

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Council Chamber, County Hall, Durham on **Tuesday 20 May 2014 at 11.30 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

Councillors L Armstrong, S Forster, J Hillary, O Temple, T Smith and W Stelling

The Chairman referred to the Audit Committee visit to Comeleon House at Tanfield, that had taken place prior to this meeting and Members agreed that it had been a very successful and informative visit.

1 Apologies for absence

Apologies for absence were received from Councillors C Carr, J Rowlandson and Mr T Hoban and Ms K Larkin-Bramley.

2 Minutes of the meeting held on 28 February 2014

The minutes of the meeting held on 28 February 2014 were agreed and signed by the Chairman as a correct record.

The Chairman sought an update on the disaster recovery process, following a question by Mr Hoban at the last meeting. The Corporate Director Resources informed the Committee that the back-up plans had worked when tested recently, and officers on site were fully aware of the processes.

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 Corporate Director, Resources updated the Committee on Windlestone Hall. The Committee were informed that a planning application had been submitted for executive housing but that as it was Grade II listed building, profits would have to be put back into the Hall, a requirement of English Heritage.

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 Counter Fraud and Corruption Strategy

The Committee considered a report of Corporate Director, Resources that sought to review and approve the revised Counter Fraud and Corruption Policy (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager highlighted the changes to the policy, taking into account the Bribery Act 2010. He added that the policy would be communicated as widely as possible and that training would be arranged for the Committee members in July.

Resolved:

That the revised Counter Fraud and Corruption Policy be approved.

5 Confidential Report Code (Whistleblowing)

The Committee considered a report of Corporate Director, Resources that sought to approve the revised Confidential reporting Code (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager highlighted the changes to the policy and explained that it now aligns with other Council policies. He added that a revised incident reporting form had been produced and would be communicated as widely as possible together with the policy.

Councillor Temple said that it would be useful for the Committee to know some comparative data with other local authorities about records of whistleblowing per member of staff.

Councillor L Armstrong asked for assurance that schools policies were just as robust, as they were excluded from the policy. He also expressed concern as to how staff within schools could report any incident especially if involved the head teacher. The Chief Internal Auditor and Corporate Fraud Manager explained that the policy was circulated to schools and they could adapt to suit their requirements. He advised that schools receive accreditation from the DfE for having a Whistleblowing policy. He confirmed that staff within schools could report matters to the governing body of the school.

Resolved:

That the revised Confidential Reporting Code be approved.

6 External Audit - Durham County Council Audit Strategy Memorandum Year Ended 31 March 2014

The Committee received a report from the External Auditor explaining the scope of the audit, the risks identified and the procedures that will be performed to deliver the audit for Durham County Council (for copy see file of Minutes).

The External Auditor highlighted the key points in his report including significant risks, value for money, fees and explained in detail the materiality section.

Resolved:-

That the report be noted.

7 External Audit - Durham County Council Pension Fund Audit Strategy Memorandum Year Ended 31 March 2014

The Committee received a report from the External Auditor explaining the scope of the audit, the risks identified and the procedures that will be performed to deliver the audit for Durham County Council Pension Fund (for copy see file of Minutes).

Resolved:-

That the report be noted.

8 Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2014

The Committee considered a report of the Corporate Director, Resources that assessed whether Durham County Council should be considered a 'going concern', and whether the accounts should be prepared on that basis (for copy see file of Minutes).

The Corporate Director, Resources assured the Committee that a robust medium term financial plan (MTFP) was in place and the authority were well on the way to agreeing MTFP 5. He added that the authority had a good track record of delivering value for money and had a prudent level of general reserves. This allowed for the authority being able to meet exceptional costs, such as, flooding and winter maintenance.

Councillor Smith endorsed the authority having large reserves as gives independence and flexibility. The Chairman added that the authority had needed to draw from them over the last couple of years with increases in winter maintenance and flooding incidences.

Resolved:-

That the recommendations contained within the report be agreed.

9 Strategic Risk Management Progress Report for the Quarter period January to March 2014

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 2014 (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 Internal Audit Progress Report Quarter Ended 31 March 2014

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period January to March 2014 (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager advised that 68% of reviews were complete to date so the service were well on the way to achieve the 90% target. He added that no draft reports were outstanding from management and 100% of recommendations had been accepted by management. This figure was up from 97% last quarter and the aim was to hit 100% in future. He informed the Committee that 532 actions had been raised and 91% had been implemented. This figure was way in excess of the CIPFA benchmarking data of 70-80%. He concluded that 2 audits had now been finalised.

The Corporate Director, Resources commented that the current performance figures show how much Internal Audit had been improved and said that credit should also be given to service grouping management teams. They have encouraged their service delivery by advising where there are weaknesses. The profile of the Audit Committee had been raised with regular reports to full Council and holding senior officers to account.

With regards to the banking contract, the Corporate Director, Resources advised that the current contract with the Co-operative bank runs until March 2016 but that a new procurement exercise is well underway to secure a new provider. A preferred bidder would be nominated by November, allowing the authority ample time for the transition process. The Chief Internal Auditor and Corporate Fraud Manager said that since Internal Audit were involved with the Banking Contract team they had recommended some improvements to controls.

Members discussed in detail the social responsibility of the new contract and whether the new bank would consider raising awareness levels in schools about credit ratings, credit cards and money management. Members were concerned that it was a fine line balancing act between a reputational risk to the Council and the commercial aspect of why the new bank would win the contract. The External Auditor added that through the Social Value Act, Mazars offer training and work for young people in the Audit process.

The Chairman thanked all staff involved in the Internal Audit process and the Corporate Director, Resources for his guidance.

Resolved:

1. The amendments made to the 2013/14 Annual Audit Plan be noted.
2. Work undertaken by Internal Audit during the quarter ended December 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 31 March 2014

The Committee considered Appendices 6 and 7 of the report of the Manager of Internal Audit and Risk which informed Members of audits issued in the quarter resulting in a limited assurance opinion and detailed the actions agreed by managers in response to internal audit recommendations that were outstanding (for copy see file of Minutes).

Resolved:

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

13 Overdue Audit Recommendations

The Committee considered a verbal report of the Manager of Internal Audit and Risk about overdue internal audit recommendations.

Resolved:

That any remaining actions outstanding be noted.

14 Protecting the Public Purse

The Committee considered a report of the External Auditor that presented a summary of the Audit Commission's publication 'Protecting the Public Purse' (for copy see file of minutes).

The Engagement Senior Manager informed the Committee that the report compares the County Council's fraud activity with its statistical neighbours.

The Chief Internal Auditor and Corporate Fraud Manager gave assurances about the work carried out in the Corporate Fraud team and what areas of work they would focus on next year. He added that he would report back with 6 monthly briefings.

Resolved:

That the contents of the publication be noted.