

## Item 7 – Audit Completion Report – Follow Up Letter

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30 September 2021

Dear Committee Members

## Conclusion of pending matters – Audit Completion Report for Durham County Council Pension Fund

As required by International Standards on Auditing (UK), I am writing to communicate an update on those matters that were marked as outstanding within our Audit Completion Report.

The outstanding matters identified and the current status of each are detailed below.

Matter	Conclusion reached
Purchases and sales of investments	Our work has identified a difference above the trivial threshold as detailed on the following page. We have no other issues to report.
Review of IT general controls	We have completed our work with one control weakness to report as noted on the following page.
Review of the Pension Fund Annual Report	Information within the Pension Fund Annual Report is consistent with the financial statements within Durham County Council's Statement of Accounts.
Closure procedures and review	We have completed our work with no issues to report.

## Unadjusted misstatement in disclosure of reconciliation of movement in investments note 15

An actual difference of £2.5m was identified between purchases of pooled investment vehicles (PIV) managed by BCPP per the Pension Fund financial statements and per the third party confirmation received directly from BCPP.

The impact of this unadjusted misstatement is that PIV purchases are understated by £2.5m, with a corresponding overstatement of change in market value of PIVS and understatement of change in market value in cash.

### Internal Control Deficiency

Backup restoration and disaster recovery tests were not performed during the period.

A lack of testing of backup restoration and disaster recovery can lead to deficiencies in the effectiveness of the council's resilience to go undetected for extended periods.

We recommend that backups and disaster recovery should be tested at least annually, the results captured and any deficiencies identified remediated in a timely manner.

Management have provided the following response:

Undertaking business continuity tests over the past 18 months has been a challenge, due to Covid controls and social distancing restrictions. However a full DR/BC testing plan is being developed for next year, as restrictions are lifting. This will give us operational confidence that we can recover from an incident as expected. The plan should be reported and available by mid-December.

Additionally, we have deployed new cyber security systems that will protect our backups, improving both our ability to recover from a cyberattack and also reducing the time to recover. Some data has already been moved to the new system, and the remaining data will be moved into this 'cyber vault' over the next few months. This was as a result of a MHCLG cyber audit undertaken last year, and was funded by central government.

Please contact me if I can be of any further assistance.

Yours sincerely

  
Mark Kirkham (Sep 29, 2021 15:39 GMT+1)

**Mark Kirkham**

Partner

For and on behalf of Mazars LLP