

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Thursday 24 July 2014 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 O Temple

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

Mr T Hoban

The Chairman congratulated the Audit Committee on the recent reports to County Council on the work undertaken, as they had been well received. He thanked the Chief Internal Auditor and Corporate Fraud Manager and his team for their hard work and commitment and the Corporate Director, Resources for his guidance.

### **1 Apologies for absence**

Apologies for absence were received from Councillors J Hillary, T Smith and W Stelling, and Ms K Larkin-Bramley.

### **2 Minutes of the meeting held on 26 June 2014**

The minutes of the meeting held on Thursday 24 July 2014 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.

### **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 Assets**

The Committee received a presentation from the Assistant Finance Manager, Corporate Finance relating to the County Council's Assets (for copy of slides see file of Minutes).

The Assistant Finance Manager, Corporate Finance informed Members that significant improvements had been made since LGR and that there was now a Single Asset Register. He further explained the aims and objectives and highlighted the long term assets:-

- Property, Plant and Equipment
- Heritage Assets
- Investment Property
- Intangible Assets
- Long Term Investments
- Long Term Debtors

Focusing on Property, Plant and Equipment he went on to break this area down and gave a description of the following sections:-

- Council Dwellings
- Land and Buildings
- Vehicles, Plant, Furniture and Equipment
- Infrastructure Assets
- Community Assets
- Surplus Assets
- Assets under Construction

Members were advised that they could request further details about any asset.

Councillor Carr asked if the Council lease of lot of plant vehicles and was informed by the Corporate Director, Resources that a review of fleet had been undertaken and found that it was better value to lease.

Catherine Banks, Mazars said that it was helpful from an external audit point of view to have a single register.

On answering a question from Councillor Carr regarding the depreciation of contaminated land, the Assistant Finance Manager, Corporate Finance explained that this area was being explored with colleagues in Neighbourhood Services. It was recognised as a contingency liability and any significant findings would affect the value of a site. Work was ongoing with colleagues in the Assets team and any detailed findings could be reported back to the Committee.

The Chairman thanked the Assistant Finance Manager for his informative presentation.

## **5 2013/2014 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 2013/14 (for copy see file of Minutes).

The Corporate Director, Resources informed the Committee that both the balance sheet position and reserves were in a strong position. He added that the cash limit reserves had increased across all service groupings to £23m and that the general reserves had increased to £28m. It was explained that the two biggest increases had been equal pay and early retirement/voluntary redundancy and had had a beneficial outcome on the financial planning for the authority.

Councillor Temple asked where the money came from in the reserves. He was informed by the Corporate Director, Resources that £5m was from general reserves and £10m from cash limit reserves, taken from service groupings. Councillor Temple went on to ask why the earmarked reserves had increased if transferring money out of service budgets. He was advised that this was generated by revenue account performance. Councillor Temple asked to speak to the Corporate Director after the meeting to help understand how reserves could increase at a time of austerity.

The Corporate Director, Resources referred to equal pay claims being set up following job evaluation in 2012. A new structure was put in place and enough money had been built into the budget to cover the MTFP period. This had enabled the authority to push back the pressure on the base budget until 2017/18.

Mr Hoban asked if the differences could be explained in the variance of the use of earmarked reserves, on page 32 of the report. The Assistant Head of Finance, Corporate Finance explained that the first figure was the budget use of reserves and that the budget is reported to Cabinet every quarter. The figure of £24m was from the revised budget carried out during the year. At the end of the year the actual underspend is dealt with, which gives the difference of £32m. Work is ongoing with services for them to provide a more accurate forecast during the year. He pointed out that Neighbourhood Services would wait until funding and grants had been secured at the year end.

**Resolved:**

That the report is noted.

**6 Treasury Management Outturn 2013/2014**

The Committee noted a report of the Corporate Director, Resources which provided details of the Treasury Management outturn position for 2013/14 (for copy see file of Minutes).

The Corporate Director, Resources updated the Committee on the new bank proposals, following a question from Councillor Carr. The procurement process was due to start with a lot of interest shown. He added that as some Members may not be aware, a briefing would be sent to them shortly.

**Resolved:**

That the report is noted.

**7 Statement of Accounts for the year ended 31 March 2014**

The Committee considered a report of the Corporate Director, Resources which presented the Statement of Accounts for the year ended 31 March 2014 and raised any significant issues arising from the accounts (for copy see file of Minutes).

The Corporate Director, Resources reported that the statement of accounts had been provided to external audit and that they were available for public inspection until 1 August 2014. He said that the Pension Fund Accounts were in a strong position with net assets increasing by £45m and informed the Committee that the Local Government Chronicle rated Durham in the top 10 performing pension funds in the country.

Councillor Temple questioned the accuracy of paragraph 12 of the report stating that the net worth had fallen by £220m, due in the main to a decrease in the pension fund liabilities. The Assistant Finance Manager, Corporate Finance said that this should state an increase, not a decrease and apologised for the error.

Councillor Temple queried the soft loan figure, as he would have expected to see a decrease as they had ceased. The Assistant Finance Manager, Corporate Finance explained that these were former LGR loans remaining on the balance sheet and they would be chased with the legal team during the year to be recovered or written off.

Councillor Carr asked if the employee car loan figure would disappear from the accounts as was no longer offered. The Corporate Director, Resources confirmed that this would tail off in a few years as the scheme had stopped last year.

The Committee congratulated the team on preparing the accounts early.

**Resolved:**

- (i) That the attached Statement of Accounts for the County Council for the financial year ended 31 March 2014 be approved.
- (ii) That the Council's net worth had fallen due to an increase in the pension scheme liabilities, not a decrease, be noted.

**8 Strategic Risk Management - Progress Report for the Quarter ended 30 June 2014**

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 2014 (for copy see file of Minutes).

The Risk, Assurance and Governance Manager informed the Committee that there were 30 strategic risks, a reduction of 1 since March 2014 and 5 key risks. He reported that the risks were being managed effectively.

On answering a question from Mr Hoban about whether key risk 5 had been removed the Corporate Director, Resources explained that the compliance test for the Central Government Public Services Network Code of Connection criteria had

been passed, and would save time and human resources by having tighter fire walls.

The Corporate Director, Resources explained how land charges were almost ready to be signed off at a settlement cost of £350-400k. As £1m had been earmarked this was a good example to show that £600k would be taken from earmarked reserves and put back into general reserves.

**Resolved:**

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

## **9 Fraud Awareness**

The Committee received a presentation from the Chief Internal Auditor and Corporate Fraud Manager about Fraud Awareness (for copy of slides see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager highlighted the following points:-

- What is Fraud?
- What is Fraud Worth?
- What is Durham County Council Doing?
- What our Strategy says
- Corporate Fraud Approach, including:-
  - Tenancy Fraud
  - Blue Badges
  - Direct Payments
  - Business Rates
  - Single Person Discount
  - Procurement
- Protecting the Public Purse
- National Fraud Initiative
- Single Fraud Investigation Service
- Fraud Funding
- Going Forward

Councillor Armstrong asked how academies would fit in to the training aspect for fraud awareness. He was advised that the same service would be offered to them as with all schools and governors.

The Assistant Finance Manager, Corporate Finance was informed that the Single Person Discount would be reviewed back to April 2013.

The Chairman thanked the Chief Internal Auditor and Corporate Fraud Manager for the interesting presentation. He added that the team were working together to strengthen the resolve in regards to fraud and he applauded the initiative.