

County Council

9 December 2015



**Report of the Audit Committee for the
Period February 2015 to September
2015**

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 February 2015 to September 2015 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 changed in June 2015 and is currently as follows:

Chairman: Cllr Edward Bell

Vice Chairman: Cllr James Rowlandson

Members	Cllr Lawson Armstrong Cllr Colin Carr Cllr Joanne Carr Cllr Mark Davinson Cllr John Robinson Cllr Watts Stelling Cllr Owen Temple
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Co-opted:	Ms Kathryn Larkin-Bramley Mr Thomas Hoban
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6. The committee passes on its thanks to Cllr Jed Hillary, Cllr Sonia Forster and Cllr Tracie Smith for all of their work and contribution to the committee.

Summary of meetings

7. 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 February 2015 to September 2015.

8. The Committee believe they have made a significant difference to the Council's governance, control and risk framework during the period February 2015 to September 2015 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

9. Members note the report and the work undertaken by the Audit Committee during the period February 2015 to September 2015.

**Contact: Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager,
Tel 03000 269645**

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 February 2015

The Committee considered:

- (i) A report of the Corporate Director, Resources which presented the Accounting Policies the Council intends to have in place to prepare the 2014/15 financial statements.
- (ii) A report of the Corporate Director, Resources which detailed the timetable for the preparation of the Council's Final Accounts process for 2014/15 including the key milestones for the completion of the financial statements.
- (iii) 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 2014/15. The changes made to 'the Code' affect the methodology and preparation of the Council's financial statements.
- (iv) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2014/15 audit and updating the Committee on national issues and developments that were worthy of attention.
- (v) 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, Decent Homes Backlog Programme Funding and European Regional Development Funding (ERDF) for the NETPark Connector Project.
- (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 October to December 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 presenting the emergent Internal Audit Plan for the year 2015/2016 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 2015.

- (viii) 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 2014 and the assurance on the control environment provided.
- (ix) A report from the Head of Commissioning, Children and Adult Services to update the Committee on the progress made in relation to the direct payments process following a further Internal Audit review of the Direct Payments Service, carried out in October 2014.

19 May 2015

- (i) 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 2014/15 for the Council.
- (ii) 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 2014/15 for the Pension Fund.
- (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 January to March 2015. 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 which informed members of the work carried out by Internal Audit during the period January to March 2015 and the assurance on the control environment provided.

29 June 2015

- (i) A report of the Corporate Director, Resources which considered the 'going concern' status of the Council and that the draft Annual Accounts would be prepared on this basis.
- (ii) 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). This review also provided the committee with an action plan for further improvements over the coming 12 months.

- (iii) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Annual Internal Audit Report for 2014/2015 that provided a 'moderate' opinion on the adequacy and effectiveness of the Council's control environment for 2014/2015. The Committee was informed that this was a similar opinion to that in 2013/2014 however acknowledged that improvements had been made during the year and others agreed but were yet to be implemented.
- (iv) A report of the Corporate Director, Resources which presented the draft Annual Governance Statement for approval. The Committee were happy to approve the statement for inclusion in the draft statement of accounts.
- (v) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2014/15 audit and updating the Committee on national issues and developments that were worthy of attention.
- (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 Chief Internal Auditor and Corporate Fraud Manager which outlined the finalised internal audit plan for the period April 2015 to March 2016. 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.
- (viii) The 2014/2015 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.
- (ix) A report of the Corporate Director of Resources detailing an update to the Council's Confidential Reporting Code (Whistleblowing). The code had been reviewed to ensure compliance with best practice and updated legislation.

27 July 2015

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 accounting changes required with regard to transport infrastructure assets. The presentation also covered the importance of managing this 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 2014/2015 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 2015. The Corporate Director, Resources confirmed that the draft accounts had been certified and provided to external audit within the statutory deadline of 30 June 2015.
- (iv) A report of the External Auditor, Mazars giving the Committee an update on their progress with commencing the 2014/15 audit and updating the Committee on national issues and developments that were worthy of attention.
- (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 April to June 2015. 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.

30 September 2015

The Committee considered:

- (i) A presentation by the Strategic Finance Manager giving an overview of the Durham Pension Fund including the Legal Framework, the Local Government Pension Scheme and how the Pension Fund manages its' investments.
- (ii) A report of the Head of Planning and Performance, Children and Adult Services detailing the process that was followed in completing the Local Test of Assurance. This assurance is provided where the Director of Children Services also completes other roles, in Durham this post also covers Adult Services. Guidance states that Local Authorities like Durham should undertake a Local Test of Assurance to ensure that the focus on outcomes for children and young people will not be weakened or diluted as a result of adding other responsibilities.

- (iii) The Audit Completion Reports of the External Auditor relating to both Durham County Council's 2014/2015 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) 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 2014/2015.
- (v) A report of the Corporate Director of Resources which presented the Statement of Accounts for the year ended 31 March 2015 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.
- (vi) 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 2015. 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.