

County Council

1 April 2015



Report of the Audit Committee for the Period June 2014 to November 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 June 2014 to November 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 June 2014 to November 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 Kathryn 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 June 2014 to November 2014.

7. The Committee believe they have made a significant difference to the Council's governance, control and risk framework during the period June 2014 to November 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.
- 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's corporate governance arrangements are effective.

Recommendations and reasons

8. Members note the report and the work undertaken by the Audit Committee during the period June 2014 to November 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

26 June 2014

The Committee considered:

- (i) A report of the Chief Internal Auditor and Corporate Fraud Manager regarding the outcomes of the annual review of Internal Audit. This annual review is a statutory requirement and is important as it provides assurance on the reliability of the annual audit opinion on the Council's control environment. In consideration of all the evidence presented, the Committee was able to conclude that the internal audit service was effective during 2013/2014.
- (ii) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Annual Internal Audit Report for 2013/2014 that provided a 'moderate' opinion on the adequacy and effectiveness of the Council's control environment for 2013/2014. The Committee was informed that this was a similar opinion to that in 2012/2013 however acknowledged that improvements had been made during the year and others agreed but were yet to be implemented.
- (iii) A report of the Corporate Director, Resources which presented the draft Annual Governance Statement for approval. The Committee were happy to approve the statement subject to some minor amendments to the wording in certain areas, prior to it being reported to Full Council for information in July.
- (iv) 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.
- (v) The Bi-Annual Report of the Audit Committee which covered the period November 2013 to May 2014 and would be presented to the County Council at its next meeting in accordance with best practice guidelines.
- (vi) A report of the Chief Internal Auditor and Corporate Fraud Manager which outlined the proposed programme of work to be carried out by Internal Audit in the period July 2013 to March 2014. This nine month period realigned the audit plan alongside the Council's financial year. The report also included a revised Audit Strategy and Audit Charter to reflect the change in Audit Year and service improvements to be put in place from 1 July 2014. Progress on delivering the plan will be regularly monitored by the Committee.
- (vii) A report of the Chief Internal Auditor and Corporate Fraud Manager that presented a forward plan of Audit Committee business for the next 12 months.

- (viii) The Head of Commissioning (Children and Adult Services) provided an update on the social care and direct payments arrangements currently being put in place and the improvements that have been made in response to Internal Audit findings. The Committee requested that Internal Audit carry out a further piece of assurance work in the immediate future and that the Committee receive a further update upon completion of this work.
- (ix) The 2013/2014 Annual Fraud and Irregularity Report of the Chief Internal Auditor and Corporate Fraud Manager. This provided the Committee with information on the effectiveness of the Council's Counter Fraud and Corruption Strategy. This included an update on fraud preventative work and investigations of cases.

24 July 2014

The Committee considered:

- (i) A presentation from the Assistant Finance Manager, Corporate Finance at the request of the Committee to give an understanding of the nature and value of assets held within the Council's Fixed Asset Register at the end of March 2014. The presentation also covered the importance of managing the Council's assets effectively and the impact this has on the Council's Statement of Accounts.
- (ii) A report of the Corporate Director, Resources which provided details of the final outturn for both the General Fund and the Housing Revenue Account 2013/2014 including the Annual Treasury Management Review.
- (iii) A report of the Corporate Director, Resources which presented the draft un-audited Statement of Accounts for the year ended 31 March 2014. The Corporate Director, Resources confirmed that the draft accounts had been certified and provided to external audit within the statutory deadline of 30 June 2014.
- (iv) 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 April to June 2014. The Committee was informed of the new risks, those that had been removed and the status of current key risks to gain assurance that strategic risks were being effectively managed.
- (v) A presentation by the Chief Internal Auditor and Corporate Fraud Manager detailing the work that has been completed in terms of proactive fraud work following the transfer of fraud staff from Revenues and Benefits into Internal Audit in December 2013. This showed the progress that has been made in progressing Corporate Fraud work and the work that is planned to be

completed. The presentation also covered how the team complete its work and the techniques that are used in identifying potential fraud and irregularity.

30 September 2014

The Committee considered:

- (i) 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 2013/2014.
- (ii) A report of the Corporate Director of Resources which presented the Statement of Accounts for the year ended 31 March 2014 for approval. The overall improvements that continue to be made in the preparation of the accounts and the reporting process was acknowledged by the Committee who thanked all those involved.
- (iii) The Audit Completion Reports of the External Auditor relating to both Durham County Council's 2013/2014 Statement of Accounts and those of the Pension Fund. The Committee were pleased to note the comments of the External Auditor in relation to the audit process and the significant improvement that have been made over the year.
- (iv) 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 2014. The report also provided an update on progress made by management on the implementation of recommendations required to address audit findings. The Committee were pleased to note the continued improvement made in terms of the implementation of recommendations and agreed to continue to monitor this closely.

27 November 2014

The Committee considered:

- (i) A presentation by the Audit Manager, Principal Auditor (IT) and Trainee IT Auditor on the work completed as part of the Internal Audit Plan that covers the Council's ICT arrangements. [They explained the work they carry out covers the integrity and security of the Council's electronic data.](#) They ensure that IT systems operate efficiently, effectively and economically and that they assist in the achievement of the organisations goals and objectives.
- (ii) A report of the Corporate Director, Resources regarding changes to the Local Code of Corporate Governance.
- (iii) A report of the Corporate Director, Resource 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 2014. 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 2013/2014 audit of 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 Chief Internal Auditor and Corporate Fraud Manager which informed members of the work completed by Internal Audit during the period July to September 2014 and assurance on the control environment provided.
- (vi) A Protecting the Public Purse update report of the Chief Internal Auditor and Corporate Fraud Manager. This provided information on the effectiveness of the Council's Counter Fraud and Corruption Strategy. This included an update on fraud prevention work and investigations of potential cases.