

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Thursday 28 June 2012 at 10.00 am**

Present:

Councillor E Bell in the Chair

Members of the Committee:

Councillors C Carr, B Harrison, R Ord and D J Southwell.

Co-opted Members:

Ms K Larkin-Bramley and Mr T Hoban.

Apologies:

Apologies for absence were received from Councillor M Hodgson.

Also Present:

C Banks and C Wardell (Audit Commission).

1 Minutes

The minutes of the meeting held on 31 May 2012 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 Disposal of Council Land and Property

The Committee noted a report of the Corporate Director, Regeneration and Economic Development which provided the Committee with an insight into the current policies, practices and procedures relating to the identification, valuation and disposal of land (for copy see file of Minutes).

The Planning and Investment Manager informed the Committee that prior to local government review there had been different approaches relating to the acquisition and disposal of land across the County and it was clear at the time that a strategy

was required to harmonise these arrangements which was later agreed by the council's Cabinet in 2010.

Councillor R Ord commented that it was evident that significant progress had been carried out and it was encouraging to note that the Council was utilising money to secure the best advantage and hoped this would continue. Councillor Ord did however express concern at the valuation of some smaller areas of land attached to properties which were prone to fly-tipping and the burning of rubbish. The potential monies spent to clear such incidents came at a cost to partner agencies as well as the Council. Councillor Ord also asked for clarification about the placing of covenants when selling land.

In response the Committee were informed that the Asset Management Team's main obligation was to obtain and secure the best possible price for the Council. Land could be sold undervalue providing there was sound reasoning to do so. In terms of covenants, the Planning and Investment Manager explained that there were examples whereby a covenant could stipulate that a site be developed within a certain timescale, or the Council had the option of purchasing the land back, however, the level of restriction would be based on current market conditions.

Councillor B Harrison commented that there was still further work to do with regard to disposal and acquisition of land, but it was clear that much progress had been made.

Resolved:

That the Committee place on record their appreciation to all staff concerned for their hard work and dedication.

The Chairman informed the Committee that he had agreed and revised order of business and would now consider Items 7 and 8 detailed on the agenda.

4 Agreement of Accounting Policies for Application in the 2011/12 Financial Statements

The Committee considered a report of the Corporate Director, Resources which provided details of the proposed accounting policies to be applied by the County Council in the preparation of the Statement of Accounts for 2011/12 (for copy see file of Minutes).

The Committee were informed that new accounting policies in relation to heritage assets and carbon reduction allowances were now required in accordance with the accounting code guidance and there had been amended accounting policies relating to government grants and contributions, grouped accounting and private finance initiative schemes. An accounting policy relating to area based grants had been deleted due to changes in the way that money was distributed to Council's by central government.

Resolved:

That the revised accounting policies be approved for use in the preparation of the 2011/12 financial statements.

5 Consideration of 'Going Concern Status' for the Statement of Accounts for the Year Ended 31 March 2012

The Committee considered a report of the Corporate Director, Resources which provided details of a request from the Audit Commission for the County Council to assess whether it should be considered a 'going concern' and that the Statement of Accounts for the year ended 31 March 2012 should be prepared on that basis (for copy see file of Minutes).

The Corporate Director, Resources informed the Committee that the Council has a robust Medium Term Financial Plan (MTFP) in place which would take into account the amendments of the Local Government Finance Bill. The Council has a history of stable finance and ready access to financial resources in the future and there were no significant risks that would jeopardise the Council's continuing operation.

Councillor R Ord commented that the Council appeared to be in a healthy position but considered that sometimes needed to utilise reserves to secure best advantage.

Resolved:

That the Statement of Accounts be prepared on the basis that the County Council is recognised as a 'going concern'.

6 Annual Internal Audit Report 2011/12

The Committee noted a report of the Corporate Director, Resources which presented the Annual Internal Audit Report for 2011/12 which provided a 'moderate' opinion on the adequacy and effectiveness of Council's control environment for 2011/12 (for copy see file of Minutes).

The Committee were informed that the overall opinion given for the 2011/12 was that of a moderate assurance, which had been given in the previous two years. Many improvements had been made in relation to financial management with a new system now in place following the closure of the former Borough/District Council systems and the County Council's former revenue and benefits system. The benefits of the new system would not be measurable until 2012/13, with evidence suggesting that the Council were heading in the right direction.

The Committee queried why a moderate assurance had been given, particularly when there had been marked improvements with financial systems, bank reconciliations, equal pay and fraud. There was a feeling amongst the Members that the level of assurance didn't recognise the hard work that had been undertaken to improve all such aspects.

The Head of Internal Audit and Risk informed the Committee that the terminology was that of the standard methodology used in this particular field but stressed that the direction of travel was improving and there was clear evidence that improvements had been made. It was also important to note that certain elements

of the cash income management system were still to be rolled out at the time of audit and would provide benefit in the future.

The External Auditor informed the Committee that the Annual Governance Statement was much improved from the previous year and although the internal audit assurance was 'moderate', there had been improvement.

7 Internal Audit Plan 2012-13

The Committee considered a report of the Corporate Director, Resources which outlined the Internal Audit Plan for the period July 2012 to June 2013 (for copy see file of Minutes).

Members queried the timescales for the development of assurance mapping. The Manager of Internal Audit & Risk explained that this would be carried out over a period of time and to be successful needed to be led from the Council's Corporate Management Team. Although no definite timescale could be specified at present some areas such as financial risk may be able to be launched earlier on. Areas such as procurement, legal and performance management risks would take longer and would need buy-in from key officers across the Council.

The Committee agreed that some additional training around risk based auditing would be beneficial.

Resolved:

- (i) That the proposed audit plan detailed in Appendix 2 of the report be agreed;
- (ii) That additional training for Committee Members is scheduled in the latter part of 2012.

8 Review of the Effectiveness of Internal Audit

The Committee considered a report of the Corporate Director, Resources regarding the outcomes of the annual review of the effectiveness of Internal Audit.(for copy see file of Minutes).

The Corporate Director, Resources informed the Committee that it was very important that the Council had an effective Internal Audit Service in operation. The last review of the service was undertaken in June 2011 and improvements had been identified for the service to be fully compliant with the CIPFA Code of Practice and Statement with three main areas identified as to where improvements could be made.

The Committee noted that good progress had been made with the implementation of a risk based approach to auditing but it was recognised that the skills mix of the in-house team needed to be improved for specialised areas such as Information Technology and Pensions. Investment was being made in relation to this area and overall the service was 'doing well' with scope for improvement.

Resolved:

That the responses provided within the Appendices to the report provided assurance on the effectiveness of internal audit.

9 Draft Annual Governance Statement for the year April 2011 - March 2012

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).

Resolved:

- (i) That the draft Annual Governance Statement for 2011/12 and list of significant governance improvements be agreed; and
- (ii) That the Annual Governance Statement be presented to County Council for information.

10 2011/12 Annual Report of the Audit Committee to County Council

The Committee considered the Annual Report of the Audit Committee which covered the period April 2011 to March 2012 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 25 July 2012.

11 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.

12 Annual Fraud Report 2011/12

The Committee noted a report of the Manager of Internal Audit and Risk which informed action taken by Internal Audit during 2011/12 and further action planned to raise awareness of the risk of fraud and corruption (for copy see file of Minutes).

The Committee also noted cases of potential fraud and irregularity reported during 2011/12, progress and outcomes on counter-fraud reviews included within the Internal Audit Plan for 2011/12 and outcomes of the investigations which had arisen from the Audit Commission National Fraud Initiative Exercise carried out in 2010/11.