

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Monday 30 September 2013 at 9.30 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

Councillors J Rowlandson (Vice-Chairman), L Armstrong, C Carr, S Forster and J Hillary

Co-opted Members:

Mr T Hoban

1 Apologies for Absence

Apologies for absence were received from Councillor O Temple, T Smith and W Stelling and Ms K Larkin-Bramley.

2 Minutes of the meeting held on 29 July 2013

The minutes of the meeting held on 29 July 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.

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 Authorised Signatories

The Committee considered a report of the Payroll and Pensions Manager about the approach taken in response to the External Auditor's recommendation regarding the risk of fraudulent timesheets (for copy see file of Minutes).

The Payroll and Pensions Manager said that the External Auditor's recommendation to introduce a list of authorised signatories was not a practical solution however an alternative solution was agreed for implementation by September 2014.

He gave assurances that the current processes in place were adequate as managers are aware of budget expenditure and any suspicious claims could be dealt with. Plus timesheets are received in the same way each month so would be difficult to present a fraudulent timesheet.

Members were advised that the way forward is to adopt a similar approach to that used for mileage and expenses claims, through MyView, where a form is submitted after being approved by a manager.

Mr Waddell, Mazars, explained that the opinion given was to highlight the controls in the system but that the risk of material error was non-existent. He agreed that the online approach, through MyView, was sensible but there would be a weakness if no audit trail could be kept. The Payroll and Pensions Manager advised that electronic data would be retained, as is the practice with mileage and expenses claims.

Members were assured that spot checks are carried out through an internal audit review process but were mindful that there was still a risk of fraud as no checks appeared to be carried out on the line manager. Members were also concerned about the timeframe for implementing the improvements and asked if the deadline could be brought forward to the beginning of the next financial year.

The Payroll and Pensions Manager said that no significant system had been in place before and the reason for the implementation date was due mainly to the lack of resources. He assured members that fraud was not an issue but having the correct controls in place was the key.

The Head of Corporate Finance said that there was a major programme underway to drive efficiency through the authority and a big driver for this was to develop resources to link systems together.

Mr Waddell added that it was a risk for the Council to manage but he was happy that an online system would address the control issue. He re-iterated that there was no material risk in terms of fraud as 99.9% of overtime claims are correct.

The Head of Corporate Finance explained that budget managers will check their budgets for any anomalies and that Oracle have a new system with budget intelligence, as budgets are not set up to deal with loads of overtime.

The Chairman suggested that members are given training on the Oracle system so that they have a better understanding and could gain assurances of processes used. The Head of Corporate Finance suggested that information could be brought back to a future meeting providing the background on what has been developed and utilised to date.

Resolved:

That the report be noted.

5 Annual Governance Statement for the year April 2012 - March 2013

The Committee considered a report of the Corporate Director, Resources that sought approval of the final Annual Governance Statement to be published as part of the Council's audited Statement of Accounts 2012/13 (for copy see file of Minutes).

Resolved:

That the final Annual Governance Statement be approved as part of the Council's audited Statement of Accounts 2012/13.

6 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 (for copy see file of Minutes).

The Head of Corporate Finance thanked the External Auditors at Mazars, the Finance team and Internal Audit for having a good working relationship to be able to deliver the accounts on time.

The Chairman also added the thanks of the Committee as a lot of progress had been made since LGR to make sure that the accounts were delivered on time.

Resolved:

That the statement of accounts for the County Council for the financial year ended 31 March 2013 be approved.

7 Audit Completion Report 2012/13 - Durham County Council

The Committee considered the Audit Completion Report of the External Auditor relating to Durham County Council for the year ended 31 March 2013 (for copy see file of Minutes).

Mr Waddell, Mazars, advised that he would issue an unqualified opinion on the accounts with a Value for Money conclusion. He advised that overall the accounts produced were an improvement to the previous year in terms of the quality of the accounts and had been received on time. Assurances had been given on the significant audit risks identified however issues relating to valuations had been covered in greater details and were drawn to the Committees attention.

He circulated a draft letter for the information of the Committee which provided an update on the work undertaken on the audit since the report was circulated to the Committee (for copy see file of Minutes).

Thanks were given to the Strategic Finance Manager and her team in the preparation of the Accounts.

Resolved:

1. That the Annual Governance Report of the Audit Commission be noted.
2. That the letter of representation be approved.

8 Audit Completion Report 2012/13 - Pension Fund

The Committee considered the Audit Completion Report of the External Auditor relating to Durham County Council Pension Fund for the year ended 31 March 2013 (for copy see file of Minutes).

The External Auditor presented the report to the Committee. He advised that he expected to complete his final review and closure procedures, and issue an unqualified opinion, on the pension fund financial statements.

He advised that overall the accounts produced were significantly improved to the previous year and were produced on time.

Resolved:

That the Annual Governance Report of the Audit Commission be noted.

9 An outline of the budget and MTFP setting process

The Committee received a detailed presentation from the Head of Finance (Corporate Finance) outlining the budget and MTFP setting process (for copy of presentation see file of Minutes).

He highlighted the following to Members of the Committee:-

- Budget Procedures Rules – overall framework and requirement so the Full Council
- Finance Procedure Rules – how the budget process should be developed/ controlled
- Financial Management Standards – how the FMS support the Finance Procedure Rules
- 2014/15 Budget and 2014/15 – 2016/17 Medium Term Financial Plan – details of the actual process followed which is driven / controlled by the Procedure Rules

The Chairman thanked the Head of Corporate Finance for a very informative presentation.

10 Internal Audit Progress Report Quarter Ended 30 June 2013

The Committee considered a report of the Manager of Internal Audit and Risk which informed members of the work carried out by Internal Audit during the period April to June 2013 (for copy see file of Minutes).

The Manager of Internal Audit and Risk advised that 61 of the 115 planned audits had been completed. One unplanned review for catering had been added to the plan and one outstanding management response remains overdue regarding the records management draft report.

Members were informed that there had been huge improvements in the number of overdue actions with 6% outstanding and 2% revised overdue actions.

Members asked for assurance on a particular overdue action and suggested that a limit on how many times a revised target date could be given is implemented.

The Chairman advised that he would confirm with the Manager of Internal Audit and Risk about which officers to call into a future Committee meeting to give an explanation on overdue actions.

Resolved:

1. The amendments made to the 2012/13 Annual Audit Plan be noted.
2. Work undertaken by Internal Audit during the quarter ended June 2013 be noted.
3. Progress made by service managers in responding to the work of Internal Audit be noted.

11 Exclusion of the public

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.

12 Internal Audit Progress Report Quarter Ended 30 June 2013

The Committee considered Appendices 7 and 8 of the report of the Manager of Internal Audit and Risk which informed Members of actions agreed by managers in response to internal audit recommendations (for copy see file of Minutes).

Resolved:

That the report together with the recommendations included therein be approved.

13 CIPFA Internal Audit Benchmarking Results

The Committee considered a report of the Manager of Internal Audit and Risk that presented results from the CIPFA 2013 Internal Audit Benchmarking Club exercise for 2012/13 actual and 2013/14 estimates (for copy see file of Minutes).

Resolved:

That the report together with the recommendations included therein be approved.