

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Thursday 5 January 2012 at 10.00 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

Councillors C Carr, B Harrison, M Hodgson, L Marshall, B Myers and R Ord

Co-opted Members:

Mr T Hoban and Ms K Larkin-Bramley

Apologies:

Apologies for absence were received from Councillor O Temple and Councillor D J Southwell.

1 Minutes

The minutes of the meetings held on 31 October and 10 November 2011 were agreed as a correct record and signed by the Chairman.

2 Declarations of Interest

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, Fire Authority and Police Authority. Together with other declarations from Ms Larkin-Bramley, a declaration be provided that she is a lecturer at New College Durham.

3 Strategic Risk - Contaminated Land Update

The Committee considered a report of the Head of Environmental Health and Consumer Protection which provided an update on the strategic risks associated with contaminated land and the potential 'failure to identify and effectively regulate contaminated land' (for copy see file of Minutes).

The Committee were informed that the Council had a statutory duty to inspect and produce a strategy in respect of contaminated land.

Funding had not been made available for the current financial year which meant that the strategic risk remained high. A further bid had been submitted for 2012 and would be considered by the County Council as part of the Medium Term financial planning framework.

In response to a question from Councillor Carr regarding the position the Council would find itself in given the possible failure to undertake inspections, the Head of Environmental Health and Consumer Protection informed the Committee that because of the strategic nature of the function there would be associated risks which included a lack of confidence in the Council, risks to health as well as the potential impact it could have on future planning and development and the County Durham Plan.

Resolved

(i) That the report provided assurance that the strategic risk relating of 'failure to identify and effectively regulate contaminated land' was being effectively managed within the risk management framework, subject to planned funding becoming available and;

(ii) That the Committee place on record their strong support for the bid made through the Medium Term Financial Planning process.

4 Local Code of Corporate Governance

The Committee considered a report of the Corporate Director, Resources which sought approval of a revised Local Code of Corporate Governance following the completion of an annual review of effectiveness of the County Council's Corporate Governance arrangements (for copy see file of Minutes).

Resolved

That the revised Local Code of Corporate Governance be agreed for inclusion in the Council's Constitution.

5 Corporate Governance Timetable for 2011/12 Review

The Committee considered a report of the Corporate Director, Resources which provided a review of the Corporate Governance timetable for 2011/12.

The Risk and Governance Manager informed the Committee that a process of evidence gathering would take place between January and March 2012. This exercise, carried out annually, assists with the update of the Local Code of Corporate Governance.

Resolved

That the Corporate Governance timetable and key steps of the process to review the Council's corporate governance arrangements for 2011/12 be approved.

6 Action Plan for Corporate Governance Improvements

The Committee considered a report of the Corporate Director, Resources which provided details of progress on the implementation of the governance action plan which highlighted area of improvement arising from the annual review of the effectiveness of corporate governance arrangements. The plan also provided a list of key actions and targets for significant governance issues, the majority of which were well ahead and on target (for copy see file of Minutes).

The Committee discussed at length, the major restructure of finance and the revised target dates for the implementation of revised financial management standards.

Resolved

That the recommendations contained in the report be agreed and that an update on the implementation of the action plan be brought to the next meeting of the Committee which contained more detail in relation to items 1, 3 and 4, together with a 'predicted date' for completed plans. An update on the remaining issues would be provided to the Committee in March.

7 Consolidated Action Plan 2010/11 Audit of Accounts

The Committee noted a report of the Corporate Director, Resources which detailed an action plan which consolidated all agreed recommendations for improving control weaknesses incorporated in the External Auditors 2010/11 interim and final governance reports (for copy see file of Minutes).

The Committee were informed that the action plan aimed to address concerns around the financial management framework and would be monitored and updated by management. All managers named in the action plan would be accountable to ensure key changes could be delivered.

The Committee expressed concern that some elements of the action plan appeared to be out of date and that some events appeared to have passed. Inconsistencies in the progress column also made it unclear as to whether tasks had been completed. It was agreed that the future action plans to the Committee should incorporate a RAG rating which would improve clarity. Updates on progress should be a standard item at each committee meeting. The monitoring of this action plan addresses the assurance required in relation item 1 of the previous report relating to the action plan agreed to address corporate governance issues identified in the 2010/11 Annual Governance Statement.

In response to a question from Councillor Carr relating to the financial systems used by the former District Council's, the External Auditor reassured the Committee that no transactions were now being processed on the systems but that they still needed access to them to conduct their testing as part of the final accounts audit process for 2011/12.

8 Bank Account Rationalisation

The Committee noted a report of the Corporate Director, Resources which provided the latest position in relation to bank accounts operated by the County Council and the rationalisation strategy (for copy see file of Minutes).

9 Annual Audit Letter

The Committee considered a report of the External Auditor which presented the Annual Audit Letter for 2010/11 (for copy see file of Minutes).

The External Auditor informed the Committee that an unqualified opinion had been provided on 31 October 2011 which stated that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources which reflected an improvement in the Council's arrangements since the last audit when a qualified value for money conclusion was issued because of weaknesses in some areas. The Committee were informed that reasonable progress continued to be made and the auditors were working very closely with the Corporate Director, Resources and his staff. Future risks and issues such as the economic downturn, changes to housing revenue account funding, single status and equal pay and treasury management would prove challenging.

It was suggested by the External Auditor that the Committee may be interested in receiving a report on changes to HRA funding in relation to implications for 2011/12 accounts, referring to page 6 of the Annual Audit Letter.

Resolved

That a report be brought to Committee on changes to HRA funding.

10 Single Asset Register

The Committee were provided with a verbal update regarding work around the single asset register, a key piece of work which was one of the main factors in the delay of approving last years accounts by the end of September 2011.

The Committee were informed that this year's exercise, phase 1, relating to land and buildings, was slightly behind schedule and further reconciliation work being undertaken. The deadline for completion of the exercise had been revised to 31 January 2012, however, the Committee were assured that this would not cause any problems and they would be notified should any key issues arise.

A risk assessment had been carried out and it was noted that the exercise had been fully resourced, with colleagues in Finance and Assets working extremely well together.

11 Exclusion of the Public

That under Section 100 (A) 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 Minutes

The minutes of the meeting held on 10 November 2011 were agreed as a correct record and signed by the Chairman.

13 Bank Reconciliation Internal Audit Report

The Committee noted a report of the Manager of Internal Audit and Risk which gave a summary of findings following a review of the control environment relating to bank reconciliation (for copy see file of Minutes).

The Committee were informed that some recommendations had now been completed, whilst others remained pending. Areas of concern, set-out in the report, were being addressed and management progress on the implementation of agreed actions would be monitored in accordance with standard audit follow up processes.

The Manager of Internal Audit and Risk informed the Committee that this area of work would be revisited in six months time. Any work carried out by Internal Audit would be reported back to the Committee on an ongoing basis.