

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Friday 31 May 2013 at 9.30 am**

Present:

Councillor E Bell (Chair)

Members of the Committee:

Councillors C Carr, S Forster, J Rowlandson (Vice-Chair), T Smith, W Stelling and O Temple

Co-opted Members:

Mr T Hoban

1 Apologies for Absence

Apologies for absence were received from Councillors L Armstrong and J Hillary and K Larkin-Bramley

2 Minutes of the meeting held on 4 April 2013

The Minutes of the Meeting held on 4 April 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 Bi-Annual Report to Council - Work of the Audit Committee (November 2012 - April 2013) - Report of the Chair of Audit Committee

The Committee considered the Bi-Annual Report of the Audit Committee which covered the period November 2012 – April 2013 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 19 June 2013.

5 Compliance with International Auditing Standards - Report of the Chair of Audit Committee

The Committee considered a report of the Chair that provided a response to a letter from the external auditors, Mazars, regarding compliance with International Auditing Standards (for copy see file of Minutes). A response from the Corporate Director, Resources was appended to the report for Members information that related to a similar request from Mazars.

Resolved:

That the response from the Chair to the external auditor on behalf of the Audit Committee be noted..

6 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 Corporate Director, Resources informed Members that there was 1 outstanding action from 2010/11 relating to authorised signatories for payroll that would be completed in September following a software upgrade, and 1 outstanding action from 2011/12 relating to authorised signatories of invoices.

Resolved:

That the report be noted.

7 Update on the Final Accounts Timetable 2012/13 - verbal report of Assistant Finance Manager, Strategic Finance

The Corporate Director, Resources gave an assurance to Members that deadlines would be met for the draft accounts to be submitted to Mazars by the end of June and for final approval in September 2013.

8 External Audit Progress Report - Report of Mazars

The Committee considered a report of the External Auditor, Mazars that set out progress on the 2012/13 audit (for copy see file of Minutes).

Catherine Banks, Senior Audit Manager advised that there were two issues highlighted relating to significant deficiencies in internal control; bank reconciliations and journals.

The Corporate Director, Resources advised that there had been significant improvements made with regards to bank reconciliations. Robust systems were now in place and reconciliations had now been carried out up to the end of March.

Members asked how the reported agreed limit of £1m for journal authorisation had been determined. The external auditor explained that it was understood that this was primarily a resourcing issue and that this limit had been determined by management as appropriate at this time given that the journal authorisation process is currently manual. It was further stated that it was understood that the County Council were looking at ways to automate the process in future. The Corporate Director, Resources agreed that he would seek further information regarding any plans to reduce this limit in future and report back to Members at a future meeting.

Resolved:

That the progress report be noted.

9 Strategic Risk Management - Progress Report for the Quarter period January to March 2013- Report of Corporate Director, Resources

The Committee considered a report of the Corporate Director, Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during January to March 2013 (for copy see file of Minutes).

Members were informed of new risks, those that had been removed and key risks.

Resolved:

That the report be noted to provide assurance that strategic risks were being effectively managed within the risk management framework across the Council.

10 Partnership Governance - Report of Corporate Director, Resources

The Committee considered a report of the Manager of Internal Audit and Risk that advised Members of known arrangements in place that could provide assurance on the adequacy and effectiveness of the Council's partnership governance arrangements (for copy see file of Minutes).

The report also advised the Committee of the current guidance available to elected members when serving on outside bodies or partnership.

Whilst it was noted that the Guidance was currently being reviewed, Councillor Temple was still concerned that the guidance did not address what role the council was expecting members to perform when they are appointed to outside bodies as the Council's representative and to whom they should report etc. It was agreed that this issue needs further consideration.

Resolved:

1. That the identified sources of assurance on the Council's partnerships governance arrangements and plans to develop assurance maps to help identify all key sources of assurance, improve understanding of what assurance is provided and identify any gaps where further assurance is required is noted.
2. That the current guidance available to elected members on their involvement with partnerships and outside bodies is noted but that further consideration is given to elected members roles on such bodies.

11 External Funding - Grant Claw back - Report of Corporate Director, Resources

The Committee noted a report of the Corporate Director, Resources that provided information on occasions when grant paid to the Council has had to be repaid as grant conditions had not been complied with (for copy see file of Minutes).

The Corporate Director, Resources assured Members that related risks, including the risk of claw back, are being effectively managed.

Resolved:

That details of grant claw back as set out in Appendix 2, and work being undertaken by Internal Audit to help improve the management of grant related risks be noted.

12 Internal Audit Progress Report - Quarter Ended 31 March 2013 - Report of Manager of Internal Audit and Risk

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 July to March 2013 (for copy see file of Minutes).

Members noted that an audit relating to school surplus/deficit balances had been deferred to 2013/14. The Manager of Internal Audit and Risk advised that work was currently being undertaken by the schools funding team and officers within CAS to help schools manage deficit budgets. The Corporate Director, Resources added that a schools deficit budget was a significant risk for the County Council especially if the school was forced to become an Academy as the deficit would stay with the Council. He advised Members that there would be a more robust monitoring of schools budgets going forward.

Resolved:

1. The amendments made to the 2012/13 Annual Audit Plan were noted.
2. Work undertaken by Internal Audit during the quarter ended March 2013 was noted.
3. Progress made by service managers in responding to the work of Internal Audit was noted.

13 Exclusion of the Public

Resolved:

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.

14 Internal Audit Progress Report - Quarter Ended 31 March 2013 - Report of Manager of Internal Audit and Risk

The Committee considered Appendix 7 of the report of the Manager of Internal Audit and Risk which informed Members of internal audit recommendations which were overdue (for copy see file of Minutes).

Whilst it was reported that good progress had been made by management on the implementation of audit recommendations, it was noted that some actions previously reported to Committee as overdue were still overdue.

The Corporate Director, Resources said the Corporate Management team were aware of the overdue actions and these would continue to be monitored. He reminded Members that they could call officers in to explain overdue actions at future Committee meetings.

Resolved:

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