

DURHAM COUNTY COUNCIL

AUDIT COMMITTEE

At a Special Meeting of the **Audit Committee** held at the County Hall, Durham on **Monday 31 October 2011** at **11.00 a.m.**

Present:

Councillor E Bell in the Chair

Members of the Committee:

Councillors C Carr, L Marshall, B Myers, R Ord, D J Southwell and O Temple.

Co-opted Members

Mr T Hoban, and Ms K Larkin-Bramley.

An apology for absence was received from Councillor M Hodgson

1 Declarations of Interest

Declarations of interest were provided by Members of the Committee. A generic declaration of interest would be recorded as Members were school governors, members of various committees of the Council and of the former District Council's, and bodies such as the Probation Board, Fire Authority and Police Authority.

Specific declarations were provided by members on the Pension Fund Committee, and Councillor DJ Southwell in relation to East Durham Homes.

2 Statement of Accounts for the year ended 31 March 2011

The Committee considered a report of the Corporate Director, Resources that sought approval of the Accounts for the County Council for the financial year ended 31 March 2011 (for copy see file of Minutes).

The Corporate Director, Resources advised that during the audit, while working with the External Auditor, a number of amendments were highlighted which had been included in the Statement of Accounts presented to the Committee. The Corporate Director advised of the process for signing off the accounts and the problems encountered in their preparation. He advised of the arrangements in place to strengthen the accounting practices, including staff restructuring, and development of the Single Asset register, and pointed out that the Committee would receive regular update reports on the Action Plan consolidating recommendations made by the external auditor in both the interim and final governance reports.

The inclusion of a note in the Statement of Accounts that would provide an explanation on the cost variance for the Investment Management Fees for 2009/10 and 2010/11 was considered, but not included in the final version, however a detailed explanation was provided to the Committee.

In response to a question from Mr Hoban, clarification would be provided on the outturn position for the County Council General Fund, in relation to the variance for central costs.

Further information would be provided to Councillor Temple, if there was anything significant to explain why total debtors had increased from the previous year.

The Committee thanked the Corporate Director, and his staff for all their hard work in producing the accounts.

Resolved:

That the Statement of Accounts be approved.

4 Annual Governance Reports 2010/11

The Committee considered the Annual Governance Reports in relation to both Durham County Council, and Durham County Council's Pension Fund (for copy see file of Minutes).

The External Auditor presented the reports to the Committee. He would expect to complete his final review and closure procedures, and issue an unqualified opinion, after the Committee had considered the Annual Governance Reports, and had approved the revised financial statements, as undertaken earlier in the meeting.

He would issue an unqualified opinion on the accounts, the group accounting statements, the Pension Fund Account Statements, and the Value for Money Conclusion. It was noted that it was a much improved position from the previous year where a qualified VFM opinion was provided on the County Council's Statements.

The Committee considered the detailed comments made by the External Auditor in the annual governance reports. He had advised that during the year the Council had faced a number of significant challenges including the implementation of new financial systems, dealing with the transition to IFRS, ongoing issues following Local Government Re-organisation, and responding to a highly challenging budget settlement.

The Corporate Director, Resources provided assurance that work in progress to develop a single asset register and to strengthen capital accounting

practices, would deliver improvements required for the following year. The Committee would monitor progress against the action plan.

At a future meeting of the Committee further information would be provided on the auditor's fee setting out the discount given to the Authority and the fee agreed for the additional work undertaken.

Resolved:

1. That the Annual Governance Reports of the Audit Commission be noted.
2. That the letter of representation be agreed.

The Chairman agreed that in order to keep members informed the next item of business was urgent and could be considered.

5 Icelandic Banks

The Corporate Director, Resources provided the Committee with an update on the position with the Authority seeking to receive funds following the collapse of the Icelandic banks. The matter was considered in Supreme Court of Iceland on 26 September, with the outcome announced on 28 October, which found in favour of Local Authorities remaining as preferential creditors.

Resolved:

That the position be noted.