

**County Council**

**20 October 2021**

**Report of the Audit Committee for the  
Period September 2020 to August 2021**



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## **Report of Audit Committee**

**Councillor Alex Watson, Chair of the Audit Committee**

**Councillor Louise Fenwick, Vice Chair 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 2020 to August 2021 and set out details of how the Audit Committee continues to oversee good governance across the Council.

### **Executive summary**

- 2 The Audit Committee has made a significant and continuing contribution to the Council's governance, control and risk frameworks during the last twelve-month period by:
  - a) 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;
  - b) Continuing to raise the profile of the Internal Audit, Corporate Fraud and Risk Management Service through regular reports being considered by the Audit Committee;
  - c) Independent questioning and contributing to the development and oversight of the internal audit plan;
  - d) Seeking assurance on the effectiveness of corporate risk management arrangements;
  - e) 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;

- f) Continuing to provide regular challenge and demanding accountability on the effectiveness of the implementation and operation of key systems both financial and non-financial;
  - g) 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;
  - h) 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;
  - i) Championing the work of the Corporate Fraud Team;
  - j) Receiving and commenting on the work of the external auditor, Mazars; and
  - k) Challenging how the Annual Governance Statement has been prepared, reviewing the assurance framework that is in place and that the Council's governance arrangements are effective.
- 3 Appendix 2 to this report sets out details of the meetings held over the last twelve months and an oversight of the matters considered by the Audit Committee in discharging its duties in line with the Councils Constitution.

### **Recommendation(s)**

- 4 Members are recommended to note the report and the work undertaken by the Audit Committee during the period September 2020 to August 2021.

## Background

- 5 The role, membership and terms of reference of the Audit Committee are set out within the Constitution, which is approved by Council.
- 6 Good corporate governance requires independent and effective assurance processes, underpinned by robust risk management arrangements, 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 oversee that these arrangements are in place and operating effectively.
- 7 The specific objectives of the Audit Committee, as 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.
- 8 The membership of the Committee, which was revised to reflect the outcome of the local elections in May 2021, is as follows:

|                   |                      |
|-------------------|----------------------|
| Chairman:         | Cllr Alex Watson     |
| Vice Chairman:    | Cllr Louise Fenwick  |
| Members:          | Cllr Brian Avery     |
|                   | Cllr Andrew Jackson  |
|                   | Cllr Matt Johnson    |
|                   | Cllr Bill Kellett    |
|                   | Cllr Mike McGaun     |
|                   | Cllr Richard Ormerod |
|                   | Cllr Tracie Smith    |
| Co-opted Members: | Mr Clive Robinson    |
|                   | Mr Ian Rudd          |

## Summary of Meetings

- 9 A summary of Committee business considered at the meetings that have been held during the period is provided at Appendix 2.
- 10 The matters considered by the Audit Committee demonstrate that the Committee continues to make a significant and continuing contribution to the Council's governance, control and risk frameworks during the last twelve-month period, fulfilling the following objectives:
  - l) 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;
  - m) Continuing to raise the profile of the Internal Audit, Corporate Fraud and Risk Management Service through regular reports being considered by the Audit Committee;
  - n) Independent questioning and contributing to the development and oversight of the internal audit plan;
  - o) Seeking assurance on the effectiveness of corporate risk management arrangements;
  - p) 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;
  - q) Continuing to provide regular challenge and demanding accountability on the effectiveness of the implementation and operation of key systems both financial and non-financial;
  - r) 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;
  - s) 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;
  - t) Championing the work of the Corporate Fraud Team;
  - u) Receiving and commenting on the work of the external auditor, Mazars; and

- v) Challenging how the Annual Governance Statement has been prepared, reviewing the assurance framework that is in place and that the Council's governance arrangements are effective.

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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 corporate and financial 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 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.

### **Climate Change**

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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### **25 September 2020**

The Committee considered:

- (i) A report from the Occupational Health and Safety Manager which provided the annual report on health, safety and wellbeing (HSW) performance for 2019/20.
- (ii) A report from the Occupational Health and Safety Manager which provided an update on health, safety and wellbeing performance during Quarter 1 of 2020/21.
- (iii) A report from the Corporate Director of Resources which provided the 2019/20 Final Outturn for the General Fund and Collection Fund.
- (iv) A report from the Corporate Director of Resources which provided the Treasury Management Outturn for 2019/20.
- (v) A report of the External Auditor, Mazars presenting the Audit completion report for the Council 2019/20 to the Committee which included the overall messages from the audit work that they had 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 2020. This detailed the auditor's scope, approach, timings and the proposed work to be completed.
- (vii) A report of the External Auditor, Mazars presenting the Audit completion report for the Pension Fund 2019/20 to the Committee which included the overall messages from the audit work that they had completed.
- (viii) 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 2019/20.
- (ix) A report of the Corporate Director of Resources which presented the Statement of Accounts for the year ended 31 March 2020 for approval
- (x) 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 2020. Members were informed of new risks, those that had been removed and the status of all current key risks.



- (xi) A report of the Chief Internal Auditor and Corporate Fraud Manager (Interim) which informed members of work carried out by Internal Audit during April to June 2020 as part of the 2020/21 Internal Audit Plan.
- (xii) A report of the Corporate Director of Resources which provided information on the outcome of the Redmond Review, an independent review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting.

### **26 November 2020**

The Committee considered:

- (i) A presentation from Amy Harhoff who, as the Council's recently appointed Corporate Director, Regeneration, Economy & Growth, provided an overview of her service responsibilities and current priorities.
- (ii) A report from the Occupational Health and Safety Manager which provided an update on health, safety and wellbeing performance during Quarter 2 of 2020/21
- (i) A report of the External Auditor, Mazars, giving the Committee an update on their progress with regards to planning for the 2020/21 audit and updating the Committee on national issues and developments that were worthy of attention.
- (ii) A report of the Corporate Director, Resources regarding changes to the Local Code of Corporate Governance.
- (iii) 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 June to September 2020. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (iv) A report of the Chief Internal Auditor and Corporate Fraud Manager (Interim) detailing to members the Counter Fraud work completed over the period April to September 2020 in order to protect the public purse.
- (v) A report of the Chief Internal Auditor and Corporate Fraud Manager (Interim) which informed members of the work carried out by Internal Audit during the period July to September 2020 and the assurance on the control environment provided.
- (vi) A report of the Chief Internal Auditor and Corporate Fraud Manager (Interim) presenting the six-month Internal Audit Plan for the period 01 October 2020 to 31 March 2021 for Members comments and input.

## **25 February 2021**

The Committee considered:

- (i) A presentation from Alan Patrickson who, as the Council's Corporate Director, Neighbourhoods and Climate Change, provided an overview of his service responsibilities and current priorities.
- (ii) 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 2020.
- (iii) A report of the Corporate Director of Resources (Interim) which presented Changes to the Code of Practice for Local Authority Accounting in the UK
- (iv) A report of the Corporate Director of Resources (Interim) which presented the Accounting Policies that the Council intends to have in place to prepare the 2020/21 financial statements.
- (v) A report of the Corporate Director of Resources (Interim) which detailed the timetable for the preparation of the Council's Final Accounts process for 2020/21 including the key milestones for the completion of the financial statements with the statutory deadline of 30 September 2021, amended from July in light of the coronavirus pandemic, having to be achieved.
- (vi) A report of the External Auditor, Mazars, presenting the Committee with the Annual Audit Letter for year ending 31 March 2020 and summarising the audit of Durham County Council and Durham County Council Pension Fund.
- (vii) 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 2021. This detailed the auditor's scope, approach, timings and the proposed work to be completed.
- (viii) A report of the External Auditor, Mazars, presenting the Committee with the Audit Strategy Memorandum for the Pension Fund for the year ending 31 March 2021.
- (ix) A report of the Corporate Director of Resources (Interim) 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 2021.

- (x) A report of the Corporate Director of Resources (Interim) providing an update on the progress being made in relation to the actions arising from the Council's Annual Governance Statement for the year April 2019 to March 2020.
- (xi) A report of the Corporate Director of Resources (Interim) 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 2020. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (xii) A report of the Corporate Director of Resources (Interim) which contained a revised version of the Risk Management Policy and Strategy.
- (xiii) A report of the Chief Internal Auditor and Corporate Fraud Manager (Interim) which provided details of CIPFA Guidance issued in light of the coronavirus pandemic on the subject of Head of Internal Audit Annual Opinions and actions to be taken in addressing the risk of a limitation of scope of work undertaken.
- (xiv) A report of the Chief Internal Auditor and Corporate Fraud Manager (Interim) which informed members of the work carried out by Internal Audit during the period October to December 2020 and the assurance on the control environment provided.
- (xv) A report of the Chief Internal Auditor and Corporate Fraud Manager (Interim) presenting the emergent Internal Audit Plan for the year 2021/22 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 June 2021.

### **30 June 2021**

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 2021.
- (ii) A report of the Chief Internal Auditor and Corporate Fraud Manager (Interim) which informed members of the work carried out by Internal Audit during the period January to March 2021 and the assurance on the control environment provided.

- (iii) A report of the Corporate Director of Resources (Interim) which provided an overview of CIPFA's Financial Resilience Index and how Durham County Council compares to neighbouring authorities and other unitary authorities. This identified no areas of major concern with the Council scoring well against all measures.
- (iv) A report of the Corporate Director of Resources (Interim) which provided information about the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The Code also sets for the first time, the standards of financial management for local authorities.
- (v) A report of the Corporate Director of Resources (Interim) 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 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 Council's continuing operation and that the accounts could be prepared on this basis.
- (vi) A report of the Chief Internal Auditor and Corporate Fraud Manager (Interim) 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.
- (vii) A report of the Chief Internal Auditor and Corporate Fraud Manager (Interim) detailing to Members, the Counter Fraud work completed over the period April 2020 to March 2021 to protect the public purse.
- (viii) A report of the Chief Internal Auditor and Corporate Fraud Manager (Interim) which presented the Annual Internal Audit Report for 2020/21 that provided a 'moderate' opinion on the adequacy and effectiveness of the Council's control environment for 2020/21.
- (ix) A report of the Chair that provided a response 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.
- (x) A report of the Corporate Director of Resources (Interim) that sought approval of the draft Annual Governance Statement to be published as part of the Council's audited Statement of Accounts 2020/21.

- (xi) A report of the Corporate Director of Resources (Interim) which presented the draft un-audited Statement of Accounts for the year ended 31 March 2021. The Corporate Director, Resources (Interim) confirmed that the draft accounts had been certified and provided to external audit within the statutory deadline which due to the impact of Covid-19 on local authorities had been extended from 31 May to 31 July 2021. The report identified that the deadline for publication of its final (audited) accounts had also moved from 31 July to 30 September 2021.
- (xii) A report of the Chief Internal Auditor and Corporate Fraud Manager (Interim) which set out the Internal Audit Strategy, Charter and Internal Audit plan for 2021/22. Progress on delivering the plan will be regularly monitored by the Committee.

### **30 July 2021**

The Committee considered:

- (i) A report from the Corporate Director of Resources (Interim) which provided the 2020/21 Final Outturn for the General Fund and Collection Fund.
- (ii) A report of the Corporate Director of Resources (Interim) 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 2021. Members were informed of new risks, those that had been removed and the status of all current key risks.

In addition, and as part of the Council's member development programme, the Committee received corporate governance and risk management training to help support them in effectively undertaking their roles.