

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1B, County Hall, Durham on **Thursday 26 June 2014 at 9.30 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

Councillors J Rowlandson (Vice-Chairman), C Carr, S Forster, J Hillary, O Temple and W Stelling

Co-opted Members:

Mr T Hoban and Ms K Larkin-Bramley

1 Apologies for absence

Apologies for absence were received from Councillor L Armstrong and T Smith.

2 Minutes of the meeting held on 20 May 2014

The minutes of the meeting held on 20 May 2014 were agreed and signed by the Chairman as a correct record.

With reference to Item No. 5 Confidential Report Code, Councillor Temple asked if there was any progress on comparative data information. The Chief Internal Auditor and Corporate Fraud Manager said that this would be circulated as soon as available.

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.

With reference to Action No. 4 the Committee were informed that tender documents include a question asking if the company 'comply with all relevant laws'. The Committee were concerned that this does not address the minimum wage issue and asked if the question could be changed to 'comply with all relevant laws including minimum wage'.

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 Annual Review of the System of Internal Audit

The Committee noted a report of the Chief Internal Auditor and Corporate Fraud Manager about the Annual Review of the System of Internal Audit for 2013/2014 (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager reported that the assessment of ensuring that an effective internal control system is in place has been completed and that a self-assessment against the key elements of the Public Sector Internal Audit Standards (PSIAS) has been carried out. The Action Plan sets out that auditors will be rotated on a regular basis, whilst maintaining client relationships and knowledge.

The Corporate Director, Resources referred to the personal development of auditors and gave assurance to the Committee that the budget for retaining and improving the skills set for auditors will be maintained for as long as possible.

Resolved:-

- (i) That the findings and conclusions of the 2013/2014 review of the effectiveness of the system of Internal Audit contained within this report, be noted.
- (ii) That the Service Improvement Plan for Internal Audit as a result of this assessment detailed in Appendix 2, be noted.

5 Annual Audit Opinion and Internal Audit Report 2013 / 2014

The Committee noted a report of the Chief Internal Auditor and Corporate Fraud Manager that presented the Annual Internal Audit Report for 2013/2014 which provided a 'moderate' opinion on the adequacy and effectiveness of Council's control environment for 2013/2014 (for copy see file of Minutes).

The Committee were informed that the moderate opinion gave assurances that there was a sound system of control in place but that there were still areas to improve. The Chief Internal Auditor and Corporate Fraud Manager reported that there had been fewer limited assurance reports given over the year and due to the constant changes in the authority, sustaining this opinion was seen as positive.

The Chief Internal Auditor and Corporate Fraud Manager referred to a question about the appointment of an IT auditor and confirmed that an appointment had been made. The Principal IT auditor would be fully qualified by December 2014 and feedback on performance has been good with the quality of work produced, exceptional. Following on from another question asked relating to the appointment of IT North the Chief Internal Auditor and Corporate Fraud Manager advised that they were called upon to provide additional expertise as and when required. The Principal IT Auditor shadowed the work carried out by IT North.

Ms Larkin-Bramley suggested that the Principal IT Auditor be invited to a future meeting to give assurances on the system in place for IT controls.

Mr Hoban asked what could be done to gain that extra step and move out of the 'moderate' bracket. The Chief Internal Auditor and Corporate Fraud Manager said that we would always strive for improvements but pointed out that systems were constantly changing. Some improvements had been made recently for services to involve Internal Audit from the beginning when they change systems, and this could alleviate some problems.

Councillor Temple referred to the Limited Assurances given in resources in relation to Taxation/VAT and Banking Arrangements and asked for an update. The Corporate Director, Resources explained that both areas had been reported to Audit Committee, as with all Limited Assurance areas. The Chief Internal Auditor and Corporate Fraud Manager added that all of these reports contained recommendations and that he would chase up to make that they had been implemented. The Corporate Director, Resources said that following the Bank Reconciliation report improvements had been made and they were up to date every month.

Councillor Hilary asked for an update to the Payment Card Industry opinion. The Chief Internal Auditor and Corporate Fraud Manager confirmed that this had been reported to Committee in February with a deadline to make improvements by September/October 2014. A member of staff from Internal Audit was included as part of the team looking at the checklist for improvements. The Corporate Director, Resources added that significant progress had been made in this area. Members were informed that Cabinet would be asked to approve the purchase of software to alleviate the risk of the authority being fined for payment card transactions. The Committee supported the purchase of the software.

Resolved:-

That the report be noted.

6 Draft Annual Governance Statement 2013 / 2014

The Committee considered a report of the Corporate Director, Resources which presented the draft Annual Governance Statement and a list of significant governance improvements (for copy see file of Minutes).

The Risk, Insurance and Governance Manager highlighted how the Council complied with providing assurances on corporate governance and the key actions in place to help deliver the Annual Governance Statement.

Ms Larkin-Bramley asked what other agencies had given assurances as the AGS only mentions Internal and External Audit. The Risk, Insurance and Governance Manager explained that each Corporate Director and the Assistant Chief Executive

give assurances relating to their own service area. The Chairman added that 'Other Inspection Agencies' could be added to the paragraph within the AGS.

Catherine Banks, Mazars suggested that as the Audit Commission were still providing a service until March 2015, the information about the demise of the Audit Commission should be removed from the AGS.

Resolved:

- (i) That the first draft of the Annual Governance Statement for 2013/14 be agreed.
- (ii) That the report be presented to County Council for information.

7 Compliance with International Auditing Standards

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.

8 Bi-Annual Report to Council - work of the Audit Committee

The Committee considered the Bi-Annual Report of the Audit Committee which covered the period October 2013 – May 2014 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 23 July 2014.

9 Internal Audit Strategy, Charter and Plan 2014 / 2015

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which outlined the Internal Audit Plan for 2014/2015 and the Internal Audit Strategy. The Committee also considered some minor amendments to the Audit Charter (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager advised that the Audit Plan had been prepared on a ninth month basis to align with the Council's financial

year. A 12 month plan would be set thereafter to align with the Council's Medium Term Financial Plan and Corporate Performance Framework.

Resolved:

- (i) That the change in audit year (April to March) as per paragraph 7, be approved.
- (ii) That the Internal Audit Strategy in Appendix 2, be approved.
- (iii) That the proposed nine month audit plan for 2014/2015, as detailed in Appendix 3, be approved.
- (iv) That the revised Audit Charter in Appendix 4, be approved.

10 Forward Plan of Audit Committee Business

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager that presented a forward plan of Audit Committee business for the next 12 months (for copy see file of Minutes).

Resolved:

That the report be noted.

11 External Audit: Audit Progress - June 2014

The Committee considered a report of the External Auditor, Mazars that set out progress to June 2014 (for copy see file of Minutes).

Catherine Banks, Mazars informed the Committee that work on the 2013/14 audit had commenced with interim work on journals and income and expenditure. She advised that 4 August had been agreed as the date for public to have their say on financial statements.

Ms Banks highlighted that the VFM briefings would continue until March 2015 and the specifics for Durham could be brought back to Committee.

Resolved:

That the progress report be noted.

12 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.

13 Direct Payments Update

The Committee received a joint report of the Head of Commissioning, Children and Adults Services and the Chief Internal Auditor and Corporate Fraud Manager that gave an update on progress made in relation to Direct Payments (for copy see file of Minutes).

The Head of Commissioning informed the Committee that a number of improvements had been made, following close working with Internal Audit, to provide a more efficient system of completing day to day audits.

Members expressed concern about protecting the public purse and asked that feedback be provided to the committee about cost effectiveness.

Resolved:

That the report be noted.

14 Annual Fraud Report 2013 / 2014

The Committee noted a report of the Chief Internal Auditor and Corporate Fraud Manager which informed action taken by Internal Audit during 2013/2014 and further action planned to raise awareness of the risk of fraud and corruption (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager reminded Members that training would be provided at the next meeting on Fraud

Resolved:-

That the recommendations contained within the report be approved.