

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Thursday 28 November 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, J Hillary, O Temple and T Smith

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

Mr T Hoban and Ms K Larkin-Bramley

The Committee were advised that the Manager of Internal Audit and Risk would be retiring and they thanked her for all of her hard work and support.

### **1 Apologies for absence**

An apology for absence was received from Councillor W Stelling.

### **2 Minutes of the meeting held on 31 October 2013**

The minutes of the meeting held on 31 October 2013 were agreed and signed by the Chairman as a correct record, with the amendment on page 4 point 8 that the Annual Governance Report of the Audit Commission be changed to Annual Governance Report of External Auditors.

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.

Ms K Larkin-Bramley declared an interest as she had recently been appointed as the Audit Chair of Derwentside Homes.

#### **4 Outline of Council's Performance Management Framework**

The Committee received a presentation from the Head of Planning and Performance about Performance Management Framework (for copy of slides see file of Minutes).

The Head of Planning and Performance summarised the following points:-

- The role of the Audit Committee
- Performance Management in Local Government
- Changing the National Framework
- Why manage performance in Durham
- What is Performance Management
- Framework
- The Theory
- Member Role
- Reporting to Members
- Reports to Cabinet & Scrutiny
- Measuring & Monitoring Performance
- Challenges for the Future

Following a question about indicators for Public Health, the Corporate Director, Resources said that a report would be going to Cabinet in January 2014.

The Chairman thanked the Head of Planning and Performance for her very informative presentation.

#### **5 Local Code of Corporate Governance**

The Committee considered a report of the Corporate Director, Resources that sought approval of the updated Local Code of Corporate Governance (for copy see file of Minutes).

Members were advised that the Code had been updated in light of the Corporate Governance Statement and was fit for purpose in the current climate. The format had changed slightly and views of External Audit had been sought.

Details of the changes were highlighted and Members thanked the Risk Officer on the way the report was presented.

Following a question from Members about the broadness of the Council's governance arrangements and where assurance comes from that all of the arrangements referred to in the Code are effective, the Manager of Internal Audit and Risk stressed the importance of developing the Council's assurance frameworks. Assurance maps are needed to clarify who provides what assurance and where there are any gaps or assurance unknowns. This work will be progressed in the New Year in consultation with the Corporate Management Team.

**Resolved:**

That the revised Local Code of Corporate Governance be recommended to the Constitution Working Group for inclusion in the Council's Constitution.

**6 Strategic Risk Management Progress Report for the Quarter period July to September 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 July to September 2013 (for copy see file of Minutes).

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

Councillor Temple asked about the risk 'If Local Authority Schools and other LA services choose not to take Council Services, together with the loss of community buildings both Technical and Building Services could see a loss of business'. Although Cllr Temple could see why there was a risk to Building Services and Technical Services in terms of lost revenue, etc., he was not clear why the risk as defined was a strategic risk to the Council, whose objective is to obtain VfM from work it commissions. The Risk, Insurance and Governance Manager agreed to seek clarification from the action owner. A response from the action owner was circulated to members of the Committee 11 December 2013.

There was also some discussion about the risk of the overall impact on the council of lost income from our schools (not academies) opting out of buying services from the council via SLA's. Members asked if some figures could be provided to show how income from schools was changing.

**Resolved:**

That the report provides assurance that strategic risks are being effectively managed within the risk management framework across the Council.

**7 Annual Audit Letter**

The Committee received the Annual Audit Letter 2011/12 from Mazars summarising the 2012/13 audit of Durham County Council and Durham County Council Pension Fund (for copy see file of Minutes).

Mr Waddell, Mazars highlighted that strength of arrangements that are in place showing value for money, especially in terms of forward planning for the Medium Term Financial Plan.

Members congratulated the team at Mazars and the County Council staff involved with the preparation and signing off of the accounts.

**Resolved:**

That the contents of the letter are noted.

## **8 Report to Council on the Work of the Audit Committee**

The Committee considered a draft report of the Chair of the Audit Committee (for copy see file of Minutes) of the work of the Audit Committee for the period April to September 2012, for agreement prior to reporting to full Council at its meeting on 8 January 2014.

### **Resolved:**

That the recommendations in the report be agreed.

## **9 Internal Audit Progress Report Quarter Ended 30 September 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 July to September 2013 ( for copy see file of Minutes).

The Manager of Internal Audit and Risk advised that good progress had been made with planned audit work this year and the service were on track to deliver 90% of the plan.

Members were informed that there had been 1 change to the plan, 37 unplanned reviews and 7 non-investigative service requests. Significant improvements had been made with overdue reports.

### **Resolved:**

- (i) That the amendments made to the 2013/14 Annual Audit Plan be noted.
- (ii) That work undertaken by Internal Audit during the quarter ended September 2013 be noted.
- (iii) That the performance of the service during the period be noted.
- (iv) That progress made by service managers in responding to the work of Internal Audit be noted.

## **10 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.

## **11 Internal Audit Progress Report Quarter Ended 30 September 2013**

The Committee considered Appendices 6 and 7 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 outstanding (for copy see file of Minutes).

**Resolved:**

That the report be noted.

**12 Overdue Audit Recommendations**

The Committee considered a report of the Manager of Internal Audit and Risk about overdue internal audit recommendations (for copy see file of Minutes).

Following discussions with the Chair and Vice Chair it was agreed to invite a number of senior officers to Committee to explain the delay in the implementation of a number of overdue internal audit recommendations.

The appropriate senior officers gave a detailed update to the Committee on the outstanding Audit recommendations including reasons for the delays and timelines for action to be taken.

**Resolved:**

That any remaining actions outstanding be noted together with the assurance provided from senior officers in attendance that work was planned or in progress to address these within agreed revised target dates.

**13 Internal Audit Report - Grants**

The Committee noted a report from the Manager of Internal Audit and Risk that presented the Internal Audit Report relating to a review of the grant protocol and grants receivable (for copy see file of Minutes).

The Committee were given assurance on the effectiveness of arrangements in place relating to the risks associated with external funding grants. Members were advised that some of the issues raised in the report were due to the dual responsibility for grant funding between finance officers in Resources and officers in the external funding team within RED.. The Manager of Internal Audit and Risk advised that the need to have a co-ordinated approach to the bidding, management and monitoring of grant funding, financial and non financial performance, was key to improving controls. A shared database would help to resolve the data quality issues identified by the audit review.

**Resolved:**

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

**14 Fraud Update Report 2013/14**

The Committee noted a report of the Manager of Internal Audit and Risk which informed action taken by Internal Audit during 2012/13 and further action planned to raise awareness of the risk of fraud and corruption (for copy see file of Minutes).

Cllr Smith asked if figures of the scale of scrap could be provided. These were subsequently circulated to members Dec 2013.

**Resolved:-**

That the recommendations contained within the report be approved.