

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1B, County Hall, Durham on **Thursday 27 November 2014 at 9.30 am**

### **Present:**

**Councillor J Rowlandson**

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

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

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

Mr T Hoban and Ms K Larkin-Bramley

#### **1 Apologies**

Apologies for absence were received from Councillors E Bell, J Hillary, T Smith and W Stelling.

#### **2 Minutes of the meeting held on 30 September 2014**

The minutes of the meeting held on 30 September 2014 were agreed and signed by the Chairman as a correct record.

Consideration was given to the current item on the Committee's Action Plan (for copy of action plan see file of Minutes).

#### **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 Presentation on the role of an IT Auditor and the work that they complete**

The Committee received a presentation from the Audit Manager, Principal Auditor (IT) and Trainee IT Auditor that advised of the role of an IT auditor and the work they complete (for copy see file of Minutes).

The Principal Auditor advised the Committee of the following:

- What is IT Audit – definitions from Information Systems Audit and Control Association (ISACA) and Chartered Institute of Public Finance Accountants (CIPFA)

- Why do we need IT Audits – to provide assurance that IT controls are in place
- Legal requirements, policies and guidance
- Types of Audit – assurance, advice and consultancy existing systems and advice and consultancy new systems
- 2014/15 Audit Plan and Other Audits

The Chairman thanked the team for their presentation and invited questions from Members.

Councillor L Armstrong was informed that the Assistant Chief Executive was the Data Controller.

Councillor O Temple asked how big of a part IT Audit plays and how much IT enables fraud. The Audit Manager advised that as new systems develop and are reviewed, IT audit would identify risks and ensure that controls are in place. Councillor Temple asked if IT systems introduce a risk or reduce the risk of fraud. The Principal Auditor explained that provided controls were in place it would reduce the risk. IT audits ensure that passwords are in place and that user access is monitored but advised that all IT systems are susceptible to fraud.

Councillor C Carr asked how long it takes to remove someone from the system once they had left the authority. The Head of ICT Services advised that as soon as IT are notified that someone has left their passwords are removed immediately.

## **5 Local Code of Corporate Governance**

The Committee considered a report of the Corporate Director, Resources that sought approval of the updated Local Code of Corporate Governance for inclusion in the Council's Constitution (for copy see file of Minutes).

The Risk, Insurance & Governance Manager highlighted the changes in the document and made reference to performing an annual test to confirm that the merged role of the Director of Children's Services and Adult Services have not weakened the focus on outcomes for children and young people. Ms K Larkin-Bramley pointed out that this should also apply to vulnerable adults.

Councillor L Armstrong asked why the Single Equality Scheme had been removed from the Code and was advised that the scheme no longer applied. The Risk, Insurance and Governance Manager assured the Committee that the Equality Act still applied and nothing within the legislation had changed.

### **Resolved:**

That the revised Local Code of Corporate Governance be approved.

## **6 Strategic Risk Management Progress Report for the quarter ending September 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 July to September 2014 (for copy see file of Minutes).

The Risk, Assurance and Governance Manager informed the Committee that there were 31 strategic risks, and 5 key risks. He reported an emerging risk in respect to backdating pay claims and that the risks were being managed effectively.

On answering a question from Councillor C Carr about a date from Government about notifiers the Corporate Director, Resources explained that the figures had not been finalised but would be brought back to Committee once known. Councillor Carr asked for an update about the new banking contract and if the collection from schools service would be discussed with the new bankers. Members were concerned that not all schools had the resources to pay for a collection service. The Corporate Director, Resources advised that the authority had been through the tender process for a new banker and had a preferred bidder. The decision would be announced in a few weeks time. With regards to collection services, all schools had been sent a letter and had been asked to reduce the cash flow and to make the retention of cash in schools safer. The process would need to be streamlined as none of the banks offered the same service as the Co-op bank by being able to pay in at the local post office. The cost of a pick-up from school would be £11.50 per collection. The new arrangements would affect some small primary schools and assurances were given that the changes would be phased in and officers would be working with staff in schools from January.

Mr T Hoban pointed out a typo in Appendix 3 of the report as some wording had been duplicated. The Risk, Assurance and Governance Manager advised that the last bullet point on the page should read:-

- The risk assessed as Moderate/ highly probable is '*Potential restitution of search fees going back to 2005*'.

**Resolved:**

That the report, together with the amendment listed above, provides assurance that strategic risks are being effectively managed within the risk management framework across the Council.

## **7 Annual Audit Letter**

The Committee received the Annual Audit Letter 2013/14 from Mazars summarising the 2013/14 audit of Durham County Council and Durham County Council Pension Fund (for copy see file of Minutes).

Ms C Banks, Mazars advised that all deadlines had been met and good processes were in place. She advised that the report would now be sent to the Audit Commission and would be published on their website. Members were advised that if the accounting deadline was brought forward it would be a tough challenge for finance staff. Ms Larkin-Bramley suggested that a working group should be established to look at this if agreed to change the dates. The Corporate Director, Resources said that it would be a huge challenge for the authority but on a more

positive note Oracle had now bedded in and there were better reporting systems in place.

Ms Larkin-Bramley asked that if any changes were introduced that the Committee be given assurances that plans were in place.

Ms Banks advised that Mazars were aiming to sign off on the accounts and the whole of government accounts (WGA) on the same day next year so the certificate could be issued on 30 September 2014.

**Resolved:**

That the contents of the letter are noted.

**8 Internal Audit Progress Report for the period ended 30 September 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 July to September 2014 ( for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager highlighted the movements in the plan, removed audits and unplanned reviews added to the plan. The service had completed 32% of the total plan as at the end of September with an increase to 42% by the end of October, exceeding the target. The Committee were advised that there were no overdue reports and that 94% of actions had been implemented.

Councillor Temple congratulated the team on the performance achieved.

**Resolved:**

1. The amendments made to the 2014/15 Annual Audit Plan be noted.
2. Work undertaken by Internal Audit during the quarter ending 30 September 2014 and the assurance on the control environment provided be noted.
3. Performance of the service during the period be noted.
4. Progress made by service managers in responding to the work of Internal Audit be noted.

**9 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.

**10 Internal Audit Progress Report for the quarter ended 30 September 2014**

The Committee considered Appendices 5 and 6 of the report of the Chief Internal Auditor and Corporate Fraud Manager which detailed the actions agreed by managers in response to internal audit recommendations that were outstanding (for copy see file of Minutes).

Members were advised that there were two audits finalised in the quarter that had been issued with limited assurances.

The Head of Direct Services gave assurances to Members about the work being carried out following a recent audit. The Chairman thanked the Head of Direct Services for attending the meeting.

Councillor L Armstrong asked for feedback on overdue action number 8 in relation to the revised target date. The Chief Internal Auditor and Corporate Fraud Manager would provide feedback at the next meeting.

**Resolved:**

That the report be noted.

**11 Overdue Audit Recommendations**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the overdue internal audit recommendations ( for copy see file of Minutes).

The Head of ICT Services attended the meeting and gave assurances about the delay in implementation for outstanding recommendations received from Internal Audit.

**Resolved:**

That the recommendations contained within the report be approved.

**12 Protecting the Public Purse - Activity Update at 30 September 2014**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager that provided an update on the Council's counter fraud activity from 1 April 2014 to 30 September 2014 (for copy see file of Minutes).

**Resolved:**

That the recommendation contained within the report be approved.