

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Monday 30 September 2013 at 9.30 am**

### **Present:**

**Councillor E Bell (Chairman)**

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

Councillors J Rowlandson (Vice-Chairman), L Armstrong, C Carr, S Forster and J Hillary

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

Mr T Hoban

#### **1 Apologies for Absence**

Apologies for absence were received from Councillor O Temple, T Smith and W Stelling and Ms K Larkin-Bramley.

#### **2 Minutes of the meeting held on 29 July 2013**

The minutes of the meeting held on 29 July 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.

#### **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 Authorised Signatories**

The Committee considered a report of the Payroll and Pensions Manager about the approach taken in response to the External Auditor's recommendation regarding the risk of fraudulent timesheets (for copy see file of Minutes).

The Payroll and Pensions Manager said that the External Auditor's recommendation to introduce a list of authorised signatories was not a practical

solution, however an alternative solution was agreed for implementation by September 2014.

He gave assurances that the current processes in place were adequate as managers are aware of budget expenditure and any suspicious claims could be dealt with. Plus timesheets are received in the same way each month so it would be difficult to present a fraudulent timesheet.

Members were advised that the way forward is to adopt a similar approach to that used for mileage and expenses claims, through MyView, where a form is submitted after being approved by a manager.

Mr Waddell, Mazars, explained that the opinion given was to highlight the controls in the system but that the risk of material error was non-existent. He agreed that the online approach, through MyView, was sensible but there would be a weakness if no audit trail was kept. The Payroll and Pensions Manager advised that electronic data would be retained, as is the practice with mileage and expenses claims.

Members were assured that some periodic verification is carried by Internal Audit.. Members were also concerned about the timeframe for implementing the improvements and asked if the deadline could be brought forward to the beginning of the next financial year.

The Head of Corporate Finance said that there was a major programme underway to drive efficiency through the better use of IT system development. The need to achieve efficiencies was driving the priority of IT system development.

The Head of Corporate Finance explained that budget managers will check their budgets for any anomalies and that the new budget intelligence module of Oracle will improve the information available to managers to monitor their budget more effectively.

The Chairman suggested that members are given training on the Oracle system so that they have a better understanding and could gain assurance from the processes used. The Head of Corporate Finance suggested that information could be brought back to a future meeting providing the background on what has been developed and utilised to date.

**Resolved:**

That the report be noted.

## **5 Annual Governance Statement for the year April 2012 - March 2013**

The Committee considered a report of the Corporate Director, Resources that sought approval of the final Annual Governance Statement to be published as part

of the Council's audited Statement of Accounts 2012/13 (for copy see file of Minutes).

**Resolved:**

That the final Annual Governance Statement be approved as part of the Council's audited Statement of Accounts 2012/13.

**6 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 (for copy see file of Minutes).

The Head of Corporate Finance thanked the External Auditors at Mazars, the Finance team and Internal Audit for having a good working relationship to be able to deliver the accounts on time.

The Chairman also added the thanks of the Committee as a lot of progress had been made since LGR to make sure that the accounts were delivered on time.

**Resolved:**

That the statement of accounts for the County Council for the financial year ended 31 March 2013 be approved.

**7 Audit Completion Report 2012/13 - Durham County Council**

The Committee considered the Audit Completion Report of the External Auditor relating to Durham County Council for the year ended 31 March 2013 (for copy see file of Minutes).

Mr Waddell, Mazars, advised that he would issue an unqualified opinion on the accounts together with an unqualified Value for Money conclusion. He advised that overall the accounts produced were an improvement to the previous year in terms of the quality of the accounts and had been received on time. Assurances had been given on the significant audit risks identified in their audit plan previously reported to Committee. Valuations had been covered in greater detail and were drawn to the Committees attention.

He circulated a draft letter for the information of the Committee which provided an update on the work undertaken on the audit since the report was circulated to the Committee (for copy see file of Minutes).

Thanks were given to the Strategic Finance Manager and her team in the preparation of the Accounts.

**Resolved:**

1. That the Annual Governance Report of the Audit Commission be noted.

2. That the letter of representation be approved.

## **8 Audit Completion Report 2012/13 - Pension Fund**

The Committee considered the Audit Completion Report of the External Auditor relating to Durham County Council Pension Fund for the year ended 31 March 2013 (for copy see file of Minutes).

The External Auditor presented the report to the Committee. He advised that he expected to complete his final review and closure procedures, and issue an unqualified opinion, on the pension fund financial statements.

He advised that overall the accounts produced were significantly improved to the previous year and were produced on time.

### **Resolved:**

That the Annual Governance Report of the Audit Commission be noted.

## **9 An outline of the budget and MTFP setting process**

The Committee received a detailed presentation from the Head of Finance (Corporate Finance) outlining the budget and MTFP setting process (for copy of presentation see file of Minutes).

He highlighted the following to Members of the Committee:-

- Budget Procedures Rules – overall framework and requirement of the Full Council
- Finance Procedure Rules – how the budget process should be developed/ controlled
- Financial Management Standards – how the FMS support the Finance Procedure Rules
- 2014/15 Budget and 2014/15 – 2016/17 Medium Term Financial Plan – details of the actual process followed which is driven / controlled by the Procedure Rules

The Chairman thanked the Head of Corporate Finance for a very informative presentation.

## **10 Internal Audit Progress Report Quarter Ended 30 June 2013**

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 April to June 2013 ( for copy see file of Minutes).

The Manager of Internal Audit and Risk advised that 61 of the 115 planned audits had been completed. One unplanned review for catering had been added to the

plan and one outstanding management response remains overdue regarding the records management draft report.

Members were informed that there had been significant improvement made in the number of overdue actions with 6% outstanding. If revised target dates were considered only 2% of actions were overdue.

**Resolved:**

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

**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 Internal Audit Progress Report Quarter Ended 30 June 2013**

The Committee considered Appendices 7 and 8 of the report of the Manager of Internal Audit and Risk which informed Members of audits issued in the quarter resulting in a limited assurance opinion and detailed the actions agreed by managers in response to internal audit recommendations that were overdue (for copy see file of Minutes).

Members raised some concerns about the length of time it took for some actions to be implemented and suggested that a limit on how many times a revised target date could be given is implemented. It was suggested that if more than one target date is exceeded, the action owner should be called to account to the Committee for the delay.

The Chairman advised that he would meet with the Manager of Internal Audit and Risk and agree which officers should be asked to attend Committee at the next meeting to provide an explanation for the delay.

**Resolved:**

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

**13 CIPFA Internal Audit Benchmarking Results**

The Committee considered a report of the Manager of Internal Audit and Risk that presented results from the CIPFA 2013 Internal Audit Benchmarking Club exercise for 2012/13 actual and 2013/14 estimates (for copy see file of Minutes).

**Resolved:**

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