

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Friday 31 May 2013 at 9.30 am**

**Present:**

**Councillor E Bell (Chair)**

**Members of the Committee:**

Councillors C Carr, S Forster, J Rowlandson (Vice-Chair), T Smith, W Stelling and O Temple

**Co-opted Members:**

Mr T Hoban

**1 Apologies for Absence**

Apologies for absence were received from Councillors L Armstrong and J Hillary and K Larkin-Bramley

**2 Minutes of the meeting held on 4 April 2013**

The Minutes of the Meeting held on 4 April 2013 were confirmed as a correct record and signed by the Chairman.

**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 Bi-Annual Report to Council - Work of the Audit Committee (November 2012 - April 2013) - Report of the Chair of Audit Committee**

The Committee considered the Bi-Annual Report of the Audit Committee which covered the period November 2012 – April 2013 and would be presented to the County Council at its next meeting in accordance with best practice guidelines (for copy see file of Minutes).

**Resolved:**

That the draft report be agreed and reported to the meeting of the County Council being held on 19 June 2013.

**5 Compliance with International Auditing Standards - Report of the Chair of Audit Committee**

The Committee considered a report of the Chair that provided a response to a letter from Mazars regarding compliance with International Auditing Standards (for copy see file of Minutes). A response from the Corporate Director, Resources was appended to the report for Members information that related to a similar request from Mazars.

**Resolved:**

That the responses from the Chair of Audit and the Corporate Director, Resources be noted.

**6 Action Plan 2011/12 Audit of Accounts - Update - Report of Corporate Director, Resources**

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 Corporate Director, Resources informed Members that there was 1 outstanding action from 2010/11 that would be completed in September following a software upgrade on authorised signatories, and 1 outstanding action from 2011/12 relating to authorised signatories of invoices.

**Resolved:**

That the report be noted.

**7 Update on the Final Accounts Timetable 2012/13 - verbal report of Assistant Finance Manager, Strategic Finance**

The Corporate Director, Resources gave an assurance to Members that deadlines would be met for accounts to be submitted to Mazars by the end of June and for final approval in September 2013.

**8 External Audit Progress Report - Report of Mazars**

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).

Catherine Banks, Senior Manager advised that there were two issues highlighted that had significant deficiencies in internal control; bank reconciliations and journals.

The Corporate Director, Resources said that there had been significant improvements made with regards to bank reconciliations. Robust systems were now in place and reconciliations had been made up to the end of March.

On answering a question from Members the Senior Manager of Mazars explained that £1m had been selected as a suitable level where resources allowed journals to be completed. The County Council were looking at ways to introduce an electronic system. The Corporate Director, Resources said that he would investigate and report back to Members at a future meeting about what progress had been made.

**Resolved:**

That the progress report be noted.

**9 Strategic Risk Management - Progress Report for the Quarter period January to March 2013- Report of Corporate Director, Resources**

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 January to March 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.

**10 Partnership Governance - Report of Corporate Director, Resources**

The Committee considered a report of the Manager of Internal Audit and Risk that sought to advise of known arrangements in place that could provide assurance on the adequacy and effectiveness of the Council's partnership governance arrangements (for copy see file of Minutes).

The Manager of Internal Audit and Risk informed Members that a package to support partnership working had been compiled by Assistant Chief Executives.

Members were advised that the guidance for those serving on outside bodies was being reviewed and updated.

Councillor Temple asked for clarity about what the Members role is whilst serving on an outside body or partnership and what the Council expects from that Member in terms of reporting back. The Chairman agreed that this would be investigated and reported back to the Committee in due course.

**Resolved:**

1. That the identified sources of assurance on the Council's partnerships governance arrangements and plans to develop assurance maps to help identify all key sources of assurance, improve understanding of what assurance is provided and identify any gaps where further assurance is required is noted.

2. That the guidance available to elected members on their involvement with partnerships and outside bodies be noted.

#### **11 External Funding - Grant Clawback - Report of Corporate Director, Resources**

The Committee noted a report of the Corporate Director, Resources that provided information on occasions when grant paid to the Council has had to be repaid as grant conditions had not been complied with (for copy see file of Minutes).

The Corporate Director, Resources assured Members that related risks, including the risk of clawback, are being effectively managed.

**Resolved:**

That details of grant claw back as set out in Appendix 2, and work being undertaken by Internal Audit to help improve the management of grant related risks be noted.

#### **12 Internal Audit Progress Report - Quarter Ended 31 March 2013 - Report of Manager of Internal Audit and Risk**

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 July to March 2013 ( for copy see file of Minutes).

Members discussed in detail the school surplus/deficit balances that were highlighted as a significant issue within the report. The Manager of Internal Audit and Risk said ways to help schools manage a deficit budget was being looked into. The Corporate Director, Resources added that a schools deficit budget was a significant risk for the County Council especially if the school was forced to become an Academy as the deficit would stay with the Council. He went to inform Members that there would be a more robust and tighter way monitoring of schools budgets.

The Corporate Director, Resources said the Corporate Management team were aware of the overdue actions and that this would continue to be monitored. He reminded Members that they could call officers in to explain overdue actions at future Committee meetings.

**Resolved:**

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

#### **13 Exclusion of the Public**

**Resolved:**

That under Section 100 (A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve 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 2013 - Report of Manager of Internal Audit and Risk**

The Committee considered Appendix 7 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.