

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Thursday 26 February 2015 at 10.00 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

Councillors J Rowlandson (Vice-Chairman), S Forster, J Hillary and O Temple

Co-opted Members:

Mr T Hoban and Ms K Larkin-Bramley

1 Apologies

Apologies for absence were received from Councillors L Armstrong, C Carr, T Smith and W Stelling.

2 Minutes of the meeting held on 27 November 2014

The minutes of the meeting held on 27 November 2014 were agreed and signed by the Chairman as a correct record.

With reference to page 5, Item No. 11 the Chief Internal Auditor and Corporate Fraud Manager advised that work would be completed by the target date.

With reference to page 4, Item No. 10 Ms K Larkin-Bramley suggested that a further recommendation be added to state the '*action had been taken to improve the processes*'.

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 Agreement of Accounting Policies for Application in the 2014/15 Financial Statements

The Committee considered an update from the Corporate Director of Resources on the County Council's accounting policies to be applied in the preparation of the 2014/15 Statement of Accounts and to seek confirmation that appropriate policies are being applied (for copy see file of Minutes).

The Assistant Finance Manager, Corporate Finance highlighted the changes to be applied in preparing the 2014/15 Statement of Accounts. He further explained the accounting policies to be amended in relation to Joint Operations, Carbon Reduction Commitment Allowances and Schools and reported that there were no new accounting policies.

Resolved:-

That the recommendations contained within the report be agreed.

5 Final Accounts Timetable for the year ended 31 March 2015

The Committee considered a report of the Corporate Director of Resources that provided Members with the Final Accounts Timetable for 2014/15 detailing the deadlines for key actions to complete the Statement of Accounts in line with statutory deadlines (for copy see file of Minutes).

The Assistant Finance Manager, Corporate Finance highlighted key dates in the working document and advised that the 2017/18 process was changing and would be signed off in July. He assured the Committee that work was ongoing with External Audit to ensure the accounts were accurate and that this year would be treated as a dry run.

Ms Larkin-Bramley asked if the improvements recommended at paragraph 14 would be taken on board and actioned. The Assistant Finance Manager, Corporate Finance advised that the balance sheet reconciliation is carried out on a monthly basis. Internal Audit are in the process of testing the robustness of audit papers and the team would be able to react to anything that they recommended. He advised of the changes to the teams dealing with finance that had reduced the risk of being able to prepare the accounts on time. The benefit had been seen over the last couple of years.

Resolved:-

That the report be noted.

6 Changes to the Code of Practice for Local Authority Accounting in the UK for 2014/15

The Committee considered a report of the Corporate Director of Resources that provided a summary of the key accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK (the Code), applied to the 2014/15 accounts (for copy see file of Minutes).

The Assistant Finance Manager, Corporate Finance advised of the changes and highlighted the addition of a new appendix relating to the measurement of transport infrastructure assets. This would move from historical costs to replacement costs and would help to improve the assets information. The Committee were assured that the Assets team had already begun to look at this.

Councillor O Temple asked if this was a new way of valuing and was informed that in future a replacement cost for the road surface would be valued as opposed to the historical figure of building the road. The Corporate Director, Resources advised that there were no budget implications.

Ms K Larkin-Bramley suggested that it would be beneficial to receive a presentation of this technical item in the future.

Resolved:-

That the report be noted.

7 External Audit Progress Report

The Committee received a report from the External Auditor that gave an update on progress on the External Audit report for Durham County Council (for copy see file of Minutes).

The External Auditor confirmed that planning for the 2014/15 audit is substantially complete and that the Audit Strategy Memorandum would be presented to Committee in May 2015.

Resolved:-

That the report be noted.

8 External Audit Annual Grant Claim Report

The Committee received a report from the External Auditor regarding grant certification for 2013/14 (for copy see file of Minutes).

The External Auditor highlighted the areas of grant certification work that has been completed:-

- Housing and Council Tax Benefit Subsidy
- Pooling of Housing Capital Receipts Return
- Homes and Communities Agency (Travellers)
- School Centred Initial Teacher Training (SCITT) 2012/13
- Decent Homes Backlog Programme Funding
- European Regional Development Funding (ERDF) – NETPark Connector Project Claim

The Corporate Director, Resources advised that there had been some complexities merging the seven housing benefits services into one. It was a credit to the team to have made improvements over the last couple of years, whilst working within the parameters of the service.

Resolved:-

That the report be noted.

9 Bi-Annual Report to Council - work of the Audit Committee (June 2014 to November 2014)

The Committee considered the Bi-Annual Report of the Audit Committee which covered the period June 2014 - November 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 1 April 2015, with the spelling of Ms Larkin-Bramley name to read *Kathryn*, not Katherine.

10 Strategic Risk Management Progress Report for the Quarter period October to December 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 October to December 2014 (for copy see file of Minutes).

The Risk, Assurance and Governance Manager informed the Committee that there were 31 strategic risks with the removal of one since the last report, and the addition of another, and 5 key risks. He advised of the new risk identified:-

'Additional operational and financial burdens as a result of a recent supreme court judgement relating to the threshold applied in determining whether an individual is deprived of their liberty'.

Following a question from Mr T Hoban about what had created the risk, the Risk, Assurance and Governance Manager advised that the deprivation of liberty scheme allow for an assessment to be carried out on an individual within 21 days. The recent judgement would result in a significant increase from 200 referrals a year to 1000+. He added that the risk was around trying to match the operating costs with the financial burden and the deprivation of liberty. He advised that CAS had looked at efficiencies to streamline the process and confirmed that extra resources would be allocated.

Ms K Larkin-Bramley pointed out that there would be a risk to other partners in the health sector and that the risk could increase in future years.

The Corporate Director, Resources advised that the Local Government Association were lobbying government as felt that this was a new burden on local authorities. Government were advising that these claims had always been in the system but the argument being put forward was that this was a capacity issue. He confirmed that this issue was on the risk register to ensure we managed as effectively as possible.

The Risk, Assurance and Governance Manager advised that one of the key risks relating to search fees would be agreed by the end of the financial year. Councillor O Temple asked about the likely cost for this and was informed by the Corporate

Director, Resources that the £1m of earmarked reserves would cover the cost that could run into several hundred thousands.

Resolved:

That the report provides assurance that strategic risks are being effectively managed within the risk management framework across the Council.

11 The Emergent Internal Audit Plan 2015/2016

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which gave details of the emergent Internal Audit Plan for 2015/16 (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager advised that the final report would come back to Committee in May for approval. He advised that the service had 23 employees equivalent to 21.42 F.T.E and as a result of latest forecast planning the management and delivery of the plan would be 4,888 days. Corporate Directors are being consulted on the development and discussions have been taking place.

Resolved:

That the development of the plan be noted.

12 Internal Audit Progress Report Quarter Ended 31 December 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 October to December 2014 (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager referred to the nine month audit year and highlighted the movements in the second update of the plan, removed audits and unplanned reviews added to the plan. He advised that there were no draft reports outstanding and that four audits had been issued in the period. The Committee were assured that performance remained high in both draft and final audits.

Resolved:

1. The amendments made to the 2014/15 Annual Audit Plan be noted.
2. Work undertaken by Internal Audit during the quarter ending 31 December 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.

The Chairman agreed that the following item of business was of sufficient urgent to warrant consideration:

13 Scheme of Delegations - Annual Governance Statement

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which sought approval to delegate authority to the Audit Committee

for adopting the Annual Governance Statement (AGS) (for copy see file of Minutes).

The Risk, Insurance & Governance Manager explained that this arrangement would avoid the requirement to report the AGS to full Council and would ensure that it was approved in a more timely manner.

Members discussed the issue of accountability and were assured that the whole Council were still responsible for approving the framework and would not resolve the Council of any responsibility.

The Risk, Insurance & Governance Manager advised that the AGS was a review of what had been done over the past year and that Corporate Governance was approved by all Members as part of the Constitution.

Upon a vote being taken it was **resolved:-**

That Constitution Working Group and Full Council approve the relevant Audit Committee function in the Constitution be amended from:

- (a) approval of the Council's Annual Governance Statement and recommend its adoption; to
- (b) adoption of the Council's Annual Governance Statement.

14 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.

15 Internal Audit Progress Report Quarter Ended 31 December 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 four audits finalised in the quarter that had been issued with limited assurances.

Resolved:

That the report be noted.

16 Direct Payments Update Report

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

Resolved:

That the report be noted.

17 Such other business

The Chairman agreed that the following item of business was of sufficient urgent to warrant consideration:-

The Corporate Director, Resources gave an update to the Committee further to the full Council meeting held on 25 February 2015 about Housing Stock Transfers. Members were advised that the Department for Communities and Local Government would write off Housing Stock Transfer debts in April 2015.

Resolved:-

That the update be noted.