

**County Council**

**18 September 2019**

**Report of the Audit Committee for the  
Period September 2018 to August 2019**



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## **Report of Audit Committee**

**Councillor Edward Bell, Chairman of the Audit Committee**

**Councillor James Rowlandson, Vice Chairman of the Audit  
Committee**

### **Electoral division(s) affected:**

None

### **Purpose of the Report**

- 1 To inform Council of the work of the Audit Committee during the period September 2018 to August 2019 and how the Committee continues to provide good governance across the Council.

### **Executive summary**

- 2 The Audit Committee has made significant difference to the Council's governance, control and risk framework during the period by:
  - Striving to help support the Council deliver its objectives and priorities by being both a proactive and reactive body encouraging the early reporting of risk and control issues to ensure that appropriate and timely action is taken to address them;
  - Continuing to raise the profile of the Internal Audit, Corporate Fraud and Risk Management Service through the Service's report to the Audit Committee;
  - Independent questioning and contributing to the development and control of the internal audit plan;
  - Seeking assurance of the effectiveness of corporate risk management arrangements;

- Improving the accountability of service managers to respond to outstanding internal audit reports and the implementation of agreed internal audit recommendations thereby helping to drive improvements in controls to manage risk effectively;
- Continuing to provide regular challenge and demanding accountability on the effectiveness of the implementation and operation of key systems both financial and non-financial;
- Challenging the level of internal audit resource and their work to ensure that the service is effective and delivers a reliable assurance opinion on the Council's control framework;
- Challenging how the Council responds to the risk of fraud and receiving information on the levels of detected fraud and the Council's continuing response;
- Championing the work of the Corporate Fraud Team;
- Receiving and commenting on the work of the external auditor, Mazars;
- Challenging how the Annual Governance Statement has been prepared, reviewing the assurance framework that is in place and ensuring that the Council

### **Recommendation(s)**

- 3 Members note the report and the work undertaken by the Audit Committee during the period September 2018 to August 2019.

## Background

- 4 The role, membership and terms of reference of the Audit Committee are set out within the Constitution and approved by Council.
- 5 Good corporate governance requires independent and effective assurance processes to be in place to ensure effective financial management and reporting in order to achieve the Council's corporate and service objectives. It is the responsibility of the Audit Committee to undertake these aspects of governance on behalf of the Council.
- 6 The specific objectives of the Audit Committee set out in the Council's Constitution are to provide independent assurance to Cabinet and Full Council over the:
  - Adequacy and effectiveness of the Council's governance arrangements, including the effectiveness of the risk management framework and the associated control environment.
  - Financial Reporting of the Council's Statement of Accounts ensuring that any issues arising from the process of finalising, auditing and certifying the Council accounts are dealt with properly.
- 7 The membership of the Committee changed in May 2019 and it is currently comprised of the following members:

Chairman:	Cllr Edward Bell
Vice Chairman:	Cllr James Rowlandson
Members:	Cllr Colin Carr
	Cllr June Clark
	Cllr Bill Kellett
	Cllr Joan Nicholson
	Cllr John Robinson
	Cllr John Shuttleworth
	Cllr Owen Temple
Co-opted Members:	Mr Clive Robinson
	Mr Ian Rudd

## Summary of Meetings

- 8 A summary of Committee business considered at the meetings that have been held during the period is provided at Appendix 2.

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## **Appendix 1: Implications**

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### **Legal Implications**

There are no specific legal implications associated with this report. The Audit Committee contributes to the effective governance of the Council and provides relevant and appropriate challenge and oversight where necessary.

### **Finance**

There are no specific financial implications associated with this report. The Audit Committee has a clear terms of reference and directly effects and assists in improving value for money obtained, the probity and propriety of financial administration, and / or the management of operational and strategic risks.

### **Consultation**

Audit Committee and the Corporate Director of Resources.

### **Equality and Diversity / Public Sector Equality Duty**

None.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

None.

### **Accommodation**

None.

### **Risk**

The Audit Committee provides an independent review of the Council's risk management framework and comments on its effectiveness.

### **Procurement**

None.

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## **Appendix 2: Summary of Meetings of the Audit Committee**

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### **28 September 2018**

The Committee considered:

- (i) The Committee considered the appointment of co-opted members and it was agreed the term of the current co-opted members would be extended to 30 April 2023.
- (ii) The Council's external auditor, Mazars presented the Annual Audit letter for 2017/18 to the Committee which included the overall messages from the audit work that they had completed, the challenges and areas of focus for the future and illustrated the fees for the work they had completed.
- (iii) 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 2017.

### **29 November 2018**

- (i) The Committee heard a presentation from the Finance Manager – Commercial, Capital and Treasury which gave details of the introduction of two new accounting standards; IFRS 9 – Financial Instruments and IFRS 16 – Leases and how they could potentially affect the Council's Statement of Accounts.
- (ii) A presentation was given by the Head of Transformation which gave the Committee an overview of the Council's Transformation programme which include a renewed focus on Organisational Development, investment in digital systems and a programme of business processes.
- (iii) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2018/19 audit and updating the Committee on national issues and developments that were worthy of attention.
- (iv) A report of the Corporate Director, Resources regarding changes to the Local Code of Corporate Governance.

- (v) 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 2018. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (vi) 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 July to September 2018 and the assurance on the control environment provided.
- (vii) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing to members the Counter Fraud work completed over the period April to September 2018 in order to protect the public purse.

## **26 February 2019**

The Committee considered:

- (i) A report from the Occupational Health and Safety Manager which provided an update on health, safety and wellbeing performance for the period September to December 2018.
- (ii) A report of the Corporate Director of Resources regarding the changes that have been made nationally to the Code of Practice for Local Authority Accounting in the UK for 2018/19. The changes made to 'the Code' affect the methodology and preparation of the Council's financial statements.
- (iii) A report of the Corporate Director of Resources which presented the Accounting Policies that the Council intends to have in place to prepare the 2018/19 financial statements.
- (iv) A report of the Corporate Director of Resources which detailed the timetable for the preparation of the Council's Final Accounts process for 2018/19 including the key milestones for the completion of the financial statements with the statutory deadline of 31 July 2019 having to be achieved.
- (v) A report of the External Auditor, Mazars presenting the Committee with the Audit Strategy Memorandum for the Council's Accounts for the year ending 31 March 2019. This detailed the auditor's scope, approach, timings and the proposed work to be completed.

- (vi) A report of the External Auditor, Mazars presenting the Committee with the Audit Strategy Memorandum for the Pension Fund's Accounts for the year ending 31 March 2019. This detailed the auditor's scope, approach, timings and the proposed work to be completed.
- (vii) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2018/19 audit and updating the Committee on national issues and developments that were worthy of attention.
- (viii) A report of the Corporate Director of Resources informing the Committee of the key dates for the review of the Council's corporate governance which informs the Annual Governance Statement within the Statement of Accounts for the year ending 31 March 2019.
- (ix) A report of the Corporate Director of 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 October to December 2017. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (x) A report from the Chief Internal Auditor and Corporate Fraud Manager that updated the Committee on a new CIPFA publication that gives enhanced guidance on the role and scope of Audit Committee's in Local Government. The Committee agreed that their Terms of Reference should be updated in line with the guidance and a draft should be brought to their next meeting.
- (xi) A report of the Chief Internal Auditor and Corporate Fraud Manager presenting the emergent Internal Audit Plan for the year 2019/2020 for members comments and input. The report detailed the proposed direction and process for the development of the emergent Internal Audit Plan which would be discussed with Senior Management and brought back for the Committee's formal approval in May 2019.
- (xii) 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 October to December 2018 and the assurance on the control environment provided.

### **31 May 2019**

The Committee considered:

- (i) A report of the Corporate Director of Resources that sought approval of the draft Annual Governance Statement to be published as part of the Council's audited Statement of Accounts 2018/2019.

- (ii) A report of the Chief Internal Auditor and Corporate Fraud Manager which outlined the finalised internal audit plan for the period April 2019 to March 2020. This also included the Internal Audit Strategy and Charter for the coming year. Progress on delivering the plan will be regularly monitored by the Committee.
- (iii) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the committee with a draft revised Terms of Reference for their approval in line with new CIPFA guidance discussed at the February meeting alongside a self-assessment of the Committee's compliance with the guidance which was discussed and agreed.
- (iv) 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 January to March 2019 and the assurance on the control environment provided.

## **28 June 2019**

The Committee considered:

- (i) A report from the Occupational Health and Safety Manager which provided an update on health, safety and wellbeing performance for the period January to March 2019.
- (ii) A report of the Corporate Director of Resources assessing whether the Council can be considered a 'going concern' organisation and if the Council's accounts can be compiled on that basis. The assessment concluded that the County Council has a history of stable finance and ready access to financial resources in the future. It was also felt there are no significant financial, operating or other risks that would jeopardise the County Council's continuing operation and that the accounts could be prepared on this basis.
- (iii) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Committee with a review of the effectiveness of Internal Audit and assurance that it complies with Public Sector Internal Audit Standards (PSIAS). The review was carried out by way of a self-assessment. The review concluded that the service was compliant with the standards.

- (iv) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing to members the Counter Fraud work completed over the period April 2018 to March 2019 to protect the public purse. The Corporate Fraud Team were invited to the meeting to be formally congratulated having won a national award for their work.
- (v) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Annual Internal Audit Report for 2018/2019 that provided a 'moderate' opinion on the adequacy and effectiveness of the Council's control environment for 2018/2019.
- (vi) A report of the of the Chair that provided a response, sent on behalf of the Audit Committee, to a letter from the external auditors, relating to compliance with International Auditing Standards. This was a requirement of the final accounts process, and a response from the Corporate Director, Resources in relation to a similar request from management's perspective was also considered for information.
- (vii) A report of the Corporate Director of Resources which presented the draft un-audited Statement of Accounts for the year ended 31 March 2019. The Corporate Director, Resources confirmed that the draft accounts had been certified and provided to external audit within the statutory deadline of 31 May 2019.

### **31 July 2019**

The Committee considered:

- (i) A report of the Corporate Director of Resources which provided details of the final outturn for both the General Fund and the Housing Revenue Account 2018/2019 including the Annual Treasury Management Review.
- (ii) The Audit Completion Reports of the External Auditor relating to both Durham County Council's 2018/2019 Statement of Accounts and those of the Pension Fund.
- (iii) A report of the Corporate Director of Resources that sought approval of the final Annual Governance Statement to be published as part of the Council's audited Statement of Accounts 2018/2019.
- (iv) A report of the Corporate Director of Resources which presented the Statement of Accounts for the year ended 31 March 2019 for approval.

- (v) A report of the Corporate Director of 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 January to May 2019. Members were informed of new risks, those that had been removed and the status of all current key risks.