

Durham County Council Audit Progress Report

July 2015

Contents

- 01 Introduction 2
- 02 2014/15 audit progress 3
- 03 National publications and other updates 4
- 04 Contact details 6

Our reports are prepared in the context of the Audit Commission's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Members or employees of Durham County Council are prepared for the sole use of the Council. We take no responsibility to any Member or employee in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

01 Introduction

The purpose of this report is to update the Audit Committee of Durham County Council (the Council) on progress in delivering our responsibilities as your external auditors.

We have also highlighted key emerging national issues and developments which may be of interest to Committee Members.

If you require any additional information, please contact us using the contact details at the end of this update.

02 2014/15 audit progress

2014/15 audit

Since our last Audit Progress Report, in June 2015, we have now commenced our work on the audit of the statement of accounts for both Durham County Council (the Council) and Durham County Council Pension Fund (the pension fund) and on the Value for Money conclusion for the Council.

The results of this work will be included in our Audit Completion reports which will be presented to the Audit Committee on 30 September 2015.

We expect to complete our audit work and deliver our opinions by the deadline of 30 September 2015.

Significant risk issues update - Durham County Council Pension Fund

We note here an update to the significant risks reported in the Audit Strategy Memorandum for the pension fund which was presented to audit committee in May and to pension fund committee in June.

Oracle Upgrade

Description of the risk

In July 2014 the Council upgraded the Oracle suite of programs to version R12.1.3. This is a significant upgrade to the General Ledger (and associated modules) during the year with a resulting risk of errors arising during the data conversion process.

How we will address this risk

We will assess the process and controls over the data conversion. In addition, we will undertake a range of substantive procedures including:

- carrying out an IT risk assessment;
- assessing management's own controls over the conversion process; and
- considering what additional procedures are necessary as a result of the above to ensure that balances have been correctly migrated to the new system.

This risk was mentioned in the Council report also applied to the pension fund and as such should also be included in the pension fund report as a significant risk.

The work has now been completed and, as reported to audit committee, there are no issues to report to members on this work.

03 National publications and other updates

This section contains updates on the following:

1. **Consultation on regulation of auditors, Financial Reporting Council, May 2015**
2. **Public Sector Audit Appointments 2014/15 - Mazars Annual Regulatory Compliance and Quality Report, June 2015**

1. Consultation on regulation of auditors, Financial Reporting Council, May 2015

In July 2014, the Financial Reporting Council (FRC) issued a consultation document seeking views on the way in which it should give effect to three specific responsibilities delegated to it under the Local Audit and Accountability Act 2014 i.e.:

- guidance on the recognition of individuals as key audit partners;
- regulations for the keeping of the Register of Local Auditors;
- regulations for local audit firms on the requirement to publish transparency reports.

The FRC has now published a feedback statement to this consultation together with the Guidance and Regulations as per the link below.

<https://www.frc.org.uk/News-and-Events/FRC-Press/Press/2015/May/FRC-publishes-feedback-statement-on-the-Regulation.aspx>

The areas consulted on included:

- transparency report requirements;
- register of local auditor requirements; and
- approval of engagement leads for local audits.

2. Public Sector Audit Appointments 2014/15 Mazars Annual Regulatory Compliance and Quality Report, June 2015

Public Sector Audit Appointments Limited (PSAA) monitors the performance of all its audit firms. The results of their monitoring provide audited bodies and other stakeholders with assurance that auditors within their regime are delivering high-quality audits.

There are two strands to the monitoring:

- audit quality- applying annual quality review programme (QRP) to the audit work undertaken for the year ending 2013/14; and
- regulatory compliance- reporting quarterly on audit firms' compliance with the 2014/15 regulatory requirements as set out in the Terms of Appointment

Extract from 2014/15 Annual Regulatory Compliance and Quality Report below

Overall Mazars performance

The firm is meeting our standards for overall audit quality and our regulatory compliance requirements. We calculated the red, amber, green (RAG) indicator for overall audit quality and regulatory compliance using the principles detailed in Appendices 1 and 2. For 2014/15, Mazars combined audit quality and regulatory compliance rating was green.

Figure 1: 2015 Comparative performance for audit quality and regulatory compliance



The full report can be viewed at: <http://www.psa.co.uk/audit-quality/principal-audits/mazars-audit-quality/>

04 Contact details

Please let us know if you would like further information on any items in this report.

www.mazars.co.uk

Cameron Waddell
Director
0191 383 6414

catherine.banks@mazars.co.uk

Catherine Banks
Senior Manager
0191 383 6410

catherine.banks@mazars.co.uk