

Time Commenced: 6.00pm  
Time Finished: 8.10pm

**AUDIT AND ACCOUNTS COMMITTEE  
23 SEPTEMBER 2010**

**Present:** Councillor Ashburner – Chair  
Councillors Davis, Harwood and Troup

**17/10 Apologies for Absence**

Apologies for absence were received from Councillors Chera, Jackson and Roberts.

**18/10 Late Items**

There were no late items. The Chair announced that this would be the last meeting of the Audit and Accounts Committee attended by Don McLure, Strategic Director of Resources before he took up a new post at Durham City Council and extended best wishes to him for the future.

**19/10 Declarations of Interest**

There were no declarations of interest.

**20/10 Minutes**

The minutes of the meetings held on 24 June 2010 were agreed as a correct record and signed by the Chair.

**Accounts**

**21/10 Statement of Accounts**

The Committee considered the statement of accounts following completion of the audit. The final set of approved accounts had to be published by 30 September 2010 under the Accounts and Audit regulations 2003. John Roberts from Grant Thornton addressed the Committee.

**Resolved**

- 1. To approve the final set of accounts for the 2009/10 financial year set out in appendix 2 of the report which included final adjustments made following the audit as explained in appendix 3 of the report.**

- 2. To agree the capital determination be recommended for approval at appendix 4 of the report.**
- 3. To note that the auditors anticipate issuing an unqualified audit opinion, as included in the final set of accounts, subject to this committee's re-approval of the accounts at appendix 2 of the report and acceptance of the external audit memorandum also considered at this meeting.**

22/10      Report to those charged with Governance (ISA260)

The Committee considered a report setting out the external auditors report on statement of accounts 2009/10 – ISA260. As part of the International Standard of Auditing 260 (ISA260), the Councils external auditors, Grant Thornton were required to report the outcome of the Audit of Accounts 2009-10 to this Committee.

**Resolved to note the annual report from Grant Thornton and their findings and recommendations and request updates on the Action Plan contained within the report.**

23/10      Letter of Representation 2009/10

The Committee considered a report which stated that as part of the accounts closure process, local authorities are required to submit a letter of representation to their auditors. John Roberts from Grant Thornton addressed the Committee.

**Resolved to note the letter of representation in relation to the 2009/10 Statements of Accounts to be signed by the Strategic Director of Resources and the Chief Executive.**

24/10      Treasury Management – Annual Report 2009/10

The Committee considered a report which covered the Council's treasury management borrowing and investment activity for 2009/10 and it detailed the outturn prudential indicators which were set out in appendix 2 of the report.

2009/10 was marked by a steep decline in the Council's investment returns, due to three factors:

- General conditions in the financial markets.
- The Council's tightening of its investment criteria because of financial market instability.
- The Council's reduction of its cash balances due to very low rates of return on investments and better value for money being achieved through using cash balances to repay outstanding loans.

As a result, investment income fell by 82%, from £9.8m in 2008/09 to £1.7m in 2009/10.

During the year, the Council's cash balances were used to redeem a net £77.9m of external debt. This resulted in a saving that partly offset the loss of investment income. Interest payable on debt fell by 22% from £16.4m in 2008/09 to £12.7m in 2009/10, although £1.3m of this £3.7m saving was required to be passed to the Housing Revenue Account – HRA.

In net terms the Council's treasury management costs rose by 40% from £10.5m in 2008/09 to £14.7m in 2009/10 but still delivered a saving of £800k compared to budget.

Investment losses were a key risk to be avoided, and the possibility of increased borrowing rates in future also remained a key risk to be minimised in the ongoing management of the Council's treasury function. As part of this risk management a further review of the financial markets has been undertaken, with additional criteria for money market fund investments proposed in section 11 of the report.

#### **Resolved**

- 1. To note the prudential indicators in respect of the 2009/10 outturn as outlined in the supporting information and summarised in appendix 2 of the report.**
- 2. To note the Annual Report in respect of Treasury Management activity for 2009/10.**
- 3. To note the updated forecast prudential indicators for 2010/11, 2011/12 and 2012/12 as listed at appendix 2 of the report, noting the forecast impact on council tax levels.**
- 4. To note the revised investment criteria in relation to money market funds as outlined in section 12 of the report, mainly to bring investment limits into alignment with fund size.**

#### **25/10 Grants Action Plan Update – 2008/09**

The Committee considered a report which set out the updated action plan which showed progress against the 2008/09 Grants audit recommendations. The action plan consisted of 16 recommendations against which progress was being tracked.

**Resolved to note the progress made on the Grants action plan 2008/09.**

## 26/10 Interim Audit Action Plan Update 2009/10 on External Audit Recommendations

The Committee considered a report which stated that the interim audit report from Grant Thornton 2009/10 together with the action plan to address the observations/recommendations made in the report was reported to this Committee in June 2010.

A detailed update on the progress made against these actions from the 2009/10 interim audit, together with a follow up of the 2008/09 interim audit and ISA260 recommendations was reported to this Committee.

**Resolved to note the progress made on the Interim Audit action plan 2009/10.**

## Procurement

## 27/10 Reporting of Waivers

The Committee considered a report which stated that the Council new Contract Procedure Rules approved by Council on 20 May 2009 required that all waivers must be reported by the Head of Procurement on a quarterly basis to this Committee so they could be monitored.

**Resolved to note the report.**

## Regularity Framework

## 28/10 Use of Resources Action Plan

The Committee considered a report setting out an update on the progress of the Use of Resources Action Plan.

**To approve the Council's progress report in response to Grant Thornton's recommendations as set out in appendix 2 of the report.**

## 29/10 Partnership Register/Toolkit

The committee considered a report which gave an update on the status of the Council's Partnership Toolkit which was required by the Governance Action Plan.

**Resolved**

- 1. To approve the draft Partnership Toolkit, subject to minor amendments to be agreed by the Chair of the Audit and Accounts Committee.**
- 2. To note the next steps for application of the Partnership Toolkit as identified in paragraphs 4.6 and 4.7 of the report.**

#### **30/10          S106 Agreements**

The Committee received an update on S106 agreements. Information was circulated to Members on a quarterly basis so that progress could be tracked and a protocol had been put in place with training for Members. Information was also provided to Neighbourhood Boards.

**Resolved to note the update.**

#### **31/10          Anti Fraud and Corruption Policy and Strategy and Fraud Response Plan**

The Committee considered a report which set out the revised Anti-Fraud and Corruption Policy and Strategy and the Fraud Response Plan.

**Resolved**

- 1. To approve the revised Anti-Fraud and Corruption Policy and Strategy.**
- 2. To approve the revised Fraud Response Plan.**

#### **32/10          Governance Update**

The Committee considered a report which gave an update on the developments being made within the Council's governance framework. It covered:

- Progress being made on both the Governance Action Plan and the Risk Management Action Plan.
- Improvements required to the risk management framework.
- An update on the Audit Commission's National Fraud Initiative.
- Progress being made in reviewing the Council's policies and strategies around key governance issues – Whistleblowing (Confidential Reporting Code) and Anti-Money Laundering.
- An outline of the Chartered Institute of Public Finance and Accountancy's proposed guidance on the role of the Head of Internal Audit.

**Resolved**

- 1. To note the progress made on the Governance Action Plan.**
- 2. To note the progress made on the Risk Management Action Plan.**
- 3. To approve a risk appetite that is 'risk averse'**
- 4. To note the progress made on the implementation of audit recommendations in the risk management audit and request a further update at the March 2011 meeting.**
- 5. To approve the Partnership risk guide and the Project risk guide.**

#### Audit Activity

#### 33/10 Follow Up of Internal Audit Recommendations

The Committee considered a report which stated that of the 557 audit recommendations made between 1 April 2008 and 31 May 2010:

- 437 had been implemented (78.5%).
- 39 had been superseded by events (7%).
- 64 were still in the process of being implemented (11.5%).
- 0 were now not going to be implemented (0%).
- 1 had passed its agreed implementation date, but we had been unable to obtain progress information (0.2%).
- 16 had not yet reached their agreed implementation dates (2.9%).

#### Resolved

- 1. To note the summary report at appendix 2 of the report, which showed where agreed actions in respect of audit recommendations had not been implemented.**
- 2. To note the report at appendix 3 of the report which showed those recommendations not yet implemented.**

#### 34/10 Internal Audit Progress Report

The Committee considered a report which stated that at then end of the first quarter of the Audit plan year, Internal Audit was performing slightly ahead of its two reported performance targets. Two of the Audits finalised during the period achieved an unsatisfactory overall control rating and as such should receive the Committee's particular attention.

**Resolved to note the activity and performance of Internal Audit in the period 1 June to 31 August 2010.**

35/10          Exclusion of Press and Public

To consider a resolution to exclude the press and public during consideration of the following items:

“that under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting during discussion of the following items on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 3 and 7 of Part 1 of Schedule 12A of the Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information”

36/10          Internal Audit – Progress Report

The Committee considered a report which summarised the internal audit work completed in the period 1 June to 31 August 2010.

**Resolved to note the activity and performance of Internal Audit in the period 1 June to 31 August 2010.**

Chair of the next ensuing meeting  
at which these minutes were signed