

## **DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Tuesday 30 September 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, J Hillary, O Temple and T Smith

**Co-opted Members:**

Mr T Hoban and Ms K Larkin-Bramley

### **1 Apologies**

An apology for absence was received from Councillor W Stelling.

### **2 Minutes of the meeting held on 24 July 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.

The Chairman referred to Item 9 of the minutes and enquired if any academies had been involved in the Fraud Awareness training. The Chief Internal Auditor and Corporate Fraud Manager said that one academy had approached the team so far with regards to training. The Chairman was assured that this was evidence to suggest that academies could access this information.

### **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 Annual Governance Statement for the year April 2013 to March 2014**

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 2013/14 (for copy see file of Minutes).

The Risk, Insurance and Governance Manager advised Members of the minor amendments made to the final AGS, to take account of changes related to External Audit.

**Resolved:**

That the final Annual Governance Statement be approved as part of the Council's audited Statement of Accounts 2013/14 and the amendments made to the draft Annual Governance Statement as reported to Council be noted.

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

The Corporate Director, Resources advised Members that some amendments had been made to the accounts where appropriate, and that the External Auditor would be issuing an unqualified opinion on the Council and Pension Fund Accounts.

Councillor O Temple congratulated officers on the readability of the accounts and the positive outcomes reported. On asking a question about Pension Fund contributions declining from senior officers, the Corporate Director, Resources confirmed that officers had withdrawn from the scheme part way through the year. Councillor Temple referred to Council Tax reduction of funding of 10% resulting in a loss of £5.5m and asked why the figure of £54,010 of benefits receivable did not reflect the 10% reduction. The Corporate Director, Resources explained that 10% government funding cut would be absorbed in financial planning. He added that the figure shown in the accounts was in respect of two years, £54m in 2013/14 and £52.4m in 2013/14.

Councillor Temple's final point was relating to the increase in write offs for Council Tax, and was advised that he would be given an explanation at a later date.

**Resolved:**

That the statement of accounts for the County Council for the financial year ended 31 March 2014 be approved.

**6 Audit Completion Report 2013/2014 - 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 2014 (for copy see file of Minutes).

Mr Waddell, Mazars, advised that the accounts had been produced on time and he would issue an unqualified opinion on the accounts together with an unqualified Value for Money conclusion. He highlighted the significant audit risks and informed members about a consultation to move the process to the end of May.

He circulated a 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).

Mr Waddell concluded that the Whole of Governance Accounts submission would be completed by 3 October 2014 and a certificate produced on the Statement of Accounts.

Ms K Larkin-Bramley suggested that changing the timescales of the Audit should be discussed at a future meeting.

Councillor C Carr queried the amount outstanding for Equal Pay Claims of £3.9m and was informed by the Corporate Director, Resources that this was included on the balance sheet for back dated claims. He advised that there were still potential claims held in the courts system, that would take some time to come through. He added that some equal pay claims for men and women would be challenged but it was appropriate for the authority to hold the money for these potential claims. The Assistant Finance Manager, Corporate Finance advised that equal pay provision had been left in the budget until a review had been carried to ascertain whether non-claimants would come forward.

Councillor J Hillary expressed concern that there was still no list of authorised signatories and asked when this would be actioned and brought into use. He was advised that information would be sought and brought back to Committee.

**Resolved:**

1. That the Annual Governance Report of the Audit Commission be noted.
2. That the letter of representation be approved.

**7 Audit Completion Report 2013/2014 - 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 2014 (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 circulated a letter for the information of the Committee which provided an update on outstanding matters and conclusions reached on the audit since the report was circulated to the Committee (for copy see file of Minutes). In relation to the review of events after the balance sheet date the Corporate Director, Resources updated members about the transfer of funds to a new investment manager.

**Resolved:**

1. That the Annual Governance Report of the Audit Commission be noted.
2. That the letter of representation be approved

The Chairman thanked all officers in the preparation of the accounts from the Corporate Director, Resources to all the teams involved. He also thanked Mazars for validating the accounts and working so well with officers of the Council. The Committee congratulated all involved on a job well done.

## **8 Internal Audit Progress Report for the quarter ended 30 June 2014**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period April to June 2014 ( for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager highlighted the movements in the plan, unplanned reviews added to the plan and advised that there had been no responses to draft reports that remain overdue. Members were informed that 93% of actions had been implemented, way in excess of the national target of 70-80% and in excess of DCC's target of 90%.

The Chief Internal Auditor and Corporate Fraud Manager informed the Committee that officers from Gateshead Council had visited the team and were keen to learn the processes used when chasing up overdue actions.

The Chairman thanked the Chief Internal Auditor and Corporate Fraud Manager and his team for a pleasing report and added that the Committee should also be comforted that their actions of holding senior managers to account had helped exceed the targets.

On answering a question from Mr T Hoban about whether some reviews had commenced in July, as referred to in paragraph 11 of the report, the Chief Internal Auditor and Corporate Fraud Manager confirmed that they had commenced as planned.

### **Resolved:**

1. The amendments made to the 2013/14 Annual Audit Plan be noted.
2. Work undertaken by Internal Audit during the quarter ended June 2014 be noted.
3. Performance of the service during the period be noted.
4. Progress made by service managers in responding to the work of Internal Audit be noted.

## **9 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.

## **10 Internal Audit Progress Report for the quarter ended 30 June 2014**

The Committee considered Appendices 6 and 7 of the report of the Chief Internal Auditor and Corporate Fraud Manager which detailed the actions agreed by managers in response to internal audit recommendations that were outstanding (for copy see file of Minutes).

Members were advised that there were no limited assurances given of audits finalised in this quarter.

Mr T Hoban asked what was being carried out to move a high risk action forward and was informed that an update would be provided at the next meeting.

**Resolved:**

That the report be noted.