

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Monday 29 July 2013 at 9.30 am**

### **Present:**

**Councillor E Bell (Chairman)**

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

Councillors J Rowlandson (Vice-Chairman), S Forster, J Hillary and O Temple

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

Mr T Hoban

### **1 Apologies for Absence**

Apologies for absence were received from Councillor L Armstrong, C Carr, T Smith and W Stelling and Ms K Larkin-Bramley.

### **2 Minutes of the meeting held on 27 June 2013**

The minutes of the meeting held on 27 June 2013 were agreed and signed by the Chairman as a correct record.

Consideration was given to all current items on the Committee's Action Plan (for copy of action plan see file of Minutes) with dates set when these would be reported back to Committee. The Plan would be updated accordingly.

The Strategic Finance Manager gave an update on Item 5 of the Action plan relating to the external audit progress report on Journals. She explained that all journals over £1m in value are printed and signed by senior members of staff. The facility to approve journals within Oracle is available but it was felt that it would not be sustainable to operate this system as it could cause delays in the journals being processed.

### **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 Strategic Risk Management - Progress Report for the Quarter period April to June 2013**

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 April to June 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 provides assurance that strategic risks are being effectively managed within the risk management framework across the Council.

**5 2012/13 Final Outturn for General Fund and Housing Revenue Account**

The Committee noted a report of the Corporate Director, Resources which provided details of the final outturn for both the General Fund and the Housing Revenue Account for 2012/13 including the Annual Treasury Management Review (for copy see file of Minutes).

Councillor Temple asked questions about the total loss to the Council from Premier Waste, the implications for the future on £10m of capital receipts and commented about goalposts shifting regarding the reserves policy increasing as the net revenue expenditure was falling.

The Corporate Director, Resources explained that the Council had agreed to put in further concessions in relation to premier Waste as there would be significant problems if the company went into liquidation. He informed the Committee that all creditors had signed up to a company voluntary arrangement (CVA). In relation to capital receipts the Corporate Director explained that the market was very flat and £10m was a prudent target. £8m had been delivered and even though short of the forecast no problems had been encountered. With regards to the comment made about general reserves it was explained that the Council had taken a prudent approach.

Councillor Temple said that part of the pressures in earmarked reserves were making reductions too early and there had been a marked rise over the last 3 years on total reserves. The Corporate Director advised the cash limit of £20m earmarked reserves would be spent and service groupings cash limit reserves were reasonable given the continued period of austerity going forward and this approach has worked well as any service groupings overspends are smoothed out through the cash limit reserve. He added that decisions are taken throughout the year to smooth the way forward in the short term to get the base budget in line.

**Resolved:**

That the report is noted.

**6 Action Plan 2011/12 Audit of Accounts - Update**

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 Strategic Finance Manager, Corporate Finance informed Members that the Action Plan continues to be monitored through the Performance Framework.

Mr Hoban referred to the fact that no authorised signatories list had been completed for payroll and asked if the system was under control. The Strategic Finance Manager, Corporate Finance explained that work was ongoing and a review to put signatories in place for payroll was taking place. There was no formal list that could be produced for the benefit of External Audit but further information could be sought. The Chairman asked that the committee be provided with more details relating to why the issue of payroll authorised signatories could not be addressed until Sept 2014 and that the payroll and pensions manager be asked to attend the next committee to provide assurance on the procedures in place.

**Resolved:-**

That the report be noted.

**7 Statement of Accounts for the year ended 31 March 2013**

The Committee considered a report of the Corporate Director, Resources which presented the Statement of Accounts for the year ended 31 March 2013 and raised any significant issues arising from the accounts (for copy see file of Minutes).

The Corporate Director, Resources said that this was the first stage of the final accounts process and the signed statement had been provided to external audit within the statutory deadline of 30 June 2013. The second stage would need to be complete by 30 September 2013 and would take into account the views of the external Auditor.

The Risk, Insurance and Governance Manager updated the Committee on the amendments made to the Annual Governance Statement following comments made at the last Audit Committee. The amended version had been reported to full council for information.

Councillor Temple congratulated the Corporate Director and his team for an easier to read set of accounts. He asked about the large variance in the original budget and the service groupings revenue outturn figure for supplies and services ( Page 91 of pack) and was informed that this information would be fed back to Committee.

Councillor Temple also questioned the Council Tax figure for 2013-14 as the forecast collection was a lot less than last year.( Page 113 of pack) . The Corporate Director Resources informed the Committee that there had been a

significant reduction change in Council Tax benefit that impacts on the tax base and that the new homes bonus impact does not take effect until 2015/16.

Councillor Temple proposed that the sentence in the Annual Governance Statement (page 253 of pack, "given the extent of change across the council and the overall reduction in resources during the year, the sustainment of this assurance opinion should be regarded as a positive outcome", be removed. This comment was a quote from the Annual Internal Audit Report relating to the, "Moderate", opinion provided on the control environment by the head of internal audit.

The Committee voted not to amend the Annual Governance Statement.

Councillor Forster sought confirmation on the regularity of bank reconciliations as this had been previously raised as an area of concern. The Committee was advised that bank reconciliations are now being carried out on a monthly basis.

Mr Hoban enquired about the information in the accounts relating to supervision and management expenditure on functions relating to the HRA (Page 203 – paragraph 8).and figures had been quoted relating to the East Durham Homes and Dale and Valley Homes and not Durham City Homes. Whilst it was acknowledged there were different accounting arrangements in place for Durham City Homes as the internal provider, it was agreed that comparative figures for Durham City homes would be provided to the Committee..

Mr Hoban commented that the accounts were much clearer and easier to read this year and thanked the team involved in preparing them.

The Chairman also congratulated the team on the hard work carried out in preparing the accounts.

**Resolved:**

- (i) That the attached Statement of Accounts for the County Council for the financial year ended 31 March 2013 be approved.
- (ii) That the progress on the rationalisation of bank accounts and the current position on bank reconciliations be noted.
- (iii) That the update on the Auditor's recommendations in the Annual Governance Report and the amendments made be noted.

## **8 External Audit Progress Report**

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).

Mr Waddell informed the Committee that work on the accounts had commenced with an overall review carried out by their National Financial Reporting Team. Various returns were being completed including surveys on fraud and 'tough times'.

Mr Waddell highlighted the quality assurance arrangements in place at Mazars to assure the committee on the quality of the external audit service to be provided.

**Resolved:**

That the progress report be noted.