

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Thursday 4 April 2013 at 10.00 am**

### **Present:**

**Councillor E Bell (Chairman)**

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

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

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

Mr T Hoban

### **Apologies:**

Apologies for absence were received from Councillor Colin Carr, Councillor Brian Myers and Kathryn Larkin-Bramley

### **1 Apologies for Absence**

Apologies for absence were received from Councillors C Carr, B Myers and K Larkin-Bramley.

### **2 Minutes of the meeting held on 21 February 2013**

The Minutes of the Meeting held on 21 February 2013 were confirmed as a correct record and signed by the Chairman.

### **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 Exemptions to the P2P Process - Report of Corporate Director, Resources**

The Committee received a report of the Corporate Director of Resources that presented an overview of the approved exemptions to the standard Procure to Pay (P2P) Process (for copy see file of Minutes).

Mr Chris Jones, Transaction Accounts team explained to Members about the approval process in place for the payment of invoices, the guidance used and exceptions to the process. In February 2013 14% of invoices were classed as an exemption, equating to 23% value of all invoices paid. Approximately 29,000 invoices are paid each month. Mr Jones informed the Committee that the P2P board would continue to monitor and make improvements to the process.

The Corporate Director, Resources commended the team for the improvements made as the Committee had previously raised concerns. He added that as many invoices as possible were automated and Oracle was performing well. However it was recognised that there will always be exceptions to the process.

Councillor Ord welcomed the report and asked if Oracle was beneficial. Mr Jones confirmed that the system was working very well.

Mr Hoban asked how often signatory lists are checked and what size were the payment batches referred to in Appendix 2. Mr Jones confirmed that the batching of invoices no longer happens as invoiced are scanned on receipt and that each service is responsible for ensuring signatory lists are kept up to date. Councillor Harrison added that reviewing signatories was an HR issue and processes should be in place to remove leavers from lists. The Manager of Internal Audit and Risk advised that the current audit of the P2P process should provide assurance on the effectiveness of controls relating to exempt payments, including how robust the maintenance of authorised signatory lists are in practice.

The report was generally well received by the Committee who acknowledged the improved performance of the service in relation to the payment of invoices within 30 days. Some discussion followed on the impact of exemptions on overall performance and on whether separate targets were applicable for manual and automated processes and whether or not targets should be set to reduce the number of manual certification of invoices. This will be considered by the service.

**Resolved:-**

That the report be noted.

**5 Changes to the Code of Practice for Local Authority Accounting in the U.K for 2012/13 - Report of Corporate Director, Resources**

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 2012/13 accounts (for copy see file of Minutes).

The Assistant Finance Manager, Strategic Finance highlighted changes and their relevance to the Council. He added that further changes would be made next year that would affect the County Council.

**Resolved:-**

That the report be noted.

**6 Consideration of "Going Concern Status" for the Statement of Accounts for the year ended 31 March 2013 - Report of Corporate Director, Resources**

The Committee considered a report of the Corporate Director of Resources that assessed whether Durham County Council should be considered a 'going concern', and whether the accounts should be prepared on that basis (for copy see file of Minutes).

In relation to a question from Councillor Southwell, details of the timetable for the preparation of the statements of accounts were provided. The two stage process ensures that the Accounts are with the External Auditors by 30 June 2013 with formal approval in September. Assurance was provided that processes are in place to monitor progress with regular weekly meetings being held to evaluate performance and ensure completion in accordance with statutory requirements..

Mr Hoban asked for clarification on the agreed tri-borough collaboration arrangements detailed in the report and was assured that feedback would be given following the meeting.

It was subsequently disclosed this reference was an error.

**Resolved:-**

That the recommendations contained within the report be agreed.

**7 Agreement of Accounting Policies for Application in the 2012/13 Financial Statements - Report of Corporate Director, Resources**

The Committee received an update from the Corporate Director of Resources on the County Council's accounting policies to be applied in the preparation of the 2012/13 Statement of Accounts and to seek confirmation that appropriate policies are being applied (for copy see file of Minutes).

The Assistant Finance Manager, Strategic Finance highlighted the changes to be applied in preparing the 2012/13 Statement of Accounts and asked that delegated authority be approved for the Corporate Director, Resources to amend the policies as and when required and report back to Committee.

Councillor Southwell asked if there was a policy regarding the costs to the County Council for making discretionary housing benefit payments .The Corporate Director, Resources said that all costs would be shown in the budget statement. He explained that discretionary housing benefit payment had been in place for many years to help support vulnerable families. The new bedroom tax was expected to increase demand for such payments and it was not known if the current level of government grant of £880K would be enough to help support such families.

**Resolved:-**

That the recommendations contained within the report be agreed.

**8 Final Accounts Timetable for the year ended 31 March 2013 - Report of Corporate Director, Resources**

The Committee considered a report of the Corporate Director of Resources that provided Members with the Final Accounts Timetable for 2012/13 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, Strategic Finance gave an update on progress made so far with the preparation to complete the Statement of Accounts. In 2012/13 there were 69 tasks in the timetable, 47 on time, 13 late, 6 on target, 1 cross-service cutting and 2 n/a. Details of the 13 overdue actions were provided and it was noted that no concerns have been raised regarding any impact this may have on completing the accounts on time. In 2011/12 there were 76 tasks, 54 on time, 19 late and 3 n/a. Ongoing discussions were taking place with the auditors with more robust challenges and roles being clarified. It was noted that one of the challenges this year is some staff carrying our tasks for the first time but the good practice of working together has improved progress.

**Resolved:-**

That the report be noted.

**9 Action Plan - 2011/12 Audit of Accounts - Update - Report of Corporate Director, Resources**

The Committee received an update from the Corporate Director of Resources on the progress on implementation of the Action Plan from the agreed recommendations for improving control weaknesses incorporated in the External Auditor's 2011/12 Interim and Final Governance Reports (for copy see file of Minutes).

The Assistant Finance Manager, Strategic Finance informed Members that the Action Plan continues to be monitored through the Performance Framework and progress was very positive. Members were advised the migration of housing dwellings for Durham City is now included in the live system at CIPFA and it is expected to sign off the single asset register at an early stage this year. Assurance was provided that the Accounts could be closed as the risks associated with asset register had now been removed.

**Resolved:-**

That the report be noted.

**10 Durham County Council - Audit Strategy Memorandum 2012/13 - Report of the External Auditor**

The Committee received a report from the External Auditor explaining the scope of the audit, the risks identified and the procedures that will be performed to deliver the audit for Durham County Council (for copy see file of Minutes).

Mr Hoban enquired about how serious issues highlighted relating to bank reconciliation were. The Corporate Director, Resources explained that it had been a historical issue but that following improvements the system was robust and performing well. He gave an assurance that it would be as up to date as possible.

**Resolved:-**

That the report be noted.

**11 Durham County Council Pension Fund - Audit Strategy Memorandum 2012/13 - Report of the External Auditor**

The Committee received a report from the External Auditor explaining the scope of the audit, the risks identified and the procedures that will be performed to deliver the audit for Durham County Council Pension Fund (for copy see file of Minutes).

**Resolved:-**

That the report be noted.

**12 Pension Fund Committee - Terms of Reference - Report of Corporate Director, Resources**

The Committee received a report of the Corporate Director of Resources about the operational terms of reference for the Pension Fund Committee (for copy see file of Minutes).

**Resolved:-**

That the report be noted.

**13 Action Plan for Corporate Governance Improvements - Report of Corporate Director, Resources**

The Committee considered a report of the Corporate Director of Resources summarising progress in implementing the agreed governance action plan, highlighting areas of improvement arising from the 2011/12 annual review of the effectiveness of corporate governance arrangements (for copy see file of Minutes).

**Resolved:-**

That the report be noted.

## **14 Financial Management Standards - Report of Corporate Director, Resources**

The Committee considered a report of the Corporate Director of Resources giving an update on the development and implementation of Financial Management Standards (for copy see file of Minutes).

The Corporate Director, Resources stated that the implementation of the Standards will provide further assurance to the Committee on the effectiveness of key financial systems and that a more detailed financial framework is now in place. Members were advised senior service managers had a responsibility to ensure compliance with the Standards and to report details of any concerns.

### **Resolved:-**

That the report be noted.

## **15 Any Other Business**

The Chairman agreed that the following items of business were of sufficient urgency to warrant consideration:-

**1. Partnership working** – The Committee requested information to be brought back to committee to provide some assurance on the effectiveness of partnership working, following an example referred to by Councillor Temple on the closure of Derwentside Citizens Advice Bureau. .

**2. Guidance for elected members on becoming Trustees and their involvement with partnerships** – The Committee asked to ensure that support is provided to Member who are nominated to act as Trustees or representative to a third party external organisation as the Council's representative. This is to be addressed through Member Induction Training.

**3. Grants and loans paid** to third parties. Councillor Harrison asked about risks when an organisation changes and the risk identified with clawback of external grants and funds. .(Previously raised at the meeting of the Audit Committee on 21st February 2013). Councillor Ord referred to the long term loan to DCC Cricket Club. The Committee were advised that internal Audits are planned to review processes in place relating to grant funding (grants payable and receivable) and the outcomes of these will be reported to Committee in due course.