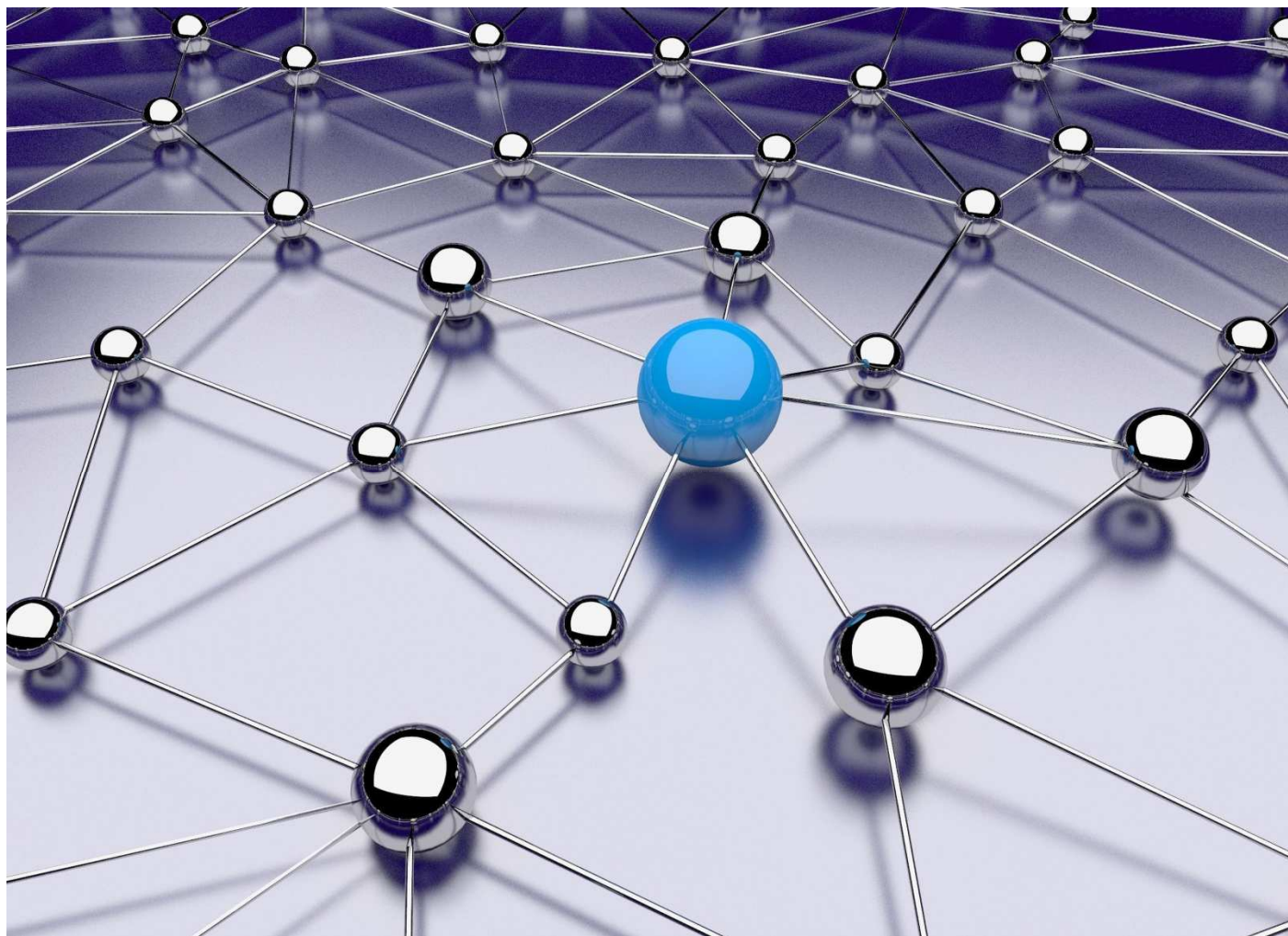


Durham County Council

Audit Progress Report

July 2016



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Our reports are prepared in the context of the Public Sector Audit Appointment Limited’s ‘Statement of responsibilities of auditors and audited bodies’. Reports and letters prepared by appointed auditors and addressed to Durham County Council, its Members, Directors or officers are prepared for the sole use of the audited body and we take no responsibility to any Member, Director or officer in their individual capacity or to any third party.

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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.

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

02 2015/16 audit

2015/16 planning

We presented our Audit Strategy Memorandum at the May 2016 Audit Committee. This document sets out the risks we have identified for both the opinion on the financial statements and the value for money conclusion, and our overall approach to the audit. No changes, either to the risks or our audit approach, have been identified since we issued this document.

Final Fieldwork

We have commenced our final fieldwork including work on the following areas:

- Income and expenditure testing
- Debtors and creditors testing (notes 18 and 21)
- Property, Plant and equipment (note 12)
- Members expenses, officers' remuneration (notes 33 and 34).

The culmination of this work will be our Audit Completion Report which we will present to members in September 2016.

Internal Control Recommendations

The purpose of our audit is to express an opinion on the financial statements. We consider the internal controls in place relevant to the preparation of the financial statements. We design audit procedures to reach our opinion rather than conclude on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

During our consideration of the IT control environment we identified some control recommendations that we consider to be of sufficient importance to merit being reported to those charged with governance. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our recommendations are rated to reflect the importance that we consider they pose to the Council. Our rating scale is as follows.

Rating	Description
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.

All recommendations are considered to be considered level 3 (low).

Change Management

Potential effects

We reviewed a number of system changes implemented during the financial year 2015/16. Whilst we confirmed that changes had been implemented following the appropriate procedures, there was no record maintained of who had signed off the final "go live" approval, or when this was actually signed off. The potential effect of this is that changes are not subject to appropriate "go live" approval prior to being implemented.

Recommendation

Sign off of final go live approval should be formally recorded.

Management response

Officers have accepted this is a weakness and have identified mitigating actions. In particular the Sharepoint will be used to document future change management sign offs.

Overall our work concluded that reliance can be placed on the IT General Controls operating over the systems identified as material for the 2015/16 financial audit and the underlying infrastructure. The above are not considered to be of sufficient significance to have an impact on the financial accounts.

03 Contact details

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

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