

County Council

23 July 2014



Audit Committee Progress Report for the period October 2013 to May 2014

Councillor Edward Bell, Chairman of the Audit Committee

Purpose of the Report

1. To inform the Council of the work of the Audit Committee during the period October 2013 to May 2014 and how the Committee continues to provide for good governance across the Council.

Background

2. The role, membership and terms of reference of the Audit Committee are set out within the Constitution and approved by Council.
3. 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.
4. 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.
5. The membership of the Committee remained static during the period October 2013 to May 2014 and was as follows:

Chairman:	Cllr Edward Bell
Vice Chairman:	Cllr James Rowlandson
Members	Cllr Lawson Armstrong Cllr Colin Carr Cllr Sonia Forster Cllr Jed Hillary Cllr Tracie Smith Cllr Watts Stelling Cllr Owen Temple
Co-opted:	Ms Katherine Larkin-Bramley Mr Thomas Hoban

Summary of meetings

6. A summary of Committee business considered at the meetings held during the period is provided at Appendix 2.

How the Audit Committee has made a difference during the period October 2013 to May 2014.

7. The Committee believe they have made a significant difference to the Council's governance, control and risk framework during the period October 2013 to May 2014 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 any 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 and Risk Management Service through the Service's reports to Audit Committee.
 - Independent questioning and contributing to the development and control of internal audit plans.
 - Seeking assurance on 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 improvement in controls to manage risks effectively.
 - Continuing to provide regular challenge and demanding accountability on the effectiveness of the implementation and operation of key financial systems
 - Challenging the level of internal audit resources and their work to ensure that the service is effective and a reliable assurance opinion on the Council's controls framework is provided.
 - Challenging how the Council responds to the risk of fraud and the receiving information on the levels of detection of fraud and the Council's response.

- Reviewing the Council's Accounting policies, receiving updates on changes to the Code of Practice, considering the Council's Going Concern Status and commenting on the timetable for completing the Council's financial statements
- Receiving and commenting on the work of the External Auditor, Mazars.
- Reviewing and approving an update to the Council's Counter Fraud and Corruption Strategy and the Confidential Reporting Code (Whistleblowing).

Recommendations and reasons

8. Members note the report and the work undertaken by the Audit Committee during the period October 2013 to May 2014.

**Contact: Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager,
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Appendix 1: Implications

Finance - There are no direct financial implications arising for the Council as a result of this report.

Staffing - None.

Risk – Not a key decision

Equality and Diversity/ Public Sector Equality Duty - None

Accommodation - None

Crime and disorder - The Audit Committee provide independent assurance that the Council's arrangements to combat the risk of loss through fraud are effective and all reported potential fraudulent acts are appropriately investigated and reported to the police where it is appropriate to do so.

Human rights - None

Consultation - None

Procurement – None.

Disability issues – None.

Legal Implications – None.

Summary of Meetings of the Audit Committee

28 November 2013

The Committee considered:

- (i) A presentation from the Head of Planning and Performance giving the Committee an outline of the Council's Performance Management Framework.
- (ii) A report of the Corporate Director of Resources regarding changes to the Council's 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 July to September 2013. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (iv) A report of the External Auditor, Mazars detailing their findings from the 2012/13 audit the financial statements of both the County Council and the Pension Fund. It was encouraging to note following the audit both sets of financial statements were given unqualified opinions and concluded that the Council had proper arrangements to ensure economy, efficiency and effectiveness in the use of its resources.
- (v) A report of the Manager of Internal Audit and Risk which informed members of the work carried out by Internal Audit during the period July to September 2013 and the assurance on the control environment provided.
- (vi) A Fraud and Irregularity Update Report of the Manager of Internal Audit and Risk. This provided information on the effectiveness of the Council's Counter Fraud and Corruption Strategy. This included an update on fraud preventative work, detective work and investigations of potential cases.
- (vii) A report of the Manager of Internal Audit and Risk detailing an audit of the Council's Grant Protocol and Grants receivable for the Committee to gain assurance on the effectiveness of grant arrangements in place, and where improvements have been identified to note the action agreed by management

28 February 2014

The Committee considered:

- (i) A presentation from the Head of Corporate Finance outlining the Council's Financial Procedure Rules and Corporate Procurement Rules to improve the Committee's knowledge and understanding.

- (ii) A report of the Corporate Director, Resources which presented the Accounting Policies the Council intends to have in place to prepare the 2013/14 financial statements.
- (iii) A report of the Corporate Director, Resources which detailed the timetable for the preparation of the Council's Final Accounts process for 2013/14 including the key milestones for the completion of the financial statements.
- (iv) A report of the Corporate Director, Resources regarding the changes that have been made nationally to the Code of Practice for Local Authority Accounting in the UK for 2013/14. The changes made to 'the Code' affect the methodology and preparation of the Council's financial statements.
- (v) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2013/14 audit and updating the Committee on national issues and developments that were worthy of attention.
- (vi) A report of the External Auditor, Mazars presenting their findings from their work on grant certification. This included Housing and Council Tax Benefit Subsidy, Housing Capital Receipts, National Non-Domestic Rates and Teachers Pensions.
- (vii) 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 October to December 2013. Members were informed of new risks, those that had been removed and the status of all current key risks
- (viii) A report of the Chief Internal Auditor and Corporate Fraud Manager presenting an updated Internal Audit Charter. The Internal Audit Charter has been amended to ensure it is compliant with the new Public Sector Internal Audit Standards (PSIAS) that came into effect on 1 April 2013.
- (ix) 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 2013 and the assurance on the control environment provided.
- (x) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing the outcomes of an audit on the disposal of assets. This was completed at the Committee's request following a report that had been presented in June 2013 where some control weaknesses had been found. The report detailed the improvements that had been made and that Internal Audit would conduct another piece of work in 2014/15 to ensure these new processes were fully embedded.

20 May 2014

The Committee considered:

- (i) A report of the Corporate Director of Resources detailing an update to the Council's Counter Fraud and Corruption Strategy. The Strategy had been reviewed to ensure its compliance with best practice and made the relevant links to any other updated corporate policies.
- (ii) A report of the Corporate Director of Resources detailing an update to the Council's Confidential Reporting Code (Whistleblowing). Again the code had been reviewed to ensure compliance with best practice and linked to all the Council's corporate policies. In addition a new incident reporting form has been developed so that anyone who has need to use the policy can report any areas of concern.
- (iii) A report of the External Auditor, Mazars detailing their Audit Plan notifying the Committee of the work that they are proposing to undertake in respect of the audit of the financial statements and value for money conclusion for the financial year 2013/14 for the Council.
- (iv) A report of the External Auditor, Mazars detailing their Audit Plan notifying the Committee of the work that they are proposing to undertake in respect of the audit of the financial statements and value for money conclusion for the financial year 2013/14 for the Pension Fund.
- (v) 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.
- (vi) 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 January to March 2014. Members were informed of new risks, those that had been removed and the status of all current key risks
- (vii) 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 2014 and the assurance on the control environment provided.
- (viii) A report of the External Auditor, Mazars presenting the results of the Audit Commissions 'Protecting the Public Purse' report and illustrating Durham County Council's position compared to other County Councils in detecting and recovering losses from fraud. The report provoked some good discussion and reassurance was given by the Chief Internal Auditor and Corporate Fraud Manager that the areas highlighted in the report are now being investigated by the Council's Corporate Fraud Team over the next 12 months.