

## **Audit Committee**

**31 July 2018**

## **Report to Council on the Work of the Audit Committee**



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## **Report of Councillor Edward Bell, Chairman of the Audit Committee**

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### **Purpose of the Report**

1. The purpose of this report is to present the proposed report summarising the work of the Audit Committee, during the period September 2017 to August 2018, to be presented to Council at its meeting on the 19 September 2018.

### **Recommendations and reasons**

2. Members are asked to approve the report attached at Appendix 2.

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**Contact: Paul Bradley      Tel: 03000 269645**

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## **Appendix 1: Implications**

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**Finance -**

None

**Staffing -**

None

**Risk -**

None

**Equality and Diversity / Public Sector Equality Duty -**

None

**Accommodation -**

None

**Crime and Disorder -**

None

**Human Rights -**

None

**Consultation -**

None

**Procurement -**

None

**Disability Issues -**

None

**Legal Implications -**

None

## Appendix 2

County Council

19 September 2018



### Report of the Audit Committee for the Period September 2017 to August 2018

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

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#### Purpose of the Report

1. To inform the Council of the work of the Audit Committee during the period September 2017 to August 2018 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 is currently as follows:

Chairman:	Cllr Edward Bell
Vice Chairman:	Cllr James Rowlandson
Members	Cllr Colin Carr Cllr Joanne Carr Cllr June Clark Cllr John Robinson Cllr Stephen Robinson Cllr John Shuttleworth Cllr Owen Temple
Co-opted:	Mr Ian Rudd Mr Clive Robinson

### **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 September 2017 to August 2018.**

7. 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.
- Championing the work of the Council's Corporate Fraud Team.
- 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 September 2017 to August 2018.

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

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## **Appendix 1: Implications**

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**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

### 29 September 2017

The Committee considered:

- (i) The Audit Completion Reports of the External Auditor relating to both Durham County Council's 2016/2017 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.
- (ii) 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 2016/2017.
- (iii) A report of the Corporate Director of Resources which presented the Statement of Accounts for the year ended 31 March 2017 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) A report of the External Auditor, Mazars giving the Committee an update on national issues and developments that were worthy of attention.
- (v) 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 2017.

### 30 November 2017

- (i) A presentation from the Strategic ICT Manager (Applications and Infrastructure) detailing the Council's controls and risks relating to Cyber Security.
- (ii) The Council's external auditor, Mazars presented the Annual Audit letter for 2016/17 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 with regards to planning for the 2017/18 audit and updating the Committee on national issues and developments that were worthy of attention.
- (iv) A report of the Corporate Director, Resources regarding changes to the Local Code of Corporate Governance.

- (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 July to September 2017. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (vi) A report from the Corporate Director of Resources with regard to a review of the Strategic Risk Management process to ensure it is still fit for purpose. The Committee agreed to receive three full reviews during the year with an additional meeting with the Chair and Vice-Chair to discuss emerging risk issues.
- (vii) 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 2017 and the assurance on the control environment provided.
- (viii) 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 2017 in order to protect the public purse.

### **13 March 2018**

The Committee considered:

- (i) A presentation from the Council's Principal Information Management Officer about the upcoming General Data Protection Regulations (GDPR) and the work completed to date to ensure the Council's readiness for the new legislation.
- (ii) A report of the Corporate Director of Resources which presented the Accounting Policies that the Council intends to have in place to prepare the 2017/18 financial statements.
- (iii) A report of the Corporate Director of Resources which detailed the timetable for the preparation of the Council's Final Accounts process for 2017/18 including the key milestones for the completion of the financial statements with the new statutory deadline of 31 July 2018 having to be achieved.
- (iv) A report of the Corporate Director of Resources regarding the changes that have been made nationally to the Code of Practice for Local Authority Accounting in the UK for 2017/18. 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 presenting the Committee with the Audit Strategy Memorandum for the Council's Accounts for the year ending 31 March 2018. This detailed the auditor's scope, approach, timings and the proposed work to be completed.

- (vi) A report of the External Auditor, Mazars presenting the Committee with the Audit Strategy Memorandum for the Pension Fund's Accounts for the year ending 31 March 2018. This detailed the auditor's scope, approach, timings and the proposed work to be completed.
- (vii) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2017/18 audit and updating the Committee on national issues and developments that were worthy of attention.
- (viii) A report of the Corporate Director of Resources informing the Committee of the key dates for the review of the Council's corporate governance which informs the Annual Governance Statement within the Statement of Accounts for the year ending 31 March 2018.
- (ix) A report of the Corporate Director of Resources proposing revisions to the Council's Risk Management Policy and Strategy to ensure it is continually fit for purpose.
- (x) A report of the Corporate Director of 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 2017. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (xi) A report of the Chief Internal Auditor and Corporate Fraud Manager presenting the emergent Internal Audit Plan for the year 2018/2019 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 2018.
- (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 2017 and the assurance on the control environment provided.

### **01 June 2018**

The Committee considered:

- (i) A report of the 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 2017/2018.
- (ii) A report of the Chief Internal Auditor and Corporate Fraud Manager which outlined the finalised internal audit plan for the period April 2018 to March 2019. 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

- (iii) 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 2018 and the assurance on the control environment provided.

### **29 June 2018**

The Committee considered:

- (i) A report of the 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 External Auditor, Mazars giving the Committee an update on their progress with regards to progress of the 2017/2018 audit and updating the Committee on national issues and developments that were worthy of attention.
- (iii) 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 self-assessment. The review concluded that the service was compliant with the standards.
- (iv) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Annual Internal Audit Report for 2017/2018 that provided a 'moderate' opinion on the adequacy and effectiveness of the Council's control environment for 2017/2018.
- (v) 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 Corporate Director of Resources which presented the draft un-audited Statement of Accounts for the year ended 31 March 2018. The Corporate Director, Resources confirmed that the draft accounts had been certified and provided to external audit within the statutory deadline of 31 May 2018

- (vii) A report of the Chief Internal Auditor and Corporate Fraud Manager that presented the Committee with a revised Counter Fraud and Corruption Strategy for the Council. The Strategy is regularly reviewed to ensure it is fit for purpose.
- (viii) A report of the Chief Internal Auditor and Corporate Fraud Manager that presented the Committee with a new Corporate Fraud Sanction Policy. This policy supports the Counter Fraud and Corruption Strategy and allows the proper and correct action to be taken for those found to be defrauding the Council.
- (ix) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing to members the Counter Fraud work completed over the full period April 2017 to March 2018 in order to protect the public purse.

### **31 July 2018**

The Committee considered:

- (i) A report of the Corporate Director of Resources which provided details of the final outturn for both the General Fund and the Housing Revenue Account 2017/2018 including the Annual Treasury Management Review.
- (ii) The Audit Completion Reports of the External Auditor relating to both Durham County Council's 2017/2018 Statement of Accounts and those of the Pension Fund. The Committee were delighted that the Council has met the new statutory deadline and 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. The Committee shared a huge thanks to all involved in the process.
- (iii) 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 2017/2018.
- (iv) A report of the Corporate Director of Resources which presented the Statement of Accounts for the year ended 31 March 2018 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 again thanked all of those involved
- (v) A report of the Corporate Director of 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 May 2018. Members were informed of new risks, those that had been removed and the status of all current key risks.

- (vi) A report of the Chief Internal Auditor and Corporate Fraud Manager that presented to Committee a revised Corporate Fraud Response Plan for the year 2018/2019 for information. This detailed the work to be complete over the next 12 months.
  
- (vii) A report of the Chief Internal Auditor and Corporate Fraud Manager that presented a revised Anti Money Laundering Policy for approval. The policy is required to be reviewed regularly to ensure it is fit for purpose and is in line with current legislation.