throughout the year to smooth the way forward in the short term to get the base budget in line.

**Resolved:**

That the report is noted.

**6 Action Plan 2011/12 Audit of Accounts - Update**

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 Strategic Finance Manager, Corporate Finance informed Members that the Action Plan continues to be monitored through the Performance Framework.

Mr Hoban referred to the fact that no authorised signatories list had been completed and asked if the system was under control. The Strategic Finance Manager, Corporate Finance explained that work was ongoing and a review to put signatories in place for payroll was taking place. There was no formal list that could be produced for the benefit of External Audit but further information could be sought. The Chairman asked that the committee were provided with more details to give assurances on the procedures in place.

**Resolved:-**

That the report be noted.

**7 Statement of Accounts for the year ended 31 March 2013**

The Committee considered a report of the Corporate Director, Resources which presented the Statement of Accounts for the year ended 31 March 2013 and raised any significant issues arising from the accounts (for copy see file of Minutes).

The Corporate Director, Resources said that this was the first stage of the final accounts process and the signed statement was with external audit by 30 June 2013. The second stage would need to be complete by 30 September 2013 and would take into account the views of the external Auditor.

The Risk, Insurance and Governance Manager updated the Committee on the amendments made to the Annual Governance Statement, further to comments made at the last Audit Committee.

Councillor Temple congratulated the Corporate Director and his team for an easier to read set of accounts. He asked about the large variants for supplies and services in the revenue outturn and was informed that this information would be fed back to him.

The Committee were informed that there had been a significant reduction change in Council Tax benefit that impacts on the tax base and that the new homes bonus would impact on changes in the 2015/16 budget, further to questions raised by Councillor Temple.

The Committee voted in favour to keep a paragraph in the Annual Governance Statement relating to the moderate overall opinion assurance, following Councillor Temple's suggestion to remove it.

Councillor Forster asked if there were plans to carry out bank reconciliations and was informed that they are carried out on a monthly basis but it was difficult to keep on top of them at this time of year whilst the final accounts are prepared.

Mr Hoban enquired about the comparison between costs of repairs and maintenance regarding Durham City Homes as East Durham Homes and Dale and

Valley Homes were included in the Supervision and Management section of the Housing Revenue Account. The Corporate Director, Resources advised that this information would be send to Mr Hoban following the meeting.

Mr Hoban said that the accounts had been a lot clearer in the way they had been produced and thanked the team.

The Chairman also congratulated the team on the hard work carried out in preparing the accounts.

**Resolved:**

- (i) That the attached Statement of Accounts for the County Council for the financial year ended 31 March 2013 be approved.
- (ii) That the progress on the rationalisation of bank accounts and the current position on bank reconciliations be noted.
- (iii) That the update on the Auditor's recommendations in the Annual Governance Report and the amendments made be noted.

**8 External Audit Progress Report**

The Committee considered a report of the External Auditor, Mazars that set out progress on the 2012/13 audit (for copy see file of Minutes).

Mr Waddell informed the Committee that work on the accounts had commenced with an overall review carried out by their National Financial Reporting Team. Various returns were being completed including surveys on fraud and 'tough times'.

Mr Waddell highlighted the audit quality and re-assured the Committee that Mazars had a robust and independent monitoring scheme.

**Resolved:**

That the progress report be noted.