

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 2, County Hall, Durham on **Thursday 21 February 2013 at 10.00 am**

### **Present:**

**Councillor E Bell (Chairman)**

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

Councillors O Temple (Vice-Chairman), C Carr, B Harrison, M Hodgson, R Ord and D J Southwell

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

T Hoban and K Larkin-Bramley

### **Also Present:**

Councillor J Shuttleworth

### **1 Apologies for Absence**

Apologies for absence were received from Councillors L Marshall and B Myers.

### **2 Minutes**

The Minutes of the Meeting held on 22 November 2012 were confirmed as a correct record and signed by the Chairman, subject to the following amendments:

- K Larkin-Bramley's attendance being removed;
- Councillor M Hodgson being shown as in attendance;
- Minute No. 3 being amended in paragraph 2 to read 'unqualified opinion' rather than 'qualified opinion'.

### **3 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 and Fire Authority.

### **4 Risk Management Update - Quarter Ending December 2012**

The Committee considered a report of the Corporate Director of Resources which highlighted the strategic risks facing the Council and provided an insight into the

work carried out by the Corporate Risk Management Group during the period October to December 2012 (for copy see file of Minutes).

**Resolved:**

That the report be approved.

## **5 Integrated Services - One Point Risk Update**

The Committee received an update from the Head of Finance on the One Point Risk.

The Head of Finance informed the Committee that the risk related to a £230k “double count” in the establishment of the pooled budgets for the One Point Service. The County Durham and Darlington Foundation Trust (CDDFT) included four Sure Start Cluster Managers in their management costs baseline figures but these posts were fully funded by the County Council and should not have been included in the baseline as they were not part of their core budgets. Children and Young Peoples Services took out the payment to the CDDFT for these staff at the creation of One Point but the CDDFT didn’t take out the income on their side.

The dispute and consequential risk, was that the CDDFT stated that this was the County Council’s mistake in establishing the baseline cost apportionments and that the County Council had been made aware of this. CDDFT had restructured, made other efficiencies and had no capacity to absorb the loss of income if the County Council did not continue to fund these posts. However, the County Council’s viewpoint was that the apportionments were wrong and needed correcting, which would have cost implications for CDDFT to resolve.

CDDFT had now accepted that further efficiencies were required to offset this issue and CDDFT were currently working on the details of how these would be achieved.

## **6 Action Plan for Corporate Governance Improvements**

The Committee considered a report of the Corporate Director of Resources which provided an update on progress in implementing the agreed governance plan, which highlighted areas of improvement arising from the annual review of the effectiveness of corporate governance arrangements (for copy see file of Minutes).

Mr Hoban referred to Action Plan point number 3 and asked whether the revised Financial Management Standards had been signed off. The Corporate Director of Resources agreed to feed this information back to Mr Hoban.

**Resolved:**

That the report be approved.

## **7 Action Plan 2011/12 Audit of Accounts Update**

The Committee considered a report of the Corporate Director of Resources which provided an update on progress on implementation of the Action Plan from the agreed recommendations for improving control weaknesses incorporated in the External Auditors 2011/12 Interim and Final Governance Reports (for copy see file of Minutes).

The Action Plan, which was reported to the Committee in November, was being used by management for monitoring purposes and the report formed part of regular reporting leading to the approval of the Statement of Accounts for 2012/13. The report was presented in accordance with paragraph 4.1.26 of the Committee's Operational Terms of Reference.

### **Resolved:**

That the report be approved.

## **8 2011/12 Annual Grant Report**

The Committee received the annual report of the External Auditor on the outcomes of the Council's 2011/12 claims and returns (for copy see file of Minutes).

The Audit Manager advised of their work in order to provide assurance to grant paying bodies that claims for grant and subsidies are made properly and that information on financial returns is reliable. She provided further information on the outstanding claims and of the robust measures in place for 2012/13 for housing and council tax benefits and NNDR to strengthen reconciliation and control processes.

### **Resolved**

That the report be noted.

Ms K Larkin-Bramley and Mr T Hoban left the meeting during discussion of the following item.

## **9 Co-opted Members to the Audit Committee**

The Committee considered a report of the Corporate Director of Resources regarding the appointment of co-opted Members to the Committee for recommendations to be made to Council (for copy see file of Minutes). The Committee discussed various options for the appointment of co-opted Members and their length of tenure.

### **Resolved:**

- (i) That the contracts of the current co-opted Members be extended for a period of 3 years from May 2013
- (ii) That, upon the expiry of this extension of contract, applications be sought for co-opted Members

- (iii) That subsequent contracts for co-opted Members be for a period of 3 years.

Ms K Larkin-Bramley and Mr T Hoban re-joined the meeting.

## **10 Internal Audit Progress Report Quarter Ending December 2012 Update**

The Committee considered a report of the Manager of Internal Audit and Risk which informed members of the work carried out by Internal Audit during the period October to December 2011 ( for copy see file of Minutes).

The Committee referred to the overdue audit reports and requested that more detail of what these reports related to be included in future reports to Committee.

The Committee referred to the Limited Assurance Opinion regarding Direct Payments as shown on page 78 and requested that the full Audit Report be brought to a future meeting of the Committee on Direct Payments. The Committee also sought assurances around the controls in place to ensure that an appropriate level of care was provided to those who needed it most. The appropriate service manager was also requested to attend to provide an update on the implementation of agreed audit recommendations and to provide wider assurance on the wider risks associated with Personalisation.

### **Resolved:**

- (i) That the progress made on delivering the internal audit plan for 2011/12 to gain assurance on the adequacy and effectiveness of the Council's internal control environment be noted.
- (ii) That greater detail of overdue audit reports be provided to future meetings
- (iii) That the full Audit Report on Direct Payments be brought to a future meeting of the Committee with the appropriate service manager in attendance.

## **11 Sale of Windlestone Hall**

The Committee considered a joint report of the External Auditor and the Manager of Internal Audit and Risk Management regarding a review of the sale of Windlestone Hall (for copy see file of Minutes). The report had been prepared following a complaint made by Councillor Shuttleworth to the external auditor and concerns raised by Councillor Ord at the November 2012 Audit Committee.

In response to the concerns raised a joint review of the sale was carried out by External and Internal Audit to help minimise the cost of additional external audit fees, and this investigation was now complete. The findings and conclusions from the review were set out in Appendices 2 and 3 of the report.

The Head of Planning and Assets informed the Committee of the procedures and processes carried out for the sale of Windlestone Hall and responded to questions from the Committee.

The Committee requested that an update be brought back in three months time on actions taken and planned to improve systems and processes for disposals and that a process map illustrating a disposal be provided. The Committee also requested that Internal Audit review the effectiveness of controls in approximately 6 months time, as part of next year's audit plan, and report the outcomes to a future meeting of the Committee.

**Resolved:**

- (i) That the Committee was assured the allegation had been appropriately investigated
- (ii) That the Committee was assured officers were taking appropriate action to improve the management of risks associated with land and building disposals in response to control weaknesses identified through the review.
- (iii) That an update be provided in three months time on actions taken and planned to improve systems and processes for disposals and that a process map illustrating a disposal be provided.
- (iv) That Internal Audit review the effectiveness of controls as part of next year's audit plan.

**12 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 items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the said Act.

**13 Internal Audit Progress Report Quarter Ending December 2012 Update**

The Committee considered Appendices 7 and 8 of the report of the Manager of Internal Audit and Risk which informed Members of actions agreed by managers in response to internal audit recommendations that were overdue at the end of December 2012. (for copy see file of Minutes).

**Resolved:**

That the report together with the recommendations included therein be approved.

**14 Overdue Audit Recommendations**

The Committee considered a report of the Manager of Internal Audit and Risk which provided details of Overdue Audit Recommendations (for copy see file of Minutes).

The Manager of Audit and Internal Risk informed the Committee that, following discussions with the Chair and the Vice Chair, officers from Customer Relations and the Travellers Liaison Service were in attendance. The Officers provided the

Committee with explanations as to why agreed recommendations had not been implemented as planned.

**Resolved:**

That the report be noted.