

County Council

7 December 2016



**Report of the Audit Committee for the
Period November 2015 to November
2016**

**Councillor Edward Bell, Chairman of the Audit Committee
Councillor James Rowlandson, Vice Chairman of the Audit
Committee**

Purpose of the Report

1. To inform the Council of the work of the Audit Committee during the period November 2015 to November 2016 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 May 2016 as the two co-opted member's terms of office had expired, as a result an external advertisement for new members led to an interview process where the calibre of applicant was excellent. Two new co-opted members were appointed and the membership 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

Co-opted: Mr David Beavis
Mr Clive Robinson

6. The committee passed on its thanks to Ms Kathryn Larkin-Bramley and Mr Thomas Hoban for all of their work and contribution to the committee as co-opted members over the past nine years.

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 November 2016 to November 2016.

8. The Committee believe they have made a significant difference to the Council's governance, control and risk framework during the period 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 November 2015 to November 2016.

**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

30 November 2015

The Committee considered:

- (i) A presentation from the Head of Technical Services (Neighbourhoods) on the implications Whole of Government Accounts would have on Technical Services to produce an annual valuation of the Council's Highways Assets.
- (ii) The Council's external auditor, Mazars presented the Annual Audit letter for 2014/15 to the Committee which included the overall messages from the audit work that they had completed, the challenges and areas of focus for the future and illustrated the fees for the work they had completed.
- (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 2015. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (iv) A report from the Technical Services Manager, ICT updating the Committee of an audit that was completed by the Council's external auditor, Mazars. The report set out the areas covered, the process that was followed and the recommendations that were made. The Committee were further given the assurance that the recommendations made would be implemented.
- (v) A report of the Corporate Director, Resources informing the Committee of consultation from Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) on their revised framework for delivering good governance in local government. The report also provided for information the Council's proposed response to the consultation.
- (vi) 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 July to September 2015 and the assurance on the control environment provided.
- (vii) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing to members the Counter Fraud work completed over the period April to September 2015 in order to protect the public purse.

29 February 2016

The Committee considered:

- (i) A report of the Corporate Director, Resources which informed the Committee of the expiry of the appointments of its two co-opted members following nine years of service. The Committee recorded its thanks to the outgoing members for their service and contribution and were also informed of the process for appointing two new co-opted members.
- (ii) A report of the Corporate Director, Resources which presented the Accounting Policies the Council intends to have in place to prepare the 2015/16 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 2015/16 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 2015/16. 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 2015/16 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 and Teacher's Pension Return.
- (vii) A report of the Corporate Director, Resources regarding changes to the Local Code of Corporate Governance.
- (viii) A report of the Chief Internal Auditor and Corporate Fraud Manager 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.

- (ix) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing an update to the Council's Anti-Money Laundering Policy. The Policy had been reviewed to ensure its compliance with the law and best practice.
- (x) A report of the Chief Internal Auditor and Corporate Fraud Manager presenting the emergent Internal Audit Plan for the year 2016/2017 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 May 2016.
- (xi) 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 2015. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (xii) 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 2015 and the assurance on the control environment provided.

17 May 2016

The Committee considered:

- (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 2015/16 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 2015/16 for the Pension Fund.
- (iii) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2015/16 audit and updating the Committee on national issues and developments that were worthy of attention.
- (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 October to December 2015. Members were informed of new risks, those that had been removed and the status of all current key risks.

- (v) A report of the Chief Internal Auditor and Corporate Fraud Manager which outlined the finalised internal audit plan for the period April 2016 to March 2017. 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.
- (vi) 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 2016 and the assurance on the control environment provided.

30 June 2016

The Committee considered:

- (i) A report of the Interim 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.
- (ii) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Annual Internal Audit Report for 2015/2016 that provided a 'moderate' opinion on the adequacy and effectiveness of the Council's control environment for 2015/2016.
- (iii) A report of the Interim Corporate Director of Resources that sought approval of the draft Annual Governance Statement to be published as part of the Council's audited Statement of Accounts 2015/2016.
- (iv) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2015/16 audit and updating the Committee on national issues and developments that were worthy of attention.
- (v) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing to members the Counter Fraud work completed over the period October 2015 to March 2016 in order to protect the public purse.

29 July 2016

The Committee considered:

- (i) A report of the Interim Corporate Director, Resources which provided details of the final outturn for both the General Fund and the Housing Revenue Account 2015/2016 including the Annual Treasury Management Review.
- (ii) A report of the Interim Corporate Director, Resources which presented the draft un-audited Statement of Accounts for the year ended 31 March 2016. The Corporate Director, Resources confirmed that the draft accounts had been certified and provided to external audit within the statutory deadline of 30 June 2016.
- (iii) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2015/16 audit and updating the Committee on national issues and developments that were worthy of attention.
- (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.
- (vi) A report of the Interim 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 2016. 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 presented the Committee with a review of the effectiveness of Internal Audit and assurance that it complies with Public Sector Internal Audit Standards (PSIAS). The review was carried out by way of a peer review by Newcastle City Council as it is a requirement that the Internal Audit service is externally assessed once every five years. The review concluded that the service was compliant with the standards and raised a small number of recommendations for future improvement which were welcomed.

30 September 2016

The Committee considered:

- (i) The Audit Completion Reports of the External Auditor relating to both Durham County Council's 2015/2016 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.

- (ii) A report of the Interim 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 2015/2016.
- (iii) 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.
- (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 2016. The report also provided an update on progress made by management on the implementation of recommendations required to address audit findings. The Committee also discussed the lessons learned from the Council report presented in July surrounding the outcomes of the Employment Tribunal review.

28 November 2016

The Committee considered:

- (i) A presentation by the Head of ICT and Chief Internal Auditor and Corporate Fraud Manager detailing the risk of Cyber Security, what the Council is doing to protect itself and how the role of Internal Audit gives assurance to the Audit Committee.
- (ii) The Council's external auditor, Mazars presented the Annual Audit letter for 2015/16 to the Committee which included the overall messages from the audit work that they had completed, the challenges and areas of focus for the future and illustrated the fees for the work they had completed.
- (iii) A report of the External Auditor, Mazars giving the Committee an update on their progress and updating the Committee on national issues and developments that were worthy of attention.
- (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 July to September 2016. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (v) A report of the Corporate Director, Resources regarding changes to the Local Code of Corporate Governance.
- (vi) 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 July to September 2016 and the assurance on the control environment provided.

- (vii) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing to members the Counter Fraud work completed over the period April to September 2016 in order to protect the public purse.