



Audit Committee

Date Monday 20 May 2024

Time 9.30 am

Venue Committee Room 1 A

Business

Part A

Items which are open to the Public and Press

1. Apologies for absence
2. Minutes of the meeting held on 29 February 2024 (Pages 3 - 18)
3. Declarations of interest, if any
4. Climate Emergency Response Plan - Presentation by the Head of Environment (Pages 19 - 34)
5. Health, Safety and Wellbeing Performance Report Quarter Four 2023/24 - Joint Report of the Corporate Director of Regeneration, Economy and Growth and the Corporate Director of Resources (Pages 35 - 58)
6. Annual Governance Statement for the year ended 31 March 2023: Actions Update - Report of the Corporate Director of Resources (Pages 59 - 76)
7. Audit Strategy Memorandum - Durham County Council - Report of the External Auditor (Pages 77 - 116)
8. Audit Strategy Memorandum - Durham County Council Pension Fund - Report of the External Auditor (Pages 117 - 152)
9. Internal Audit Progress Update Report Period Ended 31 March 2024 - Report of the Corporate Director of Resources (Pages 153 - 170)
10. Internal Audit Charter, Strategy and Plan 2024/25 - Report of the Corporate Director of Resources (Pages 171 - 216)
11. Appointment of Co-opted Independent Members to the Audit Committee - Report of the Corporate Director of Resources (Pages 217 - 228)

12. Review of the Audit Committee Terms of Reference and Self Assessment Effectiveness - Report of the Chief Internal Auditor and Corporate Fraud Manager (Pages 229 - 256)
13. Treasury Management Update and Training Session - Presentation by the Finance Manager - Revenues, Pensions and Technical and the Principal Accountant - Commercial Capital and Treasury (Pages 257 - 278)
14. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
15. Any resolution relating to the exclusion of the public during the discussion of items containing exempt information

Part B

Items during which it is considered the meeting will not be open to the public (consideration of exempt or confidential information)

16. Internal Audit Progress Report Period Ended 31 March 2024 - Report of the Corporate Director of Resources (Pages 279 - 288)
17. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration

Helen Bradley

Director of Legal and Democratic Services

County Hall
Durham
10 May 2024

To: **The Members of the Audit Committee**

Councillor A Watson (Chair)
Councillor L Fenwick (Vice-Chair)

Councillors A Hanson, P Heaviside, A Jackson, B Kellett,
D Oliver, R Ormerod and T Smith

Contact: Amanda Stephenson Tel: 03000 269703

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in **Committee Room 1A** on **Thursday 29 February 2024 at 1.00 pm**

Present:

Councillor A Watson (Chair)

Members of the Committee:

Councillors L Fenwick (Vice-Chair), A Hanson, P Heaviside, B Kellett, D Oliver and T Smith

1 Apologies for absence

Apologies for absence were received from Councillor Richard Ormerod.

2 Minutes

The minutes of the meeting held on 27 November 2023 were agreed as a correct record and signed by the Chair.

3 Declarations of interest

There were no declarations of interest.

4 Looked After Children's Sufficiency Strategy

The Committee received a presentation from the Head of Children's Social Care that provided an overview of the councils Looked after Childrens Sufficiency Strategy, which had been requested by members at a meeting on 29 September 2023, where the Committee were keen to understand the financial pressures being faced within this service and what measures were being put in place to mitigate them (for copy see file of minutes).

R Farnham, Head of Children's Social Care gave the presentation, which highlighted the purpose of the LAC Sufficiency Strategy, and the legal responsibilities and sufficiency duties that were placed on local authorities by The Children Act 1989. She explained what drove the strategy, the cost pressures placed on the budget, the arrangements in place to monitor and manage placements and what was being done by the council to accommodate this.

She noted that corporate parenting was a collective responsibility of the council that this included elected members, all employees and partner agencies to care and safeguard the children in the service. She explained that there were circa 1200 children in the council's care, which was 300 more than at the start of Covid19 pandemic. The biggest contributor to the increased numbers was unaccompanied asylum-seeking children. The numbers in residential care – particularly external residential care placements – were very expensive and was a national issue as the market could not keep up with demand. There was a reported net overspend of £9.05 million expected in 2023/24, which was attributable to overspends on external residential/crisis and secure care placements, supported accommodation, independent fostering agencies and in-house children's homes. Factors affecting the sufficiency and costs included the increased complexity of children's needs, the impact of covid, the lack of care options (market conditions), the increased use of external children's homes (due to a lack of inhouse provision), the regulatory framework and the challenging marketplace for foster carers.

P Darby commented that there were less mental health services throughout the NHS which had contributed to the complexity of conditions the council was dealing with and that previously if children had mental health issues they would have been more likely to be committed to mental health wards but were now more likely to be cared for in the community and fall under the council's responsibility.

The Head of Children's Social Care commented that there were lots of universal services that were difficult to recruit to and to retain staff in, which placed strain on the system. The Care Review 2022 had made 80 recommendations on how to transform the system as it was recognised that it was in crisis and intervention was required.

The Government had implemented the 'Stable Homes, Built on Love' strategy to deliver reform to make funding available for pathfinders. She gave examples of case studies that demonstrated the costs involved in placing children in either external children's home or in a DCC children's home depending on the circumstances and needs of the child.

She highlighted what the local authority had done so far by implementing a comprehensive sufficiency strategy with investment plans, expanding the mocking bird hubs from 3 to 4, increased the number of long term children's home to 10, developed a short break strategy, registered internal supported lodgings service with Ofsted and were included in the fostering regional pathfinders to have 31 foster carers assessed and approved by the end of the year.

Councillor A Watson thanked the Head of Children's Social Care for the informative presentation. He understood that it was a statutory requirement to look after children, whilst he was concerned that the service was over budget he was happy that the service was monitored regularly.

P Darby reiterated that the forecasted overspend of £9million was secondary to the needs of vulnerable children. He commented that the Head of Children's Social Care did a great job to keep the overspend as small as possible. He noted that children's social care and adults social care had a huge impact on the council and was saddened that they were not at the forefront of government funding – particularly children's social care, which affected authorities with higher levels of deprivation more than more affluent areas.

R Farnham stated that the Northeast had the highest levels on demand and that Durham was average in the region, but that it bordered Teeside, which was the worst / had the highest level of demand.

Councillor B Kellett asked how places for children were allocated and what happened when there were insufficient places.

R Farnham responded that she would always look at internal provision first either through a Durham owned care home or through foster care that matched up with the care plan for the child. If these options were not feasible, she would then look to make a referral to an external provider. Decisions on whether to accept the placement were out of the local authority's control and because of the market conditions, providers could cherry pick which cases to take, which contributed to driving up costs. She noted that many children were able to be looked after by connected carers and kept within their own families and that this was something the service sought to do first.

Councillor P Heaviside noted the cost of children in care. He queried what the allowance was for a foster carer and if there had been any private providers who tried to poach them. He acknowledged that it was difficult to find locations for new care homes for children as residents did not want them in their vicinity.

R Farnham stated that it was difficult to advise on the allowance for a foster carer as there were different payments depending on the different needs of a child. She did note that an independent foster agency would cost approximately £1,000 per child per week and a foster carer's allowance was less than that. In the future there was to be a review of foster carer allowances. She commented that there was always an issue with the potential poaching of foster parents.

P Darby referred that for an IFA it was approximately £50,000 per child whereas the same care from an inhouse Foster Carer was £30,000.

R Farnham stressed that the outcomes for a child were better if they were looked after inhouse as they were closer, staff could monitor them better and social workers could access them compared to independent care homes which were incredibly difficult to find and were often out of the area. Finding properties to increase in-house provision of residential homes was difficult. It was essential to try to find large properties with big gardens that were in rural locations to prevent any disruption or impact on the community as far as possible and the planning and registration process with Ofsted could take a long time.

Mr I Rudd acknowledged that it was better for inhouse care rather than care through a third party as the costs of some of the external placements mentioned were eye watering. He stated that levels of third-party care had grown by 25% and queried if the rates had now levelled off or was there an assumption they would continue at the same rate.

R Farnham advised that the service look at demand analysis and all information available to it to forecast what cases came in and those who would leave the system at 18 years old. The issues were with younger children if preventative work was unsuccessful it meant they stayed longer. She did not see any signs of the levels plateauing any time soon.

P Darby commented that it was heartbreaking when a child came into a residential home at the age of 8 as they were more than likely to stay there for 10 years until they transitioned into adulthood. He cautioned that Durham was slightly below average in terms of statistics as there was a lot of preventative work ongoing to try to avoid children going into the system.

Councillor L Fenwick asked if kinship parenting was included in the children's social care figures and if these arrangements were under the remit of children's social care.

R Farnham confirmed that the kinship carer figures were included in the overall numbers for children in care. There was a big cohort with kinship arrangements with family members like grandparents. These arrangements were within her remit as they did try to get a child cared for by someone within the family. Reg 24 stated that a family carer would be paid as a foster carer as the children would become a looked after child under the remit of the kinship team.

Councillor T Smith mentioned that she had been contacted by an organisation that wanted to buy a 5 bed property to develop a private children's home in her area. She was concerned that these were money making schemes buying up cheap properties.

Mr C Robinson asked if anyone said no to the spending as in terms of external care providers the costs were very expensive and the council should be spending just what was required.

P Darby agreed that external care providers were expensive but they could name their price as it was a statutory requirement for the local authority to provide care that was required to be given so he acknowledged that authorities were most likely being held to ransom.

Mr C Robinson queried if there was an element of deliberately under providing care capacity and whether something could be done differently as the costs were very high for external placements that the local authority should be trying to avoid.

R Farnham stressed that sometimes it was live or die decisions that were made if young people needed to be cared for outside of the County if their life depended on it. She reassured the committee that every option available was explored before the local authority bought in high costed placements as they did their utmost to try to keep children cared for in Durham.

P Darby agreed that the council was undoubtedly being held to ransom, but there was an inability to mitigate this as there was a lack of inhouse care and spaces available so competitors could effectively name their price. There was a need to place children in Ofsted registered care with certain levels of supervision that may be difficult to provide inhouse. External providers were used if there was no alternative for a child where they could not remain in the family or their location as they needed to be placed somewhere. He acknowledged that the market was broken and there was a need for legislation to fix it.

R Farnham advised that there had been a lot of work done and budget provision made in the medium-term financial plan for increasing inhouse provision. Kinship provision was a new strategy introduced by the government but there would always be a need for high-cost placements.

Mr C Robinson understood the clear situation that the local authority had to work with. He noted that being a member of the audit committee he had been keen to know why there had been overspend in the service.

Councillor A Hanson questioned what percentage there was for kinship arrangements.

R. Farnham said she would have to get those figures outside of the meeting.

Postscript: R Farnham has advised that as at 25th March 2024 there were 217 CLA that were looked after in Friends or Family / kinship placements which was 18%.

Councillor A Hanson also mentioned that there was a private facility in her ward that looked after one child that gave 24 hour care who were also looking at other properties in the area. She regretted not having had the facts and figures that had been included in the presentation on how much these facilities cost when she visited the property as she did not realise how expensive they were.

P Darby stated that in the last statistics 230 out of 1200 children were placed with family members.

R Farnham mentioned that there were more foster carers waiting to be assessed to be part of the care system. They did look at family members or foster carers as a first resort before looking at an IFA.

Councillor A Watson did not appreciate that looked after children's costs were so phenomenal and were effectively out of the control of the Council and could get worse dependant on need. He found the presentation to be very informative and thanked R Farnham for attending the committee.

Resolved:

That the presentation be noted.

5 Pension Fund Valuation and General Update

The Committee received a presentation from the Head of Pensions that provided an overview of the pension fund valuation and a general update (for copy see file of minutes).

P Cooper, Head of Pensions gave a presentation that provided an overview of how the pension scheme and the valuation process worked. He explained that the scheme had over 60,000 members and over 100 participating employers, with the money that was invested on their behalf into a diversified portfolio of assets via the Border to Coast Pensions Partnership. There were two sides i) investments and ii) liabilities which were evaluated and assessed to set the contribution rates for 3 years and what impact that would have on the budget.

An annual accountancy exercise was carried out on the markets that set the pension strategy to ensure it stayed on a strong course as the local authority wanted to maintain the scheme. The key considerations were inflation and pay growth, investment returns, mortality rates, climate risk, cashflows and regulations. The Pension Committee set targets for the investment strategy to maintain funding.

Councillor A Watson asked if there was a budget for pensions administration.

P Cooper replied that nothing came from the councils budget for administration as this was dealt with within the finance team and was fully recharged to the Pension Fund. Investment fees overtime had increased with the value of the assets that in turn increased the asset management fee. He noted it was volatile.

P Darby advised that the pension fund assets were managed on behalf of the pension committee. The investment had to achieve the best value of return for the pensioners / participating authorities within the Fund. The Section 151 officer was charged with evaluating this and what was in the best interests of the pension fund.

Mr C Robinson queried if there was pressure to exit investing in fossil fuels to make money to try to change the organisation to invest in something different.

P Cooper acknowledged that was a huge pressure to stop investing in fossil fuels. There was pressure on the group to increase investment elsewhere but there was a challenge as there was a need to make returns. The organisation had a strong investment team that engaged to try to change the company's behaviour and try to effect change.

P Darby added that the government regulated the company to encourage pension funds and put more and more weight behind the company for more sustainable solutions.

Mr I Rudd asked if the accounts were largely significant and had more reserves in the pension as a positive movement. He added that the Malvern scheme had more pensioners than current employees and questioned if this would preset the problem with the new scheme with current employees.

P Cooper responded that there was an increase in the mature scheme nationally and the pension fund was not the problem but there was always the challenge that more was paid out in pension than contributions received. The pension fund was not supported through a cash investment strategy and was done in a different way like a UK corporation as investment was made in the private market to increase cash flow needs.

P Darby admitted that the accounts often looked strange, with valuation entries that went up and down which could distort the interpretation of the councils underlying financial performance. The challenge was to support the pension fund and make the accounts clear and in line with private sector.

Resolved:

That the presentation be noted.

6 Health, Safety and Wellbeing Performance Report Quarter 3 2023/2024

The Committee received a joint report of the Corporate Director of Regeneration, Economy and Growth and the Corporate Director of Resources that provided an update on the Council's Health, Safety and Wellbeing (HSW) performance for quarter three 2023/24 (for copy see file of minutes).

K Lough highlighted the key areas of the Quarter 3 report that included:

- Number of incidents
- Audit and Inspections
- Employee Health and Wellbeing
- Open Water Safety
- Occupation Health Service
- Radon gas
- RAAC
- Potentially Violent Persons Register

Resolved:

That the report be noted.

7 Changes to the Code of Practice for Local Authority Accounting in the UK for 2023-24

The Committee received a report of the Corporate Director of Resources that provided a summary of the key accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK (the Code) that applied to the 2023/24 Statement of Accounts (for copy see file of minutes).

Resolved:

That the changes detailed in the report and in Appendix 2 be noted that would be considered in the preparation of the 2023/24 statements.

8 Agreement of Accounting Policies for Application in the 2023-24 Financial Statements

The Committee received a report of the Corporate Director of Resources that provided an update on the County Council's accounting policies in the preparation of the 2023/24 Statement of Accounts taking into consideration the potential impact of code amendments regarding materiality (for copy see file of minutes).

Mr I Rudd asked if any other local authorities were taking a different view on the accounting policy.

P Darby was not aware of divergence and that as far as he was aware all had followed the code of practice as this was the path of least resistance and allowed for consistency.

J McMahon stated there was an issue with the different material levels as to what could not be taken out as monetary but had to put through the code to follow the same practice. She noted that these may change but they would be discussed beforehand.

P Darby added that the 2023/24 guidance for external auditors discussed across the board was to roll over and to consider what could technically be done with revenue in a years time and what factored in due to materiality.

Mr I Rudd referred to the supplementary on page 126 of the report and how this measured the amount of capital costs in dismantling and removing the item and restoring it on site on which it was located. He queried if this was included in the cost of the asset.

P Darby responded that the asset would include construction costs and costs to clean the site before construction could take place. The capital element would consider all costs. It would not include any costs to dismantle or remove the asset in the future.

J McMahon explained that to build a new asset all costs would be included to dismantle the old building and clear the site before the construction could begin.

P Darby thought it could be made clearer as the cost of the asset under construction.

Resolved:

- i) That the change to IAS1 and its potential effect following initial assessment on the accounting policies regarding materiality be noted.
- ii) That the accounting policies (and potential changes under IAS1) outlined in Appendix 2 be reviewed.
- iii) That their use based on 2022/23 appropriateness in the preparation of the 2023/24 financial statements be approved.
- iv) That the Corporate Director of Resources be authorised to review the accounting policies as necessary, including for materiality, and report any changes to the Audit Committee.

9 Addressing the Local Audit Backlog in England – Proposals published for Consultation

The Committee received a report of the Corporate Director of Resources that provided a summary of the proposals for addressing the Local Audit Backlog in England which had recently been published for consultation (for copy see file of minutes).

Resolved:

That the Addressing the Local Audit backlog proposal consultation, and its considered impact on the Council be noted.

10 Final Accounts Timetable for the Year Ended 31 March 2024

The Committee received a report of the Corporate Director of Resources that provided information regarding the Final Accounts timetable for 2023/24. The timetable detailed the target dates for key actions to complete the Statement of Accounts in line with statutory deadlines (for copy see file of minutes).

Resolved:

That the key dates in the Final Accounts timetable for 2023/24 detailed in Appendix 2 be noted.

11 CIPFA Finance Review

The Committee received a report of the Corporate Director of Resources that gave an update on the outcome of the CIPFA Finance Review, carried out during September and October 2023 (for copy see file of minutes).

Mr I Rudd complimented all staff in having such an iron grip on the finances. He asked within the various recommendations which would be the most challenging to implement.

P Darby informed the committee there were two elements i) the ten year capital strategy and capital programme as there was a lack of a long-term settlement and ii) that full savings list be reduced and published to balance the MTFP which he felt was not necessary as this could be counterproductive in the absence of a long-term finance settlement. It was important that the council had an accurate assessment of the challenges it faced and the ability to balance its budget in a range of scenarios.

P Darby commented in relation to Councillor B Kellett query on culture and sport that the Cabinet had be cognisant of the uncertainty in its financial forecasts in determining its approach to leisure transformation investments. As Section 151 Officer P Darby had recommended to Cabinet and Council not to extend the scope of its borrowing at this time as the financial position could be worse post the General Election and in the absence of a long term financial settlement.

Resolved:

- i) That the outcome of the CIPFA Finance Review be noted
- ii) That the Action Plan actions, and progress already made against the identified actions as set out in the report be noted.

12 Corporate Governance Review 2023/24- Key Dates

The Committee received a report of the Corporate Director of Resources that provided key dates for the corporate governance review for the 2023/24 financial year (for copy see file of minutes).

Resolved:

That the report be noted.

13 Strategic Risk Management Progress Report for 2023/24 - Review 3: 1 October - 31 December 2023

The Committee received a report of the Corporate Director of Resources that supported the Council's Risk Management Strategy, highlighted the strategic risks facing the Council and provided an insight into the work carried out by the Corporate Risk Management Group between October and December 2023 (for copy see file of minutes).

P Darby informed the committee that two risks had been updated related to the Environmental Health team due to recruitment difficulties and capital budget issues. There were issues in recruiting Environmental Health Officers to inspect food places. There were increased risks with the ICB budget within health and social care with the shortfall and turbulence in the system. The A690 land slip and been down graded as there had been no further movement. There were technical designs in place to commence the work imminently.

Councillor B Kellett passed the A690 everyday and queried if work had commenced as he was concerned that trees had been removed and it was the tree roots that kept the land together.

P Darby confirmed that engineers had determined the technical solutions for the water table underneath the road and that the removal of the trees was part of the planned works.

P Darby updated the committee that there were 5 key risks regarding child safeguarding, government funding, climate change, national shortage of education psychologists and the national shortage of places for looked after children.

Mr I Rudd acknowledged that there were formidable risks identified and queried if climate change was a long term risk and whether the country and the council was on target to achieve its net zero ambitions.

P Darby suggested that an officer from the low carbon team could be asked to come to give a presentation on the Councils Climate Emergency Response Plan, what targets on climate change were and what was being done within the council to meet this. He added that the risks associated with climate change included reputational risks if the council was unable to deliver on its aspirations. He acknowledged that achieving the councils and the country's ambitions were expensive and that the council did not have resources to make changes as in some cases it would not be feasible without significant technological or legislative change or national investment. The council had started by electrifying some of the fleet which worked well for small vans but was not currently viable for large vehicles such as refuse vehicles.

The Committee agreed that it would be useful to have a presentation from the councils Low Carbon Team.

Mr C Robinson asked about the data breach that had been highlighted and whether it had been on a large or small scale.

P Darby confirmed that was the latter and was based on human error where the wrong envelope containing sensitive information had been sent out to the wrong address. This had been flagged and greater awareness for care and attention had been highlighted with all council employees.

Resolved:

That the report be noted.

14 Risk Management Policy and Strategy

The Committee received a report of the Corporate Director of Resources that considered for approval the Risk Management Policy and Strategy (for copy see file of minutes).

Resolved:

That the Risk Management Policy and Strategy, which is attached as Appendix 2 be approved.

15 Internal Audit Progress Update Report Period Ended 31 December 2023

The Committee received a report of the Corporate Director of Resources that provided an update on the work undertaken by Internal Audit during the period 1 April 2023 to 31 December 2023, as part of the delivery of Internal Audit Plan for 2023/24 agreed by Audit Committee (for copy see file of minutes).

Resolved:

- i) That the amendments made to the Internal Audit Plan during quarter Three be noted.
- ii) That the work undertaken by Internal Audit during the period ending 31 December 2023 be noted.
- iii) That the performance of the Internal Audit Service during the period be noted.
- iv) That the progress made by service managers in responding to the work of Internal Audit be noted.

16 Emergent Internal Audit Plan for the period from 1 April 2024 to 31 March 2025

The Committee received a report of the Corporate Director of Resources that provided details of the emergent Internal Audit Plan for the period from 1 April 2024 to 31 March 2025 and to update and engage Members in the development of the Annual Internal Audit Plan 2024/25 (for copy see file of minutes).

Mr I Rudd found the report very useful especially the comparative figures on how appropriate time had been spent compared to last year. He queried why the app had changed for the risk-based audit plans.

T Henderson explained that there were several resources used including day plans. She highlighted that the app nor the use of Gallieo had changed with lot of work being carried out behind the scenes and regular reliance meetings.

Resolved:

That the proposed direction and process for the development of the emergent Internal Audit Plan for 1 April 2024 to 31 March 2025 which was attached at Appendix 2 be approved and brought back to Committee for formal approval in May 2024.

T Henderson wished to formally thank Paul Monaghan on behalf of herself and the committee for all his hard work over the years that had been greatly appreciated as he was retiring from the authority.

17 Exclusion of the Public

Resolved:

That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A of the Act.

18 Internal Audit Progress Report period Ended 31 December 2023

The Committee received a report of the Corporate Director of Resources that presented Appendix 6 that was referenced in the Internal Audit Progress report in Part A of the agenda (for copy see file of minutes).

Resolved:

- i) That Appendix 6 be noted.
- ii) That Appendix 7 be noted.

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Climate Emergency Response Plan

Audit Committee 20/5/24

Oliver Sherratt

Head of Environment
Durham County Council



Climate Change is Here and Getting Worse

County Durham Annual Temperature Change

Each stripe represents the average temperature for a single year, relative to the average temperature over the period as a whole. Shades of blue indicate cooler-than-average years, while red shows years that were hotter than average.

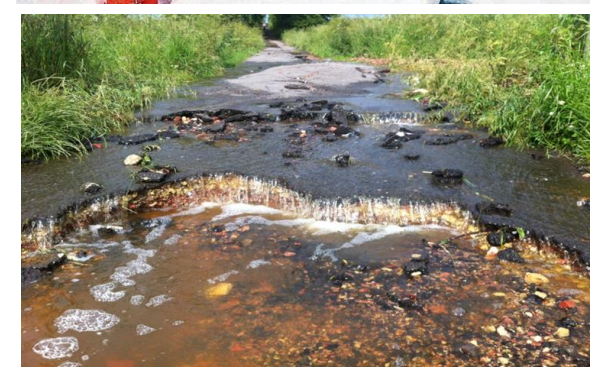
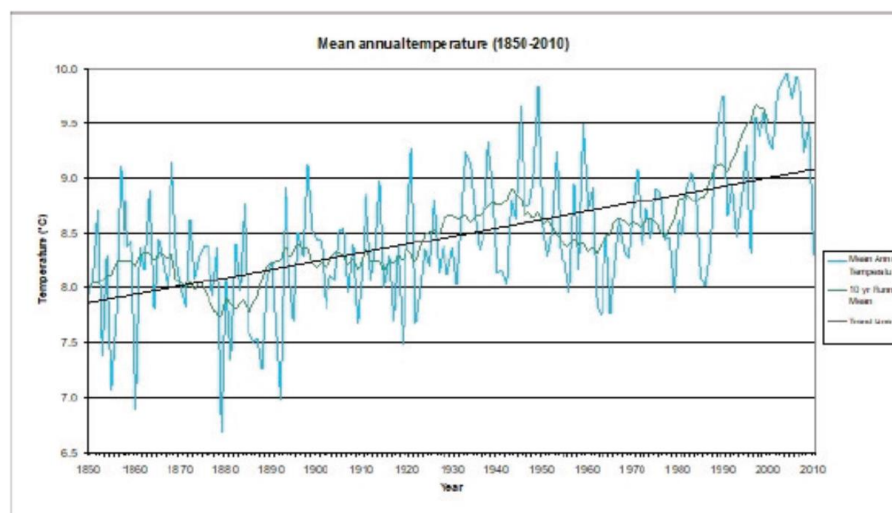
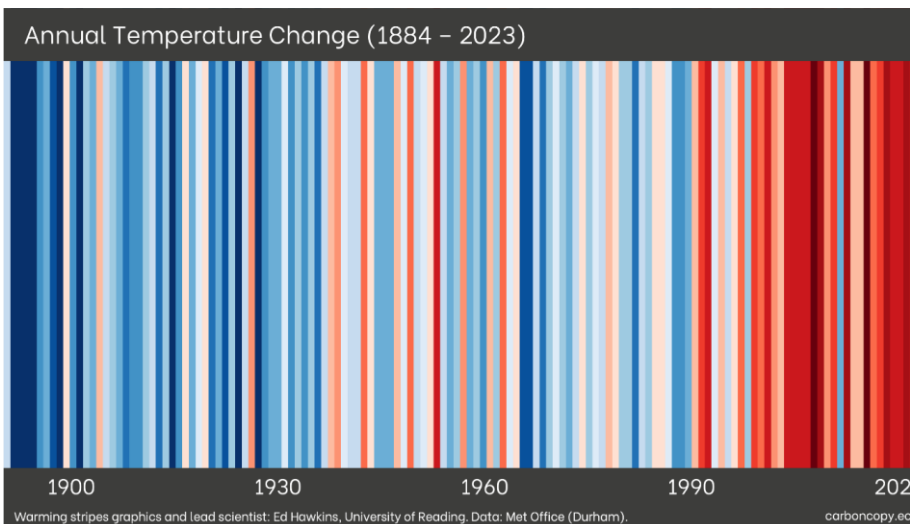
Source: Professor Hawkins, University of Reading

Impact on :

- Environment
- Public Health
- Economy
- Infrastructure and Resources

Stern Review 2006: Economics of Climate Change

“The benefits of strong, early action on climate change far outweigh the costs of not acting.”



What are our targets?

National Statutory: Climate Change Act 2008 (2050 Target Amendment) Order 2019, the Government committed to a 100% reduction of greenhouse gas emissions by 2050 compared with 1990 levels.

Non Statutory Local Targets	2019 – Climate Emergency Declaration CERP 1	2022 Update CERP2	Where we are now CERP 3 in Development
Council	60% Emissions Reduction from 2008/09 levels by 2030	Raised Target to 80% Emissions Reduction from 2008/09 levels by 2030 Net zero by 2030 (ie at least 20% offset)	61% reduction
Countywide	Net Zero by 2050 from 1990 levels	Raised target to Net Zero by 2045 from 1990 levels	54% Reduction



How is performance measured? Scope, national perspective, GHG protocol and measurements and audit review 1

Carbon Emissions are categorised into Scopes depending on how they are generated

Scope 1- emissions from burning fuels direct (gas, oil, diesel)

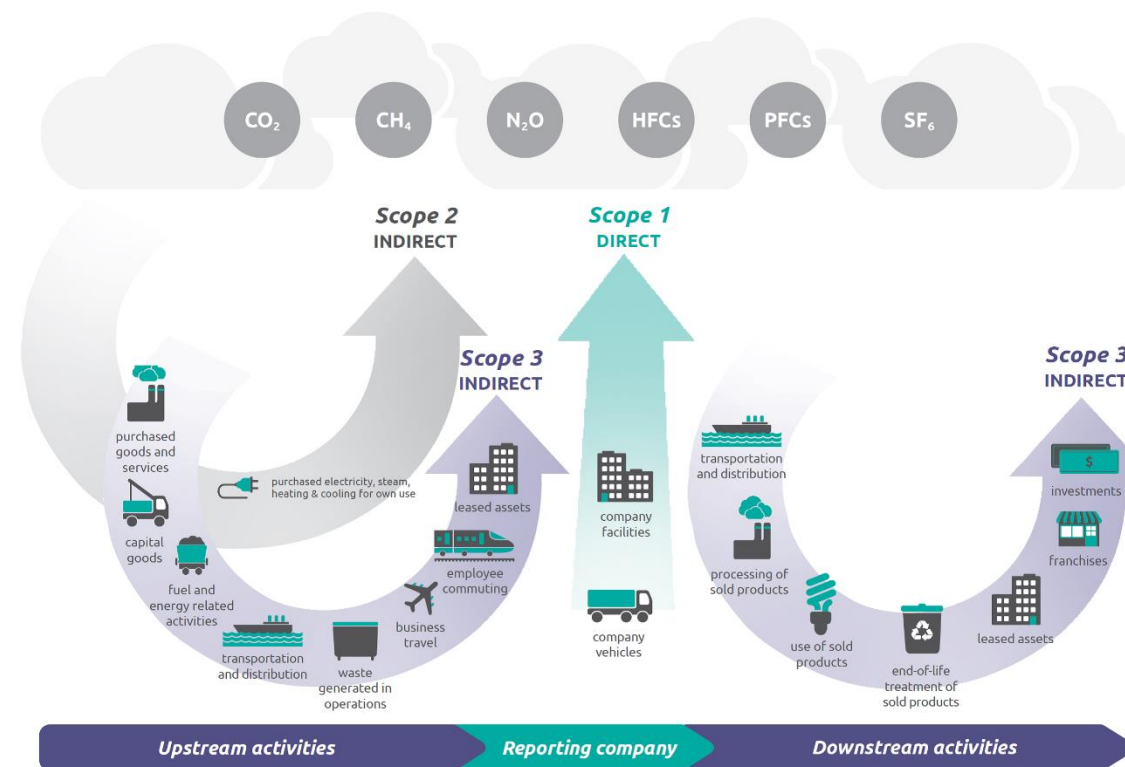
Scope 2- emissions from grid electricity *

Scope 3- emissions from the supply chain, waste and 3rd party emissions. Also includes staff business travel.



The **Greenhouse Gas Protocol** is the international standard that we use to direct our carbon footprint work.

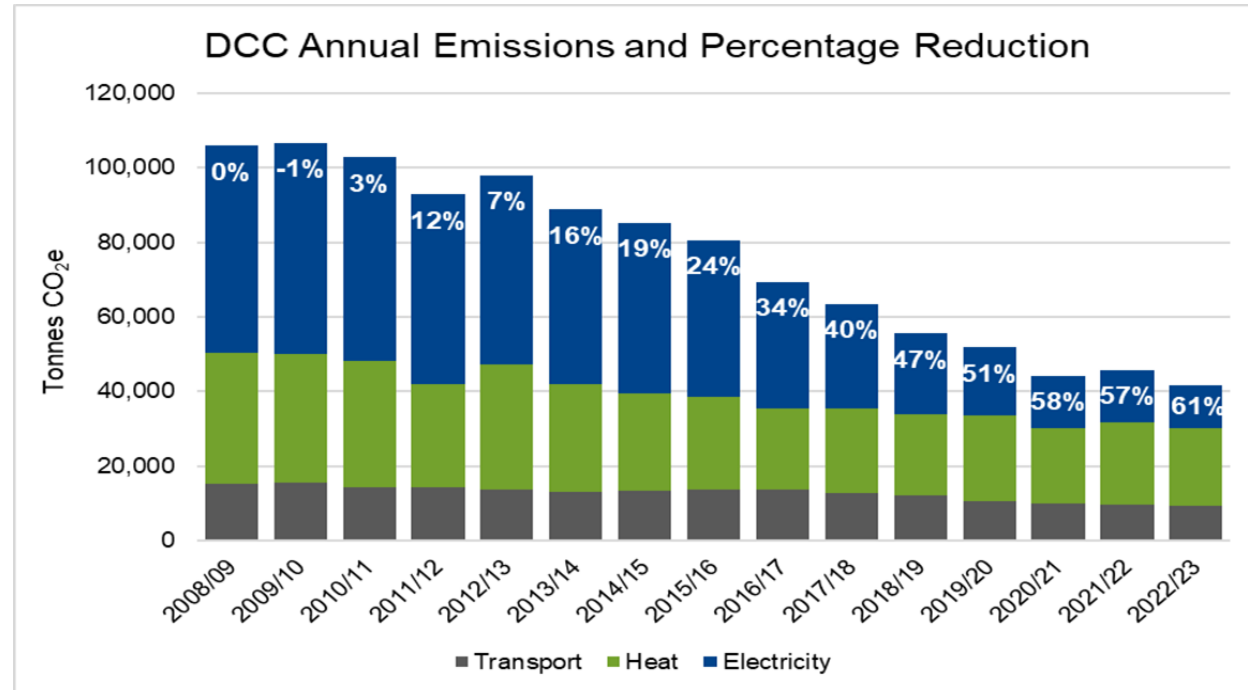
We utilise an 'operational control' boundary as far as possible to draw a line around our footprint boundary.



* We use national grid electricity carbon% for calculations rather than purchased (green) supply

How well are we doing? Council

		Annual Emissions (tonnes CO ₂ e)	
		2008/09	2022/23
Scope 1	Solid Fuel (wood pellets)	73	0
	Liquid fuels	696	269
	Gaseous fuels	20,031	13,840
	Vehicle fleet & plant	10,853	7,139
	Total	31,653	21,248
Scope 2	Purchased electricity (Grid)	41,675	7,162
	Total	41,675	7,162
Scope 3	Business Travel	3,738	875
	Electricity Distribution	3,259	655
	Total	6,997	1,531
Total emissions		80,325	29,940



Internal Audit Report – Carbon Emissions Performance



Conclusion

- The audit work carried out can confirm that the methods employed to calculate the authority's operational carbon footprint, and performance, comply with relevant guidelines, includes all fuels and all data from relevant operations, and provides accurately calculated figures which are appropriately reported against carbon reduction targets.

We have been measuring our footprint since 2008/9, largely keeping the boundary of the authority the same to show progress against targets.



Progress against actions 2022 – 2024: Council

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SHP implementation at:

- Abbey LC
- Peterlee LC
- Newton Aycliffe LC
- Comeleon House
- Meadowfield Depot
- Teesdale LC

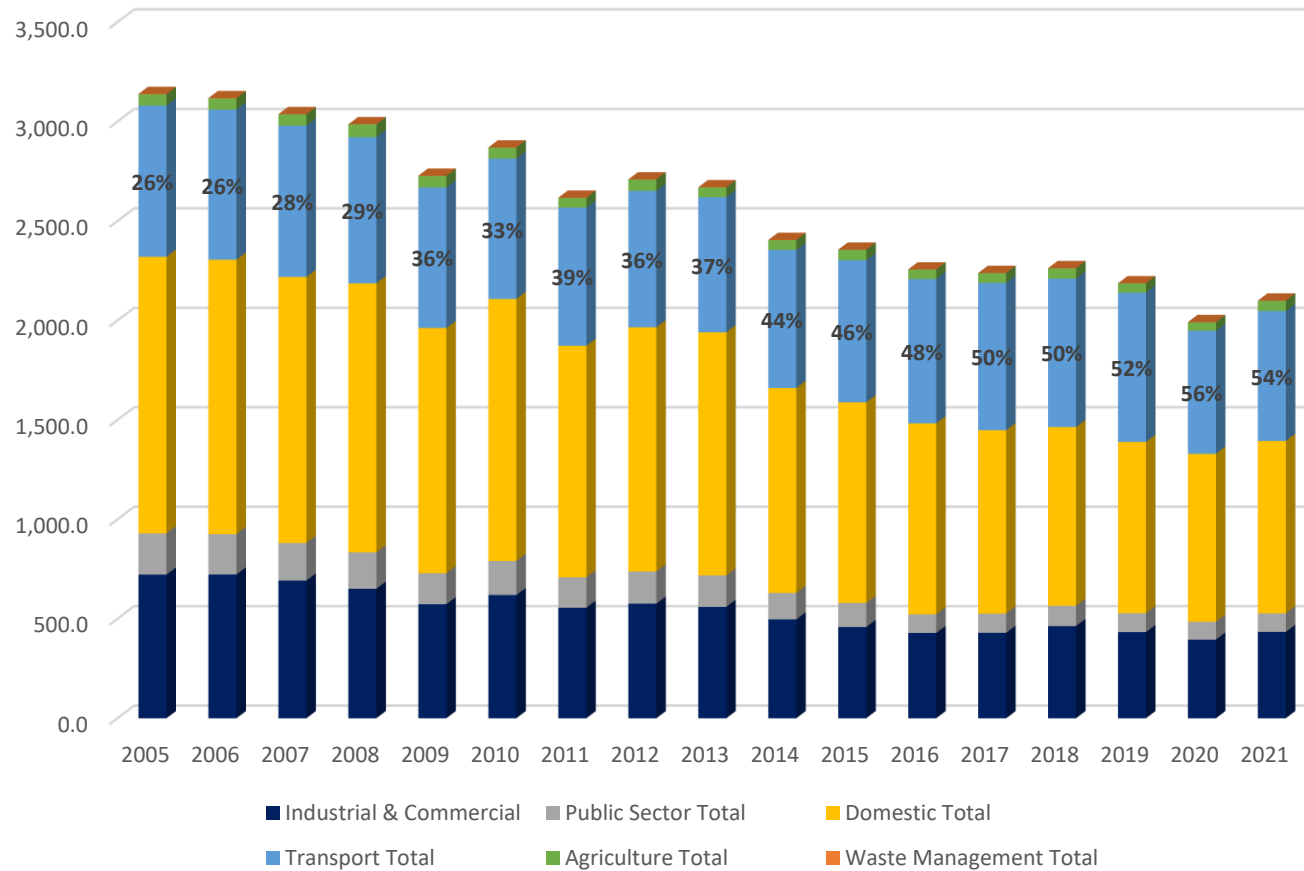
Ongoing and completed projects:

- LED Programme
- Street Lighting
- Further Solar PV installs
- Implementing better building management systems
- Low Carbon Depot
- Heating circulation additives
- Engagement Activities



How well are we doing? County Durham – Data Provided by Government

Countywide emissions and percentage reduction



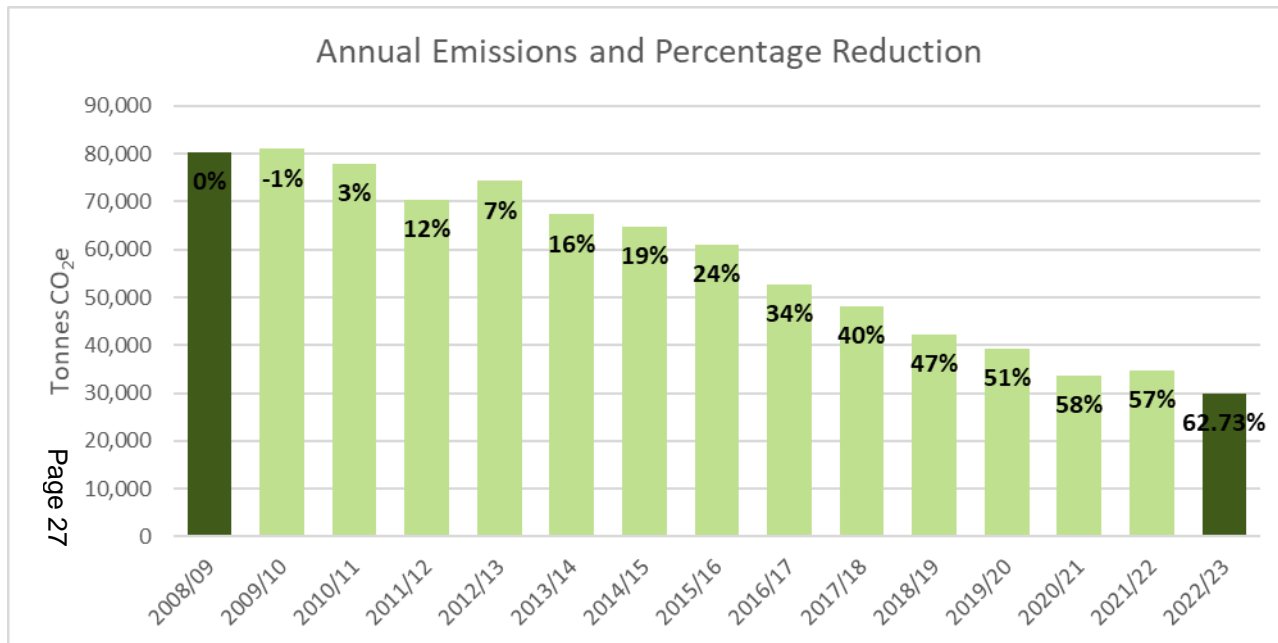
Progress against actions 2022 – 2024: County

- Horden Minewater development
- £4.135m secured for further EV Charge Points
- Kerbo trial
- The continuation of BEEP
- Food for the Planet campaign
- Engagement Activities
- LAD Green Homes Grants
- Supporting Social Housing Providers with decarbonisation plans
- ‘Borrow a bike’ schemes
- BEEP
- Woodland Creation; Peatland Restoration
- Community Resilience plans and projects



CERP3 and GHG Protocol

- Reporting of emissions should be focussed on those areas the organisation has **operational control**
- Since 2008/9 baseline there has been a gradual move to **academisation**, as well as other facilities moving outside Council control.
- Must take out **both** the baseline and the current emissions (if known) to comply with GHG Protocol focus.
- **Revised approach below.** Both reported for transparency



Aspect	Previously included	New Boundary	Aspect	Previously included	New Boundary
Key operational sites, leisure centres, libraries, depots etc	yes	Yes	Fleet	yes	Yes
Academies on DCC energy contracts	yes	no	Business Miles	yes	Yes
Academies NOT on DCC energy contracts	no	no	Charging of DCC EV Fleet at home	n/a	Yes
Maintained schools	yes	Yes	Working from home emissions	no	no
Maintained residential schools and PRU	yes	Yes	Commuting	no	No
School pools	yes	Yes	Waste collection and bulking (DCC fleet and sites)	yes	Yes
Aycliffe Young People's Centre	yes	Yes	Waste onward transportation and process emissions	yes	No
Business sites where 3 rd party buys utilities (e.g. St Stephen's Court, Willington)	no	No	Waste outputs (landfill/EFW/recycling impacts)	no	No
Business sites with sole occupier but on a DCC utility contract (e.g. Netpark)	yes	No	Landfill gas electricity production	no	No
Business sites with multiple tenants on a DCC utility contract (Dales Centre/Derwentside Business Parks etc)	yes	No	Council houses	no	no
Arms length and partnership organisations offices (e.g. Business Durham)	yes	yes	Scope 3	no	no
Public EV charging posts	n/a	No			

Funding for Council Net Zero

High-level cost estimate of the investment needed £89M would be required. This averages out at almost £13M per annum for the remaining six years to 2030.

National	Regional (a growth area)	Local
Public Sector Decarbonisation Scheme	Shared Prosperity Fund	Invest to Save
Heat Networks Delivery Unit (HNDU)	Energy Accelerator	Capitalised Maintenance
BHIVE	North East Deep Geothermal Investment Demonstrator *	Heat Decarbonisation - MTFP
Green Heat Networks Fund (GHNF)	Community Forest	Inspire Programme
Heat Network Efficiency Scheme (HNES)	NEMCA – future prospects.	Capital Programme Leisure
Swimming Pool Support Fund		
Community Energy Fund		
Tree Grants (FA and UTCF)		

■ Capital

■ Revenue

* In development



Case Study on Pooled Resources: Morrison Busty

The project:

- 3.062MW Solar Farm
- 2MW Battery Storage
- Private Wire network
- ASHP and building fabric improvements
- 50KW and 7.5KW EV charging
- Decarbonisation of Depot by with full fleet electrification
- Avoid over 1,061,000 kg of CO₂ per year from 2023 increasing to EV fleet to over 2,002,000 kg

Funding Sources:

- ERDF- £5,005,619
- DCC- £3,663,760
- Invest to save (16 Year Payback currently)
- Capitalised Maintenance
- Fleet Capital
- Inspire (office accommodation)



Risk

Corporate Risk R0684 - High technology costs and a potential lack of Government funding and resources may prevent the Council from making the necessary adaptations and mitigations to meet its climate change targets.

- Global conflicts impacting on energy outlook, costs and priorities.
- Government and Local Authority Finances under severe pressure.
- Committee for Climate Change 2023 report to Parliament on National position

Lack of Urgency

Stay firm on Commitment

Planning policy needs radical reform to support Net Zero

Develop demand-side and land use policies

Expansion of fossil fuel production is not in line with Net Zero

The need for a framework to manage airport capacity

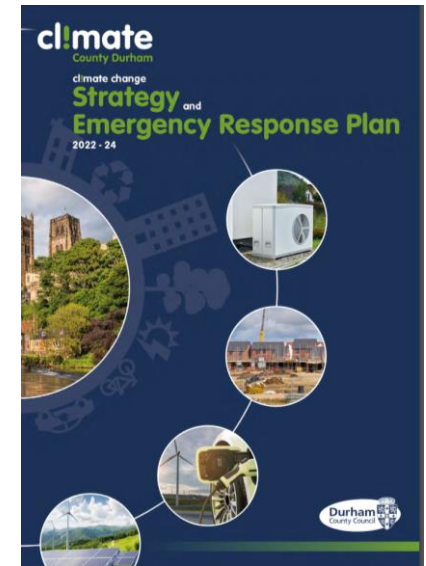
- *Since report* Government's plan to meet climate targets and green the economy has been ruled unlawful by the High Court (3rd May 2024)
- *2030 ban on new petrol/diesel cars delayed to 2035*
- *CCC findings that decarbonisation of electricity possible by 2035 but not at the current pace.*
- *Hundreds new North Sea Licences for oil and gas to support energy independence.*
- *Airport expansion programme continues.*



Local Risk Management

- Corporate Leadership
- Collective approach
- Effective Partnerships
- Good Governance
- Seek NEMCA opportunities.
- Strong, adaptable core team
- Have a practical plan (CERP)
- Review and monitor the plans (further national guidance on carbon offsetting needed)
- New technologies.
- Constructively challenge
- Maintain focus

Impact of failure – reputational/environment /economic but no current national fines against non-statutory targets.



CERP 3 - Summary

232 actions including partners are included across the following themes:

- Energy and Buildings
- Transport and Connectivity
- Business, Green Economy and Skills
- Waste and Resources
- Natural Environment
- Adaption
- Community Awareness and Engagement

Covers period 2024-27

Presented to Cabinet July 24 (target date).

Embraces new developments in waste eg food waste collections (March 26) .

To include revisions to boundary in accordance with GHG protocol

Inclusion and Consideration in MTFP

Opportunities through devolution investment plans.

Regular review by Environment and Sustainable Communities OSC Board

Targets are extremely challenging – tough decisions may lie ahead





Thank you!

Any Questions?

Oliver Sherratt

Head of Environment
Durham County Council



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Audit Committee**20 May 2024****Health, Safety and Wellbeing Performance
report Quarter four 2023/24****Ordinary Decision****Report of Amy Harhoff, Corporate Director, Regeneration, Economy,
and Growth****Report of Paul Darby, Corporate Director Resources.****Electoral division(s) affected:**

Countywide.

Purpose of the Report

1. To provide an update to Audit Committee on the council's Health, Safety and Wellbeing (HSW) performance for quarter four 2023/24.

Executive summary

2. There were 361 accidents, incidents and near misses compared to 439 in the previous quarter. Compared to 2022/23 there is a 9.45% decrease in accidents, incidents and near misses and a decrease in employee accident rates per Full Time Equivalent for the year also.
3. In terms of more serious reportable accidents there were only two Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) specified injuries and two over seven-day absences in quarter four which are again a significant decrease from the previous quarter. There was however a RIDDOR reportable dangerous occurrence in relation to a wall collapse during demolition works.
4. There were two fire related incident during quarter four. These occurred at a waste transfer station and children's home premises. Although there were no injuries associated with the incidents and limited damage to equipment and property, a range of recommendations were made in relation to safe working procedures, training and risk assessment.
5. The Health and Safety Executive (HSE) issued a notification of contravention in relation to Shildon Sunnydale School and Framwellgate Moor primary school. The incident at Shildon Sunnydale involved a contractor working on behalf of the council sub-contracting works for the removal of a biomass boiler from the vacant building prior to demolition. The second notification of contravention resulted from an HSE inspector visiting

Framwellgate moor primary school to review the school's asbestos management standards. The inspector found a number of issues in relation to some outstanding works, training, contractor management, supervision and information provision on site.

6. There were 175 Health and Safety (H&S) and fire safety audits and inspections of council premises and work activities during the quarter which resulted in an overall compliance rate of 93.98%. Once again, the majority of noncompliance issues were of a low priority and almost 500 opportunities for improvement were identified.
7. The radon testing assurance programme progressed and results for almost 37% of properties in scope are now received and are being actioned where appropriate.
8. A number of incidents occurred at Durham Bus Station during quarter four which related to the surfacing that had been applied by a sub-contractor. Further investigations and independent testing showed that the surface was defective in parts and short and long term remedial actions were taken promptly to rectify the defectiveness of the surface and further assurance testing has been arranged.

Recommendation(s)

9. Audit committee is recommended to:
 - (a) note and agree the contents of this report.

361

Accidents, incidents and near misses reported.
(439 Q3 2023/24, 348 Q2 2023/24, 366 Q1 2023/24)

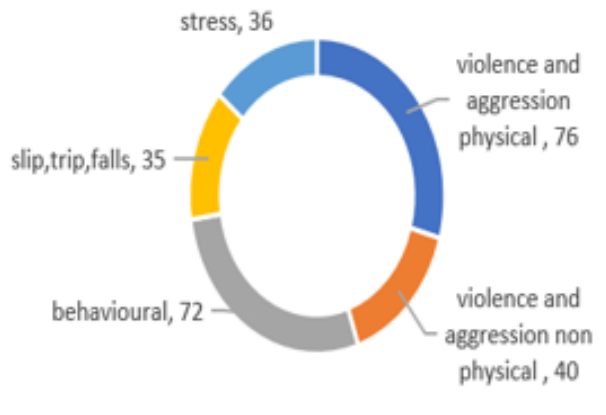


94%

Of all reported accidents are either no injury or near miss



**Main Accident/Incident Causes
Q4 2023/24**



2 RIDDOR 'specified' injury, and 2 over 7 days absence RIDDOR injuries.



**Better Health
at Work Award**

Better Health at Work Maintaining Excellence Status achieved, working towards ambassador status



32 psychological work-related incidents in Q4 2023/24.
(36 in Q3 2023/24, 49 in Q2 2023/24, 43 in Q1 2023/24)

2 fire related incidents



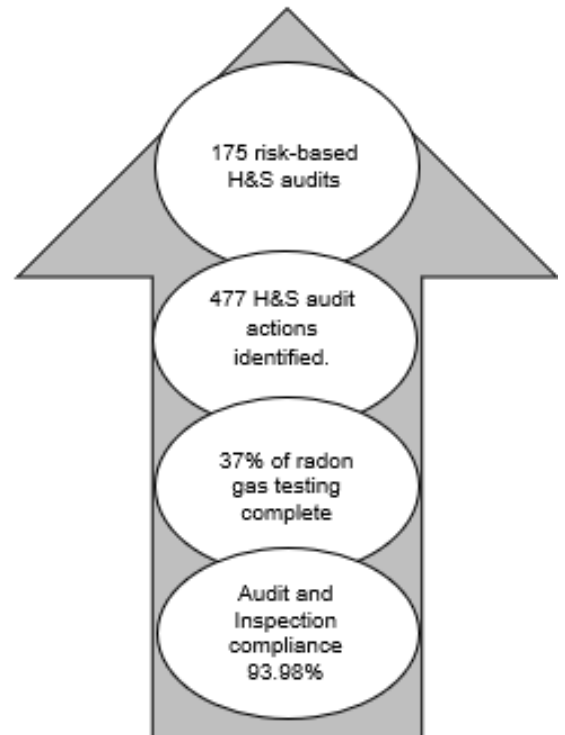
0 CDDFRS inspections of council premises



Construction Design and Management duty holder training delivery commenced across council

2

Enforcement related actions or advice from HSE following inspections and audit activity.



Background

- 9 The Health Safety and Wellbeing Strategic Group has been established to ensure that suitable priority is given to the management of HS&W within the council. The group monitors the development, implementation and review of the Corporate H&S Policy to ensure that it is consistently applied throughout the council and that performance standards are achieved. Key reporting topics are detailed below.

Consultation/Communication

- 10 Trade Union H&S representatives continue to actively participate in the corporate and service specific H&S meetings. Each service grouping has an established H&S forum that meets on a regular basis. The H&S team continue to undertake, on a priority basis, a range of joint audit and inspection programmes in conjunction with trade union H&S representatives.
- 11 There were two joint visits undertaken between H&S and trade union safety representatives in quarter four. These involved bereavement services and refuse and recycling.

Audits and Inspections

- 12 There were a total of 175 audits and inspections undertaken by the H&S team during quarter four. The audit and inspection activity provided almost 500 opportunities for improving H&S performance.

Chart 1 – Audit and Inspection Activity for Quarter 4.



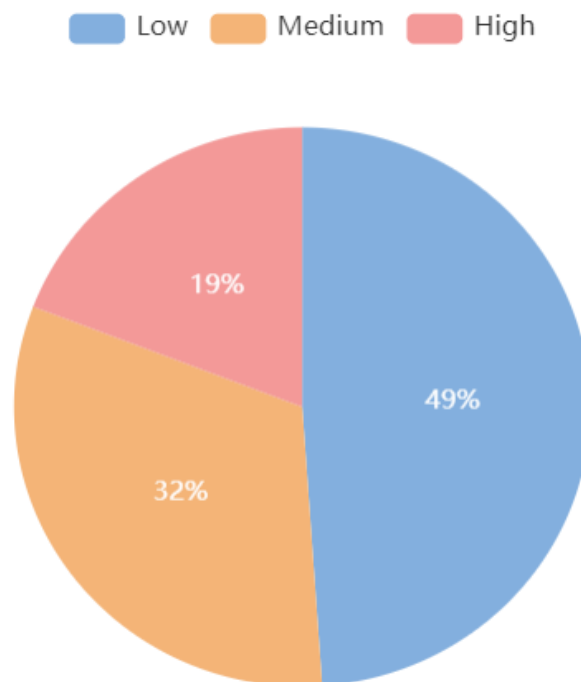
- 13 From the audits undertaken the following headline percentage compliance scores can be determined for each service area where audits took place:

Table 1 Compliance scores

Audit Area	INSPECTIONS	SCORE (%)
	Total	Average
Schools Audit	47	94.94%
Civil Engineering and Construction Sites	22	83.08%
Refuse and Recycling	18	95.41%
Culture & Sport	7	90.16%
Clean & Green	5	88.81%
Crematoria	2	97.79%
CYPS General Audit (non-schools)	4	96.28%
Demolition Sites	3	90.08%
Sub Depot Audit	2	86.21%
Waste Transfer Stations	1	98.25%

14 From the compliance scoring it must be noted that the majority of non-compliance related issues identified were low to medium low as per below chart 2.

Chart 2 Compliance Actions by Priority



Audit High Priority Action Areas

Site	High Priority Actions Allocated
Schools	24
Buildings Construction Site	16
Demolition Works	13
Abbey Leisure Centre	4
Highways Construction Site	4
Seaham Leisure Centre	3
Allotments	3
Durham Crematorium	1

Table 2- Audit Actions completion statistics

Summary	Low		Medium		High		Totals			
	To do	Complete	To do	Complete	To do	Complete	To do	Complete	Total	% Complete
AHS	15	1	0	0	0	0	15	1	16	6%
CYPS	25	4	8	1	1	0	34	5	39	13%
Schools	79	51	20	24	7	2	196	77	183	42%
NACC	36	21	26	25	3	5	65	51	116	44%
REG	46	30	53	38	27	19	126	87	213	41%
RES	0	11	0	0	0	0	0	11	11	100%
Corporate Affairs	0	0	0	0	0	0	0	0	0	n/a
Total	201	118	107	88	38	26	346	232	578	40%

- 15 The audit completion statistics overall continue to show areas of concern in relations to managers providing assurance that actions have been closed out. Audit completion statistics were provided to each corporate director upon request for their service following quarter three. Service specific H&S forums are provided with statistics for their service also and clear information and instruction is provided to manager who are the recipients of audit and inspection outcomes.

Fire Incidents

- 16 There were three fire related incidents at Durham County Council owned premises during quarter four. They occurred at Thornley waste transfer station and Chester View Extra Care Home

Thornley Waste Transfer Station

- 17 It was reported that at approximately 10:40am on 23 January 2024 the fire alarm activated within the waste hall, upon investigation by the loading shovel driver he discovered that the cause of the activation was due to a fire in the co-mingles waste pile. The driver quickly extinguished the fire using the portable fire extinguisher from his vehicle. It was believed that the cause

of the fire was due to a battery within a child's toy car. No further action was required, and normal work activities commenced with minimal service disruption.

- 18 At approximately 13:00pm the same day another fire occurred in the co-mingles waste, the loading shovel driver on this occasion could not identify the cause of the fire, so picked up the waste plie in the bucket of the loading shovel and took it to the hot load bay outside. The waste was then covered with road sweepings and left for 24 hours, before it was taken away the next day. Despite searching through the waste pile, it was not possible to identify the ignition source for the fire.

Chester View Extra Scheme

- 19 Chester View is a three storey 'Extra Care scheme' premises, whereby the property is owned and maintained by Hanover Housing with a tenancy agreement in place for each resident. DCC Staff provide a 24-hour care service for the residents. Each of the 36 flats has a Tunstall BS5839 part 6 smoke detectors fitted within the hall. In addition, there is also a detector linked to the premises as per BS5839 part 1 system These detectors are linked to the main fire alarm panel located in the entrance lobby.
- 20 On 11 February 2024 staff were alerted by the Tunstall system at 20:20pm which detected smoke and directed them to Flat, number 29. Two staff members responded immediately and on opening the door to the flat discovered excess smoke. They noticed a perching stool in the corner of the hallway straight ahead of them. The stool had pile of papers on it, which were at this point alight. The flat tenant was in bed and was unaware of the smoke/fire. One member of staff immediately went into the bedroom and escorted the tenant to his feet and out of the flat at speed. Whilst the other staff member waited outside the door in the hallway. At this point another member of staff arrived, entered the flat, went into the kitchen, filled a bucket with water and doused the flames. Once everyone was out of the flat the staff closed the flat door. The tenant was led to safety.
- 21 As a result of this incident the fire alarm for the premises was fully activated, and Anchor on-call were informed by staff via the fire panel and Anchor On-call button. When the fire service arrived, the fire in the flat was extinguished and made safe.
- 22 It is believed the fire started due to a lit cigarette on the pile of papers. The tenant is a known smoker, he is known to the fire service and a representative from the fire service visited him on 07 April 2024 prior to the fire to assess his flat, and to spray his furniture and carpets. Another visit took place post the fire and a suggestion was made that the tenant try to use vapes instead of cigarettes, staff now regularly move the letters, papers and other post to avoid any accumulation of flammable material in the flat.

- 23 A meeting has taken place with the tenant his social worker and representatives of Anchor to discuss his behaviours and the fact that due to the incident the tenancy agreement for the flat is at risk of being terminated. The personal risk assessments for the individual have been reviewed and more robust strategies have been put into place to further minimise the fire risks around smoking.

Enforcement Body Activity and Interventions

- 24 There were no County Durham and Darlington Fire and Rescue Service (CDDFRS) inspections of council premises during quarter four.
- 25 There were two notification of contravention (NOC) Health and Safety Executive actions issued in Quarter four. These were as follows:

Shildon Sunnydale

- 26 The HSE NOC was issued following an incident in August 2022 and referenced the council and two other contractors. This related to material breaches of H&S legislation associated with the removal of a biomass boiler by a council appointed contractor at Shildon Sunnydale site in August 2022. The removal methods used resulted in asbestos containing materials being disturbed in an uncontrolled manner and contamination of plant and materials. Contractors working on site were also put at risk from exposure to asbestos as a result of their unsafe working practices. The appointed contractors also breached Construction Design and Management (CDM) and work at height regulations whilst the council was deemed to have breached CDM regulations in relation to planning, project management, monitoring of works and principal contractor appointment.
- 27 The council services and processes cited in the HSE Inspectors letter related to the low carbon energy team, corporate procurement and the construction consultancy service. The councils H&S team undertook a thorough and timely investigation and produced a report of which the recommendations have been implemented. This information has been provided to the HSE.
- 28 Following the HSE NOC in relation to Shildon Sunnydale school, the councils corporate training and H&S team have worked together to arrange a repeat of CDM duty holder training. The council, by virtue of its activities has CDM duty holders across all services and therefore there is a responsibility to ensure that these duty holders are fully aware and are able to discharge their statutory responsibilities. Duty holders are identified in the regulations as follows:

Commercial clients –Services and/or individuals for whom a construction project is carried out that is done as part of council business.

<p>Designers – Services and/or individuals who as part of council business, prepare or modify designs for a building, product or system relating to construction work.</p>
<p>Principal designers - Designers appointed by the client in projects involving more than one contractor. They can be a service and/or an individual with sufficient knowledge, experience and ability to carry out the role.</p>
<p>Principal contractors – Contractors appointed by the client to coordinate the construction phase of a project where it involves more than one contractor.</p>
<p>Contractors – Those who carry out the actual construction work, contractors can be an individual or a company.</p>
<p>Workers – Those working for or under the control of contractors on a construction site.</p>

- 29 This training commences in May 2024 and focuses firstly on principal contractor and contractor duty holders within the council. Work has commenced on the identification of client duty holders within the council and training will be provided to that cohort next. There will also be a consideration as to most effective method with regards to maintained schools who can be clients as defined by the regulations and will therefore require appropriate training.

Framwellgate Moor Primary School

- 30 As indicated in the Quarter three report, the HSE launched their annual asbestos management campaign which involves HSE inspector visits to various premises across all sectors. This activity focuses anyone with responsibilities for buildings to do everything they must do to comply with the law and prevent exposure to this dangerous substance.
- 31 An HSE inspector visited Framwellgate Moor primary school on 6 March 2024 and issued a NOC following finding material breaches of The Control of Asbestos Regulations 2012. These breaches involved schools management of contractor selection, supervision and monitoring on site, staff training, asbestos management plan content and an outstanding action from the asbestos management plan. A response has been prepared for the HSE inspector so that the NOC can be completed and assurances provided. A series of further actions have been identified and communications with all schools will take place regarding roles and responsibilities in relation to asbestos management.

Kelly's Bakery, Annfield Plain.

- 32 A significant incident occurred during the demolition phase of Kelly's bakery, Clavering Place, Annfield Plain on Sunday 21 January 2024. The demolition of the building was being undertaken by an externally appointed contractor, A Buckler (Haulage) Ltd. On Friday 19 January 2024 at 1000 hrs the Met Office issued an amber severe weather warning (Storm Isha) with areas of particular concern including much of northern England. On the day of the incident, Storm Isha was delivering strong winds and heavy rain across the northern half of the UK. On Sunday the 21 January 2024 a resident heard a loud noise and upon investigating discovered that large amounts of debris had fallen from the structure and into the street which was segregated, pushing the fence over, across the designated footway and into a garage door.
- 33 The resident reported these concerns to the council and it was established that the contractor had not reported this to the council, which was required as part of their contract. The council then undertook an investigation into the incident and has since reported this incident to the HSE, on behalf of the contractor, as a dangerous occurrence in accordance with RIDDOR reporting regulations. Further action is being taken with the contractor regarding the incident and failure to report this.

Durham Bus Station

- 34 A number of pedestrian and vehicle related incidents were reported following the opening of the bus station in January 2024, which indicated possible defects with some areas of the tarmac surfacing. Bus operators also raised concerns following indications that buses were 'skidding' after applying their brakes on the surface at the northern entrance to the bus station where drop off points are situated. An investigation into the incidents showed that whilst the vehicle incidents were predominantly down to driver errors, the pedestrian slip, trip fall incidents and videos provided by bus operators supported the theory that the surface applied by Tarmac was defective in terms of slip and skid resistance.
- 35 Whilst assurance testing was being arranged, short term actions were taken to put control measures in place, which included provision of sand to surfacing, rubber matting to pedestrian crossing points and additional slip resistant surfacing being applied. Independent slip and skid resistance assurance testing was then undertaken and this confirmed that the surface finish was defective and further works had to be undertaken to prevent further incidents taking place.
- 36 An action plan was then developed in response to the independent slip and skid resistant testing results and this included remedial works to the surface, starting at priority areas where incidents had taken place and where risks of footfall and vehicle movement were foreseeably the highest. Following remedial surface works being undertaken, immediate independent slip and skid resistant assurance testing was then repeated and it is positive that this now indicates this now meets the required standards and controls risks

accordingly. Further independent assurance testing will take place for the remainder of the site to decide if further remedial surfacing works are required.

Employee Health and Wellbeing

- 37 The employee better health at work group, chaired by Corporate Director Adult and Health Services, convened again during this quarter and identified ongoing interventions and communications which were again aimed at raising awareness of support and interventions available and ensuring employees were able to access this where required.
- 38 Some of the main activities during the quarter involved employee communications associated with the resources provided to support better health at work, time to talk day on 1 Feb 2024, blue Monday, dry January and alcohol awareness sessions.
- 39 There was also progression towards the council achieving better health at work ambassador status having already achieved the maintaining excellence standard for the award. This will involve a further staff health and wellbeing survey which is due to be delivered in 2024. There was also a review of mental health first aid provision across the council to ensure that there is adequate coverage across sites.

Open Water Safety

- 40 The City Safety Group met during the quarter and continued to review the city centre related open water safety related risks amongst other key city centre issues. It was agreed that the Royal Society for the Prevention of Accidents should return once the new Milburngate development is open and it is clear how the new infrastructure is going to be used by members of the public, giving time for behaviours to develop so that a further assessment can be carried out to see if any additional risks are identified. Although there were no significant incidents reported and reviewed, there continued to be a number of incidents within the city centre, primarily near various bridges, associated with mental health and emergency services being called out to assist individuals in mental health crisis requiring support which was provided. There was only one river incident where persons had entered the water and staff from Jimmy Allen's assisted two students out of the river after falling in whilst 'messaging about'. Both were treated for the effects of the cold water but fine afterwards.
- 41 The County wide open water safety group also convened during quarter four. The group reviewed incident data and concluded that once again the majority of incidents were city centre related. There have been no reported water safety incidents on the online incident reporting system for areas other than the city centre. A total 13 open water safety risk assessments were undertaken during quarter four across high priority sites.

42 In terms of awareness and education activities planned, CDDFRS and partners will be promoting national water safety week which commences 22 April 2024. The councils communications team will link with counterparts at the Police and CDDFRS communications teams around this. There are also activities planned for world drowning prevention day on 25 July 2024 and world drowning prevention week in June 2024. The council, via its schools aquatic manager, has been involved in a national group in developing the information for water safety to be added into the school's curriculum. It is anticipated this may be completed prior to the summer school holiday period.

Radon Gas Management

43 Following the review of Radon gas management across corporate property the delivery programme progressed during the quarter against schedule. A systematic approach to assessment of buildings was agreed and the initial programme of assessments commenced from October 2023.

44 Building compliance team have managed and arranged placement of monitors in 803 buildings in total. Of those building compliance team have received 298 returns, three of which have readings in excess of the thresholds for radon. Those are Cassop Primary, St Helen Auckland Primary (now an academy), Ferryhill the Woodlands.

45 Remedial actions have already been completed in Cassop primary with engineering controls being installed in the basement area. Work with the radiation protection adviser is continuing to ensure control measures are implemented across the other two sites with elevated levels. There are a total of 37% of building fully tested to date with results being provided, recorded and actioned on an ongoing basis.

Violence and Aggression – Potentially Violent Persons Register (PVPR)

46 At the close of this quarter, there were 199 live entries on the PVPR register.

The total number of **live entries** at the end of each quarter are as follows:

The total number of live entries at the end of each quarter are as follows:				The total number of additions at the end of each quarter are as follows:			
	21-22	22-23	23 - 24		21-22	22-23	23 - 24
Q1	55	85	137	Q1	12	22	41
Q2	47	89	173	Q2	8	21	50
Q3	66	100	199	Q3	30	35	50
Q4	75	113	191	Q4	24	38	23
				Total	74	116	164

The total number of **extensions** at the end of each quarter are as follows:

	21-22	22-23	23 - 24
Q1			10
Q2			21
Q3		9	18
Q4		8	7
Total		17	56

**Data was not recorded pre Q3 (22-23)*

The total number of **removals** at the end of each quarter are as follows:

	21-22	22-23	23 - 24
Q1	20	12	17
Q2	16	17	17
Q3	11	24	19
Q4	14	29	40
Total	61	82	93

The total number of **warning letters** sent at the end of each quarter are as follows:

	21-22	22-23	23 - 24
Q1	3	12	10
Q2	0	4	13
Q3	12	11	18
Q4	8	10	12
Total	23	37	53

The total number of **appeals** at the end of each quarter are as follows:

	21-22	22-23	23 - 24
Q1	0	1	0
Q2	0	0	2
Q3	0	3	2
Q4	1	1	0
Total	1	5	4

The appeals during 23-24 were all rejected.

Occupational Health

Management Referrals

- 47 During Quarter 4, 267 employees participated in clinical consultations with the OHS, following management referral in relation to Long Term Sickness Absence (LTSA), Short Term Sickness Absence (STSA), Management Concerns (Man Con) Reviews, and Re referral appointments, Long Term Sickness Absence/Short Term Sickness Absence (LTSA/STSA) and Covid.
- 48 During Q4, 54 employees did not attend their allocated appointment following management referral. This represents a 17% non-attendance rate and equates to 11 days of clinic time. See Charts 3 & 3a

Chart 1

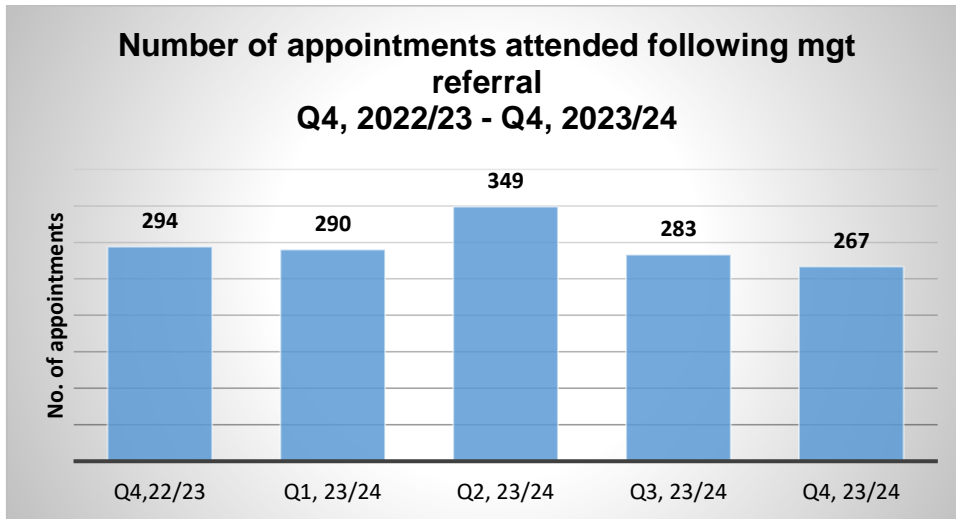


Chart 2 shows the categorisation of management referral appointments attended.

Chart 2

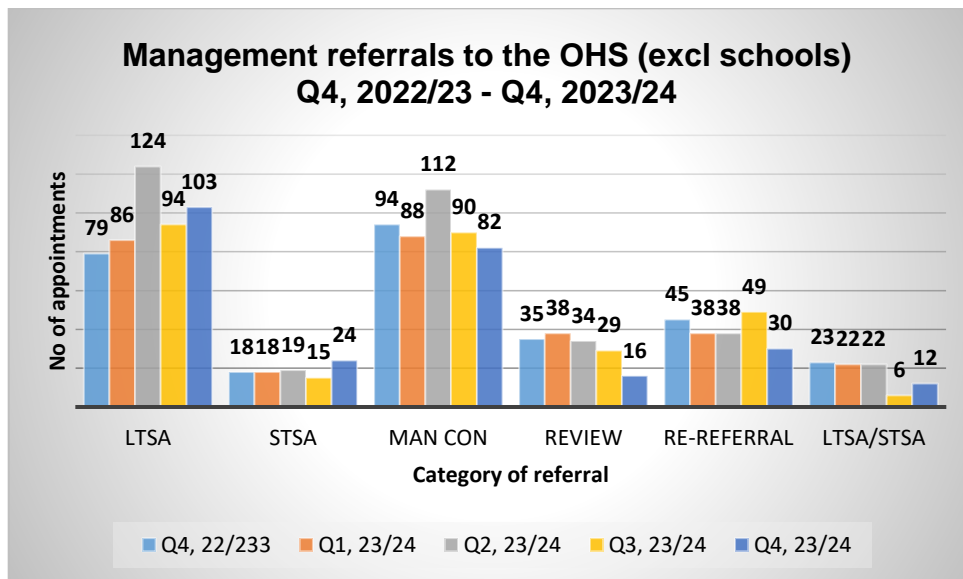


Chart 3

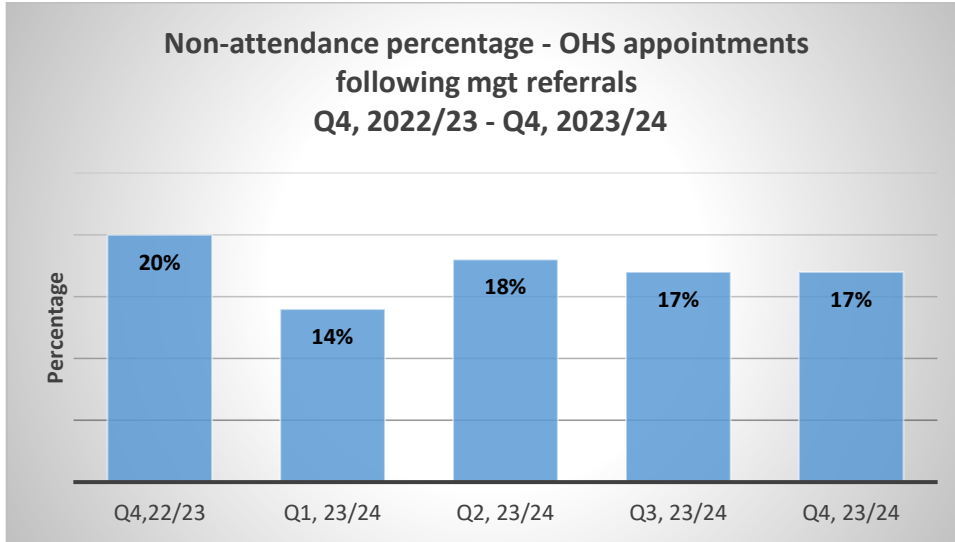


Chart 3a

Non-attendance - OHS appointments following mgt referral by Service	AHS	CYPS	NCC	REG	Res	Q4	Q3	Q2	Q1	Q4
						23/24	23/24	23/24	23/24	22/23
Q4, 2023/24						Total	Total	Total	Total	Total
Number failed to attend	7	21	12	9	5	54	47	67	47	72

49 During Quarter 4, 103 employees were seen for LTSA of which 20% (n=21) stated to the OHS that they consider the underlying cause to be due to work related factors. Of the employees, 86% (n=18) identified this was due to 'psychological' reasons and 14% (n=3) identified as 'musculoskeletal' See Charts 4 & 5. Chart 6 shows the cause of absence categories for non-work related LTSA seen in the OHS, 17% (n=14) were due to psychological reasons; 34% (n=28) were due to musculoskeletal problems and 49% (n=40) were due to other reasons.

Chart 4

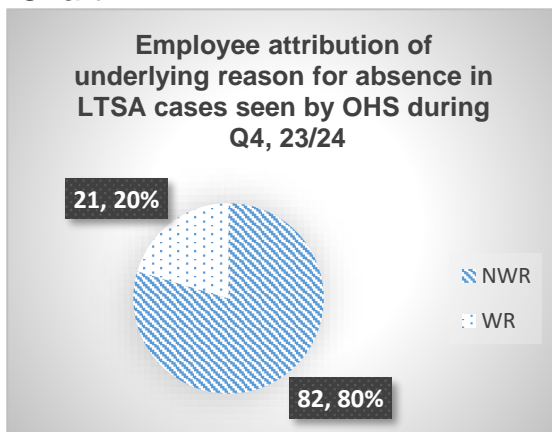


Chart 5

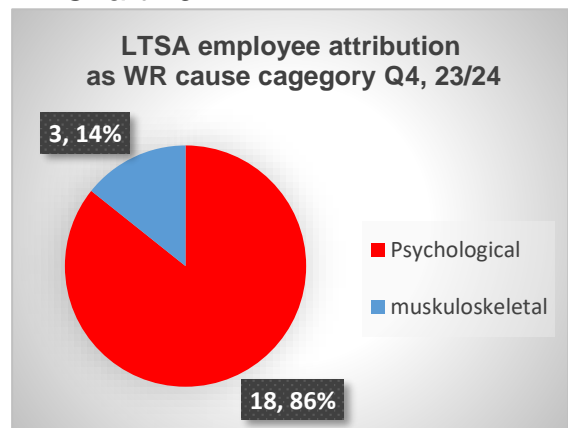
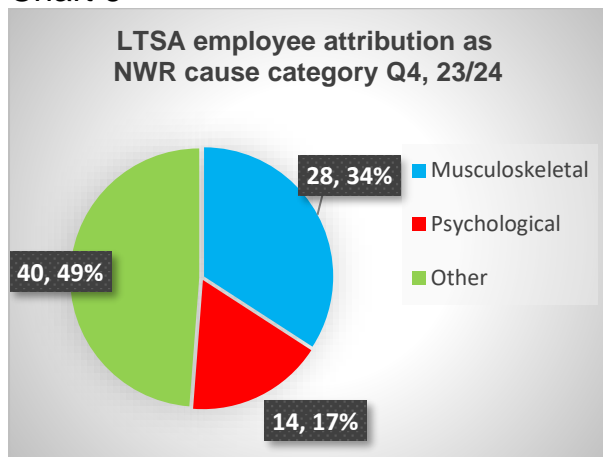


Chart 6



- 50 During Q4, 82 employees were seen as a management concern, 18% (n=15) of these referrals stated to the OHS that they consider the underlying cause to be due to work related factors. (Chart 7) Of the employees seen 67% (n=10) of the work related and 15% (n=10) of the non-work related were due to psychological reasons, by referring to the OHS support, advice and signposting to EAP can be given at an early stage and hopefully prevent an absence from work. Musculoskeletal problems accounted for 25% of non-work related and 13% of work-related management concern referrals, identifying these issues before they result in an absence from work and allow early intervention which could include referral to physiotherapy. Although not all Absences are work related, they can have an impact on work and the wellbeing of employees. (Chart 8 & 9)
- 51 Further analysis of the data relating to management concern referrals identified that 7% of the LTSA referrals received in Q4 were seen in the previous 12 months as a management concern referral.
- 52 During Quarter 4, the OHS provided the following additional support services. See Table 1.

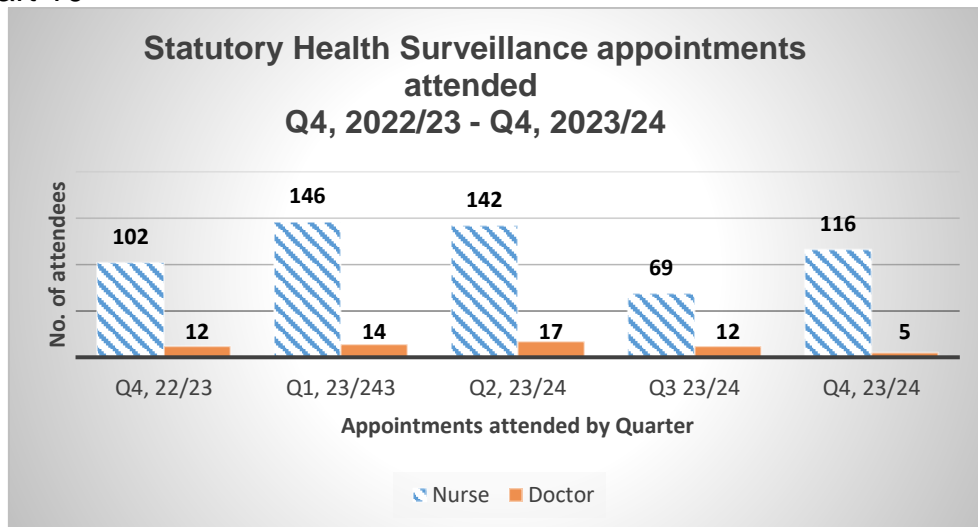
Table 1

Additional Support services accessed via the OHS	A& HS	CYP S	NCC	REG	Res	CE	Service not detailed	Q4	Q3	Q2	Q1	Q4
								23/24	23/24	23/24	23/24	22/23
								Total	Total	Total	Total	Total
Number of routine physiotherapy referrals	14	21	10	12	13	0	-	70	48	65	70	74
Number of routine physiotherapy sessions	30	41	39	20	29	0	-	159	123	150	144	174
Number of 'face to face' counselling referrals	0	1	4	2	1	0	-	8	7	6	2	6
Number of 'face to face' counselling sessions	0	11	7	1	0	0	-	19	7	30	6	15
Total number of calls to the EAP	16	32	14	0	16	0	37	115	104	150	134	160
Telephone EAP structured counselling cases	0	0	0	0	0	0	0	0	2	10	4	5
Telephone EAP structured counselling sessions	0	0	0	0	0	0	0	0	27	52	7	40
Employees referred to online counselling	1	3	1	0	3	0	2	10	3	3	6	13
Online Counselling Sessions	6	20	0	0	4	0	8		7	23	37	49
Employees referred to online CBT	0	1	0	0	0	0	1		4	5	3	0
Online CBT sessions	0	0	0	0	0	0	3		4	5	2	0

53 The OHS continues to provide statutory health surveillance programmes to employees in line with HSE guidelines. Some health surveillance clinics are carried out on site to minimise the effect on service delivery.

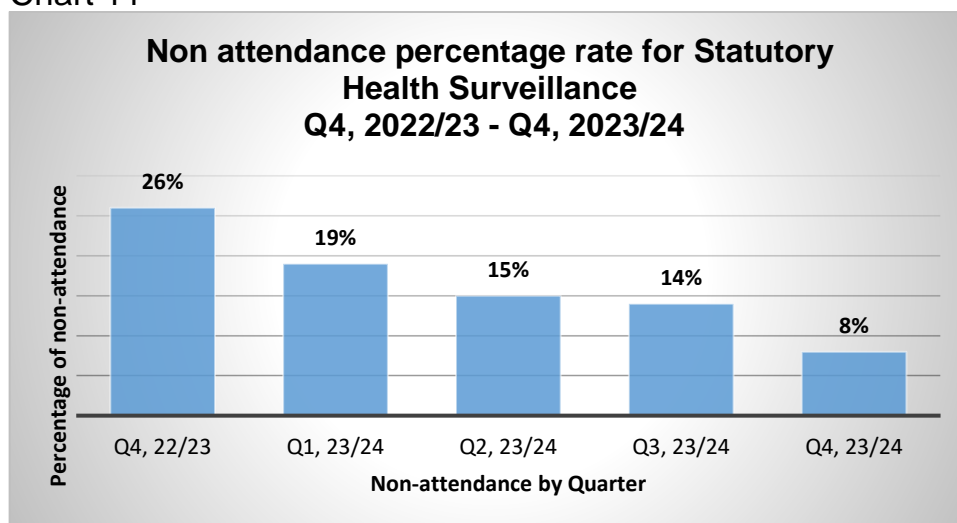
- 54 During Quarter 4, a total of 121 employees attended OHS appointments for routine statutory health surveillance, 116 with an Occupational Health Nurse and 5 with an Occupational Health Doctor

Chart 10



- 55 During Quarter 4, 8% (n=11) employees failed to attend their appointment with the OHS in relation to statutory health surveillance. This equates to 1.5 days of clinic time lost. See Chart 11.

Chart 11



- 56 During Q4 the OHS have continued to provide Hepatitis B immunisation to employees whose job role has been identified via risk assessment as requiring an offer of Hepatitis B immunisation, administering a total of 13 vaccines. During Q4 there were no inoculation incidents reported to the OHS

Occupational Health Activity Data DCC related activity (note this data does not include Local Authority Maintained Schools).	Q4 2023/2 4 Total	Q3 2023/2 4 Total	Q2 2023/2 4 Total	Q1 2023/2 4 Total	Q4 2022/2 3 Total
Appointment category	Total	Total	Total	Total	Total
Pre-Employment/Pre-Placement assessments Of which attended an appointment	367 172	533 117	625 13	564 38	458 22
Management referrals seen – Long Term Sickness	103	94	124	86	79
Management referrals seen – Short Term Sickness	24	15	19	18	18
Management Referrals seen -Long/Short Term Sickness	12	6	22	22	23
New Management Concern referrals seen	82	90	112	88	94
Review appointments seen	16	29	34	38	35
Re-referrals seen	49	49	38	38	45
Statutory Health Surveillance Assessments Attended (Nurse)	116	69	144	127	102
Music Service audiometry attended	1	0	14	19	10
School Crossing Patroller Routine Medicals	11	11	1	3	10
Driver Medicals (DVLA Group 2) e.g. HGV	41	32	14	26	18
Night Worker assessments (Working Time Regs 1998)	0	0	15	2	0
Immunisations against occupationally related infections	13	2	20	12	9
'Flu' Immunisations	1	261	0	0	0
Inoculation injury OHS Assessments – where injury has been reported to the OHS	0	1	0	2	0
HAVS Postal Questionnaires sent	13	95	107	125	128
HAVS Postal Questionnaires returned percentage rate	100%	27%	56%	86%	30%
Did Not Attend (DNA) for statutory health surveillance appointment	11	13	14	17	36
Music Service DNA	0	1	2	0	1
DNA – Management Referral appointments with the OHS (excluding health surveillance)	54	47	67	47	72

Corporate risks that may have an impact on Health and Safety

57 The below tables detail the corporate risk that may have an impact on Health and Safety at the end of December 2023.

Health and Safety Related Strategic Risks

Ref	Service	Risk	Treatment
1	CYPS	Failure to protect a child from death or serious harm (where service failure is a factor or issue).	Treat
2	REG	Serious injury or loss of life due to Safeguarding failure (Transport Service).	The current controls are considered adequate.
3	AHS	Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).	Treat
4	NCC	Breach of duty under Civil Contingencies Act by failing to prepare for, respond to and recover from a major incident , leading to a civil emergency.	Treat
5	RES	Serious breach of Health and Safety Legislation	The current controls are considered adequate.
6	REG	Potential serious injury or loss of life due to the council failing to meet its statutory, regulatory and best practice responsibilities for property and land .	Treat
7	RES	Potential violence and aggression towards members and employees from members of the public	The current controls are considered adequate.
8	NCC	Demand pressures on the Community Protection inspections and interventions	Treat

		arising from the UK exit from the EU may lead to an adverse impact on public health and safety in Co Durham.	
9	NCC	Potential impacts of the spread of Ash Dieback Disease on the environment, public safety, and council finances.	Treat
10	NCC	Risk that the council is unable to meet its responsibilities under the Terrorism (Protection of Premises) Bill when enacted, which sets to improve protective security and organisational preparedness at publicly accessible locations.	The current controls are considered adequate.

Main implications

Legal

- 58 Compliance with statutory legislative requirements reduce risks of enforcement action and/or prosecution against the council or individuals. It will also assist in defending civil claims against the council from employees and members of the public, including service users.

Finance

- 59 Compliance with legislative requirements will reduce increased service delivery costs, financial penalties associated with H&S sentencing guidelines 2016 and successful civil claims against the council. Financial costs may be insured to some degree and uninsured in some cases, with poor outcomes possibly leading to increased insurance premiums. Financial implications also include staff absence associated with physical and mental ill health, staff training, retention, recruitment, and productivity.

Staffing

- 60 In relation to impact on staffing due to employee absence from injury or ill health, attendance management, employee complaints and grievances, recruitment, selection, and retention of employees.

Conclusions

- 61 Accident statistics in general for quarter four showed a decrease from previous quarters and 2023/24 indicates a 9.45% decrease in accidents and incidents over across the council. Whilst a further two RIDDOR reportable specified injuries occurred during quarter, these remain relatively low given the council activities and risks. There have been 10 RIDDOR reportable specified injuries in 2023/24 and this is the highest return across a four year period so further risk analysis and review is required in relation to these. It is positive however that the majority of accidents and incidents reported are either no or minor injuries.
- 62 Whilst disappointing to receive two notification of contravention letters in the quarter, these provide further opportunities to review and improve processes and management standards within the council relating to asbestos management and CDM.
- 63 The radon gas management programme continues to progress well and the return of almost 37% of results in the priority premises enables a good level of assurance to be evidenced.
- 64 Positive action was taken in relation to the poor performance of a demolition contractor and this approach should be considered and adopted for future high risk and high-cost contracts where contractors are not meeting their contractual obligations and working to the required standards.
- 65 The continued proactive audit and inspection activity by the H&S team continues to provide opportunities for improvement in relation to the working practices and procedures, with 175 audits resulting in almost 500 flagged items for improvement being identified during the quarter. Most items identified continue to be low priority which is positive.
- 66 In terms of fire safety, it was positive that the outcomes of the fire incidents did not involve any injuries and significant property damage. That said, there were recommendations made following the incidents in terms of procedures, risk assessments and training.

Other useful documents

- Occupational Health Quarter four 2023/24 Report.
- Health, Safety and Wellbeing statistical Quarter four 2023/24 report.

Author

Kevin Lough

Tel: 03000 263381

Appendix 1: Implications

Legal Implications

Failure to comply with statutory legislative requirements may result in enforcement action and/or prosecution against the council or individuals. There are risks from civil claims against the council from employees and members of the public, including service users.

Finance

Failure to comply with statutory legislative requirements may result in enforcement action, including prosecution against the council or individuals. These enforcement actions may result in increased service delivery costs, financial penalties associated with H&S sentencing guidelines 2016 and successful civil claims against the council. Financial costs may be insured to some degree and uninsured in some cases, with poor outcomes possibly leading to increased insurance premiums.

Consultation

Service Grouping strategic managers and operational management staff have been consulted in the preparation of this report.

Equality and Diversity / Public Sector Equality Duty

Equality Act compliance ensures consistency in what the council and its employees need to do to make their workplaces a fair environment and workplace reasonable adjustments are required.

Climate change

None

Human Rights

The right to a safe work environment, enshrined in Article seven of the International Covenant on Economic, Social and Cultural Rights, links with numerous human rights, including the right to physical and mental health and well-being and the right to life.

Crime and Disorder

None.

Staffing

Potential impact on staffing levels due to injury and ill health related absence, staff retention and replacement staff.

Accommodation

The report references H&S related risks associated with workplaces some of which may have impact on accommodation design and provision of safety systems and features.

Risk

This report considers physical and psychological risks to employees, service users and members of the public. Risks also relate to the failure to comply with statutory legislative requirements, which may result in civil action being brought against the council and enforcement action, including prosecution against the council or individuals. These enforcement actions may result in financial penalties, loss of reputation and reduction in business continuity.

Procurement

None

Audit Committee

20 May 2024

**Annual Governance Statement
for the year ended 31 March
2023: Actions Update**



Report of Paul Darby, Corporate Director of Resources

**Councillor Richard Bell, Deputy Leader and Cabinet member for
Finance**

Purpose of the Report

- 1 This report provides the Audit Committee with an update on the progress being made in relation to the actions arising from the Council's Annual Governance Statement (AGS) for the year ended 31 March 2023, building on the update that was provided to Audit Committee on 27 November 2023.

Executive summary

- 2 The Accounts and Audit (England) Regulations 2015 require the Council to prepare an AGS, which must accompany the Statement of Accounts.
- 3 The AGS demonstrates how the Council complies with the principles of good governance. The review of effectiveness of the Council's arrangements for 2022/23 concluded that seven actions, listed in appendix 2 to this report, should be included in the plan of improvements to strengthen governance arrangements during 2023/24.
- 4 Attached at appendix 2 is an update on the progress being made in relation to the actions arising from the Council's AGS for the year ended 31 March 2023.

Recommendation

- 5 Audit Committee is requested to note the progress that has been made against each of the improvement actions, as set out in appendix 2.

Author

Kevin Roberts

Tel: 03000 269657

Appendix 1: Implications

Legal Implications

The governance review process ensures that the Council discharges its statutory duties under the Local Government Act 1999 and the Accounts and Audit Regulations 2015 as set out at paragraphs 2 and 4 of the report. The Code of Corporate Governance enables the Council to demonstrate how it complies with the Delivering Good Governance in Local Government Framework 2016.

Finance

There are no financial implications associated with this report. However, financial planning and management is a key component of effective corporate governance.

Consultation

Engaging local communities meets a core principle of the CIPFA/ SOLACE guidance.

Equality and Diversity / Public Sector Equality Duty

Engaging local communities including hard to reach groups meets a core principle of the CIPFA/ SOLACE guidance.

Climate Change

There are no direct climate change implications, but good governance helps to avoid or minimise adverse impacts.

Human Rights

None

Crime and Disorder

None

Staffing

There are no impacts on staffing but ensuring the adequate capability of staff meets a core principle of the CIPFA/ SOLACE guidance.

Accommodation

There are no accommodation implications, but asset management is a key component of effective corporate governance.

Risk

There are no reportable risks associated with the report, but the assessment of corporate risk is a key component of the Council's governance arrangements.

Procurement

None

Appendix 2: Annual Governance Statement for the year April 2022 to March 2023 – Actions Update

Progress against each action is shown in the table below.

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
1	Review the approach to residential and nursing care, taking into account market reshaping required as a result of capacity in the market, the Covid-19 pandemic and changing preferences in terms of care, with the aim of ensuring a sustainable and high-quality care market.	Optimising achievement of intended outcomes (4.34)	Head of Integrated Commissioning	31/03/2025	<p>This action is on schedule.</p> <p>This action remains on schedule. Three workstreams have been established, covering the main segments of the Market Shaping work. Initial meetings were held late in 2023, and full workstream meetings have commenced in early 2024.</p> <p>A range of provider representatives have joined the meetings, ensuring a spread of provider views are represented. Governance arrangements are working well and an early progress update will be made to commissioning management team in Spring 2024.</p>

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
2	Develop a new corporate cyber recovery plan for key digital services with prioritised recovery targets and business continuity plans to further strengthen the Council's resilience to a successful cyber-attack.	Developing the Council's capacity: ensures the continuing effectiveness of its operations, performance, and use of assets (4.37)	Head of Digital Services	March 2024	<p>This action is progressing well, but completion has been rescheduled to 31 December 2024.</p> <p>In response to national planning for potential power outages, the Civil Contingencies Unit (CCU) led a corporate programme to review business continuity plans for all council services. As the impact of power outages would be very similar to that of a cyber-attack (loss of digital services for an extended period), the Digital Services team and CCU worked together to meet with each service lead to review each service plan for both business continuity (CCU led) and disaster recovery (Digital Services led). The programme was completed in April 2024, resulting in a revised corporate business continuity plan and, for each service, a revised Digital Disaster Recovery Plan, including prioritised recovery based on a Business Impact Assessment. Programme governance is through Digital Services Management Team and the Business Continuity Management Board.</p> <p>Initial findings from the work will be shared with management teams in early 2024/25 and a full plan will be developed by December 2024. This process includes capturing and implementing lessons learned as the project advances. Additionally, discussions with insurers are ongoing to confirm whether a business interruption service is included in the event of a cyber incident, ensuring that expert external support is available to assist in restoring systems.</p> <p>The business continuity plan outlines critical priority systems that must be swiftly restored following a cyber disruption to ensure the delivery of essential public services. It also</p>

					<p>specifies the minimum required internal staff to respond effectively to a cyber incident. Colleagues throughout the council have been engaging in cyber recovery awareness sessions with digital and civil contingencies staff to refine cyber security assumptions and business continuity planning requirements.</p>
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No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
3	Implement our Poverty Strategy and Action Plan to help protect residents most at risk of poverty and exclusion, increase equality of opportunity and ensure fewer people are affected by poverty and deprivation.	Sustainable economic, social, and environmental benefits: ensure fair treatment and fair access to services and opportunities (4.29)	Head of Transactional and Customer Services	31/03/2026	<p>This action is on schedule.</p> <p>Poverty Action Steering Group strategy and action plan was approved by Cabinet in November 2022. A review has taken place and presented to cabinet in February 2024. Further review of the terms of reference to take place in Q1 2024 and performance framework is being developed to monitor success of the action plan.</p> <p>Progress has been made towards all four objectives. Below are some examples of the progress made so far: -</p> <p>Objective 1 – Use intelligence and data to target support to low-income households: Purchase of paycheck data drilled down to a post code level to enhance the groups intelligence, DWP permission to support re-use of data for benefit take up and maximisation, widened the first point of contact offer to help those in financial difficulty.</p> <p>Objective 2 – Reduce the financial pressures on people facing or in poverty: Funding towards the ‘fun and food’ school holiday activities, delivery of a third The Bread and Butter Thing van to 15 hubs, supported the advice in County Durham Partnership to ensure their referral pathways are effective</p> <p>Objective 3 – Increase individual, household and community resilience to poverty: Introduction of cost of living advice and support and debt advice services through partners, delivered training programmes to front line staff for financial literacy</p> <p>Objective 4 – Reduce barriers to accessing services for those experiencing financial insecurity: refresh the first point of</p>

					contact offer at customer access points to focus on digital inclusion, promote the availability of social tariffs for those in receipt of certain benefits, use data and intelligence to identify our most vulnerable communities and support them to access appropriate support.
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No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
4	Deliver Actions from the Growing up in County Durham Strategy 2023-25, including working with the strengths and opportunities in local communities to develop a network of family hubs which can support the delivery of a range of local community support and services to children, young people and families.	Planning interventions: arrangements for planning the interventions for the achievement of intended outcomes (4.33)	Head of Early Help, Inclusion and Vulnerable Children	31/03/2025	<p>This action is on schedule.</p> <p>Durham has in line with DfE Family Hub and Start for Life programme 15 Family Hubs providing a ‘one stop shop’ to a wide range of family support for families with children aged 0-19 years and 25 years with SEND. This includes a universal and targeted Start for Life offer from pregnancy until a child reaches two years of age aimed at promoting nurturing parenting, a positive home learning environment and the health and wellbeing of the child and family. All expectant and new parents are now provided with this offer in both paper form and digitally.</p> <p>For more information on the Start for Life offer visit www.durham.gov.uk/helpforfamilies</p> <p>A multiagency Family Hub and Start for Life Implementation group is established and responsible for the development of a comprehensive delivery plan which is driving the transformation required to meet all the expectations as set out in DfE programme guide.</p> <p>Governance is provided through the Prevention and Early Help Partnership - responsible for broader early help work and Department for Levelling Up Housing and Communities (DLUHC) Supporting Families programme – with reporting up to the Starting Well Partnership, with clear lines of communication with the Best Start in Life Working Group, which has a number of key priority actions linked to the Start for Life offer.</p>

					<p>An established Parent and Carer Panel (PCP) has supported the development and design of the Family Hub offer through coproduction activities. Durham's PCP has been shared as best practice nationally.</p> <p>Co-location of health visiting teams within Family Hubs is now complete, and a plan of co-location for Midwifery teams is underway, where co-location is not possible due to size and locality of the individual Family Hub, clinical rooms have been established to support service delivery of midwifery services from all Family Hubs, improving access to support to families.</p>
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No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
5	Through the Health, Safety and Wellbeing (HSW) Strategy, deliver the HSW programme to support the development of a positive culture and to ensure that our employees and those who may be affected by what we do, go home safe and well every day.	Developing the capability of the Council's leadership and others: maintain effective arrangements to meet employees' needs of training, development, health, and wellbeing (4.46)	Head of Corporate Property and Land	31/03/2024	<p>All risk measures and mitigations remain on track against delivery dates.</p> <ul style="list-style-type: none"> • Annual Review of Council's HSW policy last completed Feb 2024. • Corporate Health, Safety and Wellbeing Strategic Group continues to convene on a quarterly basis to review corporate HSW performance. • All service groupings continue to have quarterly HSW consultative committees. • Quarterly HSW performance monitoring to Corporate and Service groupings HSW committees. • Quarterly reporting and analysis of work related near misses, accidents, and ill health. • Annual 2022/23 HSW performance report

					<ul style="list-style-type: none"> • CMT members have taken the lead on a particular H S W topic and promoted to the workforce, such as mental health, exercise, world mental health day, carers and white ribbon accreditation. • Ensuring all managers have completed mandatory HSW related training detailed within the Durham learning and development system. • Provision of HSW related webinars, campaigns, guidance and support for employees based on organisation and public health priorities. • Review of HSW champions and advocates across service to ensure adequate resources and networks exist and are functioning effectively. • Review of Corporate HSW codes of practice and procedures to ensure they reflect statutory requirements and risks • Continuing with the Better Health Award accreditation scheme ensuring that we maintain excellence whilst working towards 'Ambassador Status'. • Accreditation to white ribbon and menopause pledge • Delivery of risk based proactive audit and inspection programme across service groupings and reporting quarterly on outcomes/actions. • Undertaking joint audit and inspections of workplaces and work activities between management, H&S and trade union safety representatives. • Delivery of HSW communications plan based on local and national health and wellbeing priorities, campaigns, and interventions. • Introduction of radon gas management policy. • Completion of RAAC surveys of council owned buildings.
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					<ul style="list-style-type: none">• Further commitment to undertaking further employee engagement in the form of surveys and cultural sampling, next due for the better health at work accreditation.• Continued provision of mental health and wellbeing webinars, campaigns, guidance, and support for employees.• Review of champions network undertaken in relation to wellbeing champions, domestic abuse champions and mental health first aiders.• Annual reviews of corporate H&S policy and procedures to ensure they reflect current and any updated legislative updates.
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No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
6	Develop a digital skills programme and invest in smarter working.	Developing the Council's capacity: improve the management of resources to ensure that they are allocated and utilised in a way that realises outcomes effectively and efficiently (4.38)	Head of Digital Services, Head of Human Resources and Employee Services	31/03/2024	<p>This action is on schedule.</p> <p>We launched our Digital skills program in January 2024 in response to a digital skills staff survey. The program covers a wide range of topics which are designed to ensure that staff have the necessary skills and knowledge to take the organisation forward and work smarter.</p> <p>This 12-month program highlights a key theme each month. Some of the topics are basic computer literacy, Microsoft 365 applications, cyber security, project management and Microsoft Teams.</p> <p>Training is available in a variety of formats such as self-serve, eLearning, virtual and classroom sessions. This is to accommodate different learning styles and fit around different working patterns and schedules.</p> <p>The program can be accessed here. To date over 400 staff have participated in the programme.</p> <p>In addition, a specific training programme has been developed with Adult and Health Services in response to needs identified within the service. The programme is planned to run January 2024 to March 2025. Each month there will be a focus on a different theme / aspects / applications – Teams, Excel, One Note, One Drive, accessibility, etc. To date 274 staff have participated in sessions.</p> <p>The Digital Engagement team have also been holding drop-in sessions across several sites as outlined in the programme,</p>

					<p>assisting people in various areas who traditionally do not have access to devices to explore digital skills such as accessing email and documents on mobile devices. 16 sessions were held focussing on front line staff in Neighbourhoods and Adults. Requests for further training on applications such as Excel has been requested and course outlines are being developed and planned to be launched on the 12th March.</p> <p>The results of these front-line sessions are being analysed and will be presented to managers for consideration.</p>
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No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
7	Develop and implement the Workforce Development Offer and programmes for 2023/24, including utilising opportunities to upskill the workforce.	Developing the Council's capacity: maintain an effective workforce plan, through the Workforce Strategy, to enhance the strategic allocation of resources (4.39)	Head of Human Resources and Employee Services	31/03/2024	<p>This action is on schedule.</p> <p>The corporate learning and development offer for 2023/24 was successfully delivered with a range of new courses added to support corporate priorities e.g. training to support the council to become a Dementia Friendly organisation, mandatory Action Counters Terrorism training, use of social media for investigations and RIPA training.</p> <p>Each year the council has been able to offer a more cost effective and comprehensive programme, building in new council priorities by digitising as much of the corporate offer as possible through the Durham Learning and Development System (DLDS), therefore saving on expensive procurement of face-to-face courses. This approach of digitisation has given more scope to offer more with less, whilst making the courses more accessible to a wider audience.</p>

					<p>The impact of the corporate learning and development offer continues to be evaluated through different mechanisms. The Employee Working Well survey provided an indication of the positive impact of some of the development which has been delivered, particularly those questions which related to how our managers manage and lead teams.</p> <p>An annual review of corporate learning and development priorities for the workforce and agreement by CMT to a refreshed annual programme for each financial year, taking into account core workforce and leadership/management development priorities for the council is undertaken and a report was presented to CMT on 3 April 2024 for this purpose which included proposals to strengthen the offer for 2024/25.</p> <p>Apprenticeships also continue to be used to upskill the workforce through the council's 'apprenticeship first' approach to qualifications and an apprenticeship update report is presented to RMT every 6 months.</p>
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No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
8	Increase self-service of management and performance data by developing a range of business intelligence products.	Developing the Council's capacity: improve the management of resources to ensure that they are allocated and utilised in a way that	Head of Corporate Affairs	31/03/2024	<p>This action is on schedule.</p> <p>A range of dashboards have been developed covering Childrens social care, Adult Social care Education and HR. Deployment to users is expected to begin around the start of the new 2024/25 financial year.</p>

		realises outcomes effectively and efficiently (4.38)			A pipeline of further dashboards including revenues is planned to be developed over the summer 2024.
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No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
9	Implement the Council's response to the Community Engagement and Funding processes review.	Engaging with institutional stakeholders: engage and develop formal/informal partnerships to ensure that the purpose, objectives and intended relationship outcomes are clear (4.21)	Head of Partnerships and Community Engagement	31/03/2024	<p>This action is on schedule.</p> <p>The work towards implementation of Local Networks is continuing. Workstream meetings are taking place to look at specific areas of work that need to be focussed on. The Governance Workstream has completed an initial desk top review of current Terms of Reference and the identified gaps for associated content and documents required for the new Local Network model. Initial drafting of new Terms of Reference has commenced with advice and support from Legal Services. This is continuing to be taken forward and developed further in conjunction with the Model Workstream.</p> <p>The Funding Workstream has delivered phase one of internal funding process improvements and is on track to deliver phase two. The drafting of new funding criteria and guidance documentation has commenced and will be delivered in conjunction with the Governance and Model Workstreams.</p> <p>The Model Workstream is progressing. Discussions with services currently providing additional funding streams around options for future management and how these can be built into the new Local Network Model. Design and development of the Local Network Four Year Plan, Local Network Area Profiles</p>

					<p>and Communication and Engagement functions is underway and will progress in conjunction with the Governance and Model workstreams.</p> <p>The work undertaken within the workstreams is being cascaded through to the overall Steering Group that is overseeing the Community Engagement Review.</p>
No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
10	Further strengthen the alignment of the processes for service planning, financial planning, performance management and service development to deliver increased value for money.	Planning interventions: arrangements for planning the interventions for the achievement of its intended outcomes (4.33)	Head of Corporate Affairs	31/03/2024	<p>This action is on schedule.</p> <p>A Value for Money IT tool has been procured to assist with understanding relative spend, performance and unit cost data. This has been embedded in the MTFP and CMT have approved a revised service planning processes for 2024/25 which will see uniform plans produced at Head of Service level across the organisation. This also includes closer alignment to the budget process, focus on VFM and performance.</p> <p>From quarter 1 2023/24 the quarterly performance report to cabinet has been revised with a much clearer focus on performance through a range of new dashboards setting out trend analysis, comparator analysis etc.</p> <p>The new processes will be revised to include lessons learned before next year's planning cycle.</p>

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
11	Review and refresh the DCC Workforce Strategy	Developing the Council's capacity: maintain an effective workforce plan, through the Workforce Strategy, to enhance the strategic allocation of resources (4.39)	Head of Human Resources and Employee Services	31/03/2024	<p>This action is on schedule.</p> <p>The action plan of workforce initiatives continues to be developed, implemented and monitored with a view to measuring impact.</p> <p>The priorities in the existing workforce strategy are as set out below:</p> <ol style="list-style-type: none"> 1. Planning for the future and refocusing our workforce 2. Building leadership capacity and culture change 3. Developing our workforce 4. Being a good employer <p>A refresh of the workforce strategy to take the Council through the next three years is close to completion for approval by Cabinet in due course.</p>

Audit Strategy Memorandum

Durham County Council

Year ending 31 March 2024



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- 08** Materiality and misstatements

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This document is to be regarded as confidential to Durham County Council. It has been prepared for the sole use of Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit Committee Members
Durham County Council
County Hall
Durham
DH1 5UQ

April 2024

Dear Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2024

We are pleased to present our Audit Strategy Memorandum for Durham County Council for the year ending 31 March 2024. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Durham County Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on 07813 752 053.

Yours faithfully



Cameron Waddell

Mazars LLP

Mazars LLP – The Corner, Bank Chambers, 26 Mosley Street, Newcastle upon Tyne, NE1 1 DF

Tel: 0191 383 6300 – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London EC4M 7AU.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

Mazars LLP
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

01

Section 01:

**Engagement and
responsibilities summary**

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Durham County Council (the Council) for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined overleaf.

At the time of presenting our Audit Strategy Memorandum, there are a series of active consultations in place that could impact upon both the Council's financial statements and the work we are required to undertake. Appendix C summarises the proposals under each of the consultations and further details can be found on the Financial Reporting Council's [website](#). Should the outcome of these consultations affect the risks we have identified or the scope of our work, we will provide further information to the Audit Committee in due course.

1. Engagement and responsibilities summary

Overview engagement responsibilities

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Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or Audit Committee, as Those Charged With Governance, of their responsibilities.

The Corporate Director of Resources is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- consider the appropriateness of the Corporate Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements.

Internal control

Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Durham County Council's internal control.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Council and consider objections made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Value for money

We are also responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

02

Section 02:

Your audit engagement team

2. Your audit engagement team

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Below is your audit engagement team and their contact details.



Cameron Waddell

Key Audit Partner

cameron.waddell@mazars.co.uk

07813 752 053



Mark Outterside

Engagement Manager

mark.outterside@mazars.co.uk

07824 086 593



Rebecca Dearden

Engagement Team Leader

rebecca.dearden@mazars.co.uk

07881 283 351

03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Risk-based Approach

Page 86



3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

3. Audit scope, approach and timeline

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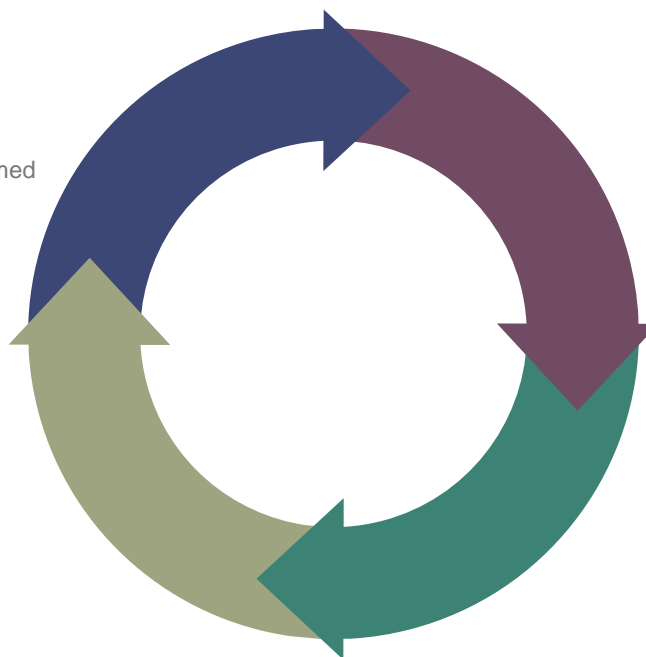
Our proposed timeline for undertaking the audit is summarised below.

Planning and Risk Assessment (March/April 2024)

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Risk identification and assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

Completion (November 2024)

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the independent auditor's report



Interim (March/April 2024)

- Documenting systems and controls
- Performing walkthroughs
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork (June/November 2024)

- Receiving and reviewing draft financial statements
- IT general controls work
- Delivering our audit strategy starting with significant risks and high-risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting

3. Audit scope, approach and timeline

Management’s and our experts

Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit liability	AON Hewitt Limited (Actuary)	Consulting actuary, appointed centrally by the National Audit Office (PwC).
Property, plant and equipment	At the planning stage we have identified the Council’s internal valuer, Align and Sanderson Weatherall as management experts in this area.	We will consider relevant information which is available from third parties, including the consulting valuer, appointed centrally by the National Audit Office.
Financial instrument disclosures	Link Asset Services	We do not typically engage an audit expert to assess the reasonableness for your expert’s financial instrument valuation estimates. Where this is required, we will engage our own internal experts

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

We have not identified any service organisations used by the Council.

04

Section 04:

Significant risks and other key judgement areas

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

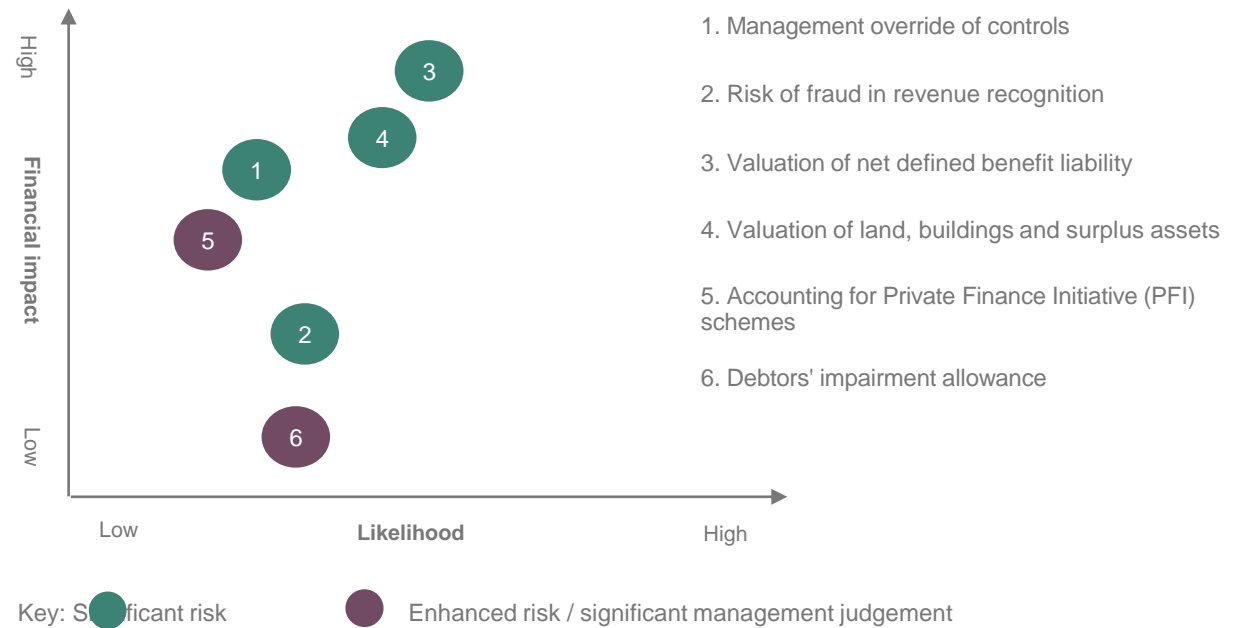
- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to Audit Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Risk of fraud in revenue recognition</p> <p>There is a presumption under the International Auditing Standard that there is a significant risk of fraud in the timing of revenue recognition leading to the material misstatement of revenue overall. This is because revenue is an area of particular focus by users of financial statements and can be subject to judgements.</p>	●	○	○	<p>We plan to address this risk through a range of substantive procedures including:</p> <ul style="list-style-type: none"> • testing fees, charges and other revenue items recorded around year end to ensure they have been recognised in the appropriate year; • testing year end receivables; and • obtaining direct confirmations of year-end bank balances and testing the reconciliations to the ledger.
3	<p>Valuation of net defined benefit liability</p> <p>At 31 March 2023, the financial statements included a defined benefit liability of £470m, a significant reduction of £1,300m compared to the previous year.</p> <p>The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> • critically evaluate the Council's arrangements relevant controls for making estimates in relation to pension entries within the financial statements; and • challenge the reasonableness of the Actuary's assumptions that underpin the relevant entries made in the financial statements, using an expert commissioned by the National Audit Office; • critically assess the competency, objectivity and independence of the Actuary; • liaise with the auditors of the Pension Fund to gain assurance that the overall IAS19 procedures and controls in place at the Pension Fund are operating effectively; • compare assumptions to expected ranges, using information provided by the consulting actuary engaged by the National Audit Office; and • agree data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements.

4. Significant risks and other key judgement areas

	Description	Fraud	Error	Judgement	Planned response
4	<p>Valuation of land, buildings and surplus assets</p> <p>At 31 March 2023 , the financial statements included £968.6m of land and buildings and £34.8m of surplus assets.</p> <p>Although the Council employs valuation experts to provide information on valuations, there remains a high degree of estimation uncertainty associated with the (re)valuations of property, plant and equipment due to the significant judgements and number of variables involved.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> critically assess the Council's arrangements for ensuring that land and buildings and surplus assets valuations are reasonable and not materially misstated; critically assess the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by valuers; consider the competence, skills and experience of the valuers and the instructions issued to the valuers; substantively test revaluations, including critically reviewing the Council's own consideration of assets not revalued in the year and why they are not materially misstated; and where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate.

4. Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Description	Fraud	Error	Judgement	Planned response
5	<p>Accounting for Private Finance Initiative (PFI) schemes</p> <p>Per the 2022/23 financial statements, the Council is deemed to control the services provided under the contracts for Sedgefield Community College (now an Academy), Shotton Hall School (now The Academy at Shotton Hall) and Shotton Hall Primary School. The accounting policies for PFI schemes and similar contracts have been applied to these arrangements.</p> <p>The method of accounting for PFI assets/liabilities is complex, therefore, this increases the risk of misstatement.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> review the Council's adopted approach for accounting for its PFI arrangements; review any changes from prior years to the long-term financial model used; critically review the assumptions made by management; and assess the completeness and accuracy of disclosures.
6	<p>Debtors' impairment allowance</p> <p>At 31 March 2023, the Council disclosed an impairment of debtors' allowance totalling £35.4m as an area of estimation uncertainty.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> critically review the Council's calculation of its impairment of debtors' allowance; and assess whether disclosures are in line with the Code of Audit Practice, including any exemptions relevant to non-contractual debt.

4. Significant risks and other key judgement areas

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, as part of our audit we obtain the views of, and enquire whether Audit Committee has knowledge of, the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications with regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to the Audit Committee which we will obtain prior to completing our audit.

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to Audit Committee which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

05

Section 05:

Value for money arrangements

5. Value for money arrangements

The framework for Value for Money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

2023/24 will be the fourth audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment

Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources include:

- NAO guidance and supporting information;
- information from internal and external sources including regulators;
- knowledge from previous audits and other audit work undertaken in the year; and
- interviews and discussions with officers and Members.

Additional risk-based procedures and evaluation

Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.

Reporting

We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.

Our commentary will also highlight:

- significant weaknesses identified and our recommendations for improvement; and
- emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

5. Value for money arrangements

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

We have not yet fully completed our planning and risk assessment work. We will report the results of our initial work to the Audit Committee on completion. This includes reporting any risk of significant weakness in arrangements that we identify.

06

Section 06:

Fees for audit and other services

6. Fees for audit and other services

Fees for audit and other services

Our fees (exclusive of VAT and disbursements) for the audit of Durham County Council for the year ended 31 March 2024, and for any non-audit assurance services or other non-audit services provided by Mazars LLP in the period, are outlined below.

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA.

Area of work	2023/24 Proposed Fee	2022/23 Actual Fee
Fee in respect of our work under the Code of Audit Practice	£571,098	£206,229
Additional fees in respect of applicable additional audit work and VFM*	-	£63,423
Total	£571,098	£269,652

*Subject to PSAA approval.

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Area of work	2023/24 Proposed Fee	2022/23 Actual Fee
Other services - Housing Benefits Subsidy Assurance	TBC	£17,000
Other services - Teachers' Pensions	TBC	£5,750
Total	TBC	£22,750

07

Section 07:

Our commitment to independence

7. Our commitment to independence



Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Ethical Standard 2019.



Compliance

We are not aware of any relationship between Mazars and Durham County Council that, in our professional judgement, may reasonably be thought to impair our independence. We are independent of Durham County Council and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.



Non-audit and Audit fees

We have set out a summary any non-audit services provided by Mazars (with related fees) to Durham County Council in Section 6, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with Cameron Waddell in the first instance.

Prior to the provision of any non-audit services, Cameron Waddell will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: [Terms of Appointment from 2018/19 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

08

Section 08: **Materiality and misstatements**

8. Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to Audit Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provides a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

8. Materiality and misstatements

Materiality (continued)

We consider gross expenditure to be the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 2% of gross expenditure.

As set out in the table below, based on the prior year's audited financial statements we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £31.1m, and performance materiality to be in the region of £24.9m. We will refresh our materiality calculation upon receipt of the 31 March 2024 financial statements.

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

Materiality	2023/24 £'000s	2022/23 £'000s
Overall materiality	£31,142	£31,142
Performance materiality	£24,913	£24,913
Clearly trivial	£934	£934

Specific materiality	Initial threshold
Senior officers' remuneration (Note 33)	Senior officers (£1) Banding disclosure (1 band)
Members' allowances (Note 32)	5% of total value
Termination payments and exit packages (Note 33)	Senior officers (£1) Banding disclosure (1 band)

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to Audit Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £934k, based on 3% of overall materiality. If you have any queries about this, please raise these with Cameron Waddell.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to Audit Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover quantitative misstatements, including those relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to Audit Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).



Appendices

A: Key communication points

B: Current year updates, forthcoming accounting & other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix A : Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;

- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix A: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Audit Committee, Audit Planning and Clearance meetings

Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Council or Audit Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>

Appendix A: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Audit Committee may be aware of.</p>	<p>Audit Completion Report and Audit Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods</p>	<p>Audit Completion Report</p>
<p>Communication regarding our system of quality management, compliant with ISQM 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, the firm's ISQM 1 team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on the firm's System of Quality Management:</p> <ul style="list-style-type: none"> • Ensure there is an appropriate assignment of responsibilities under ISQM1 and across Leadership • Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities • Identify, review and update quality risks each quarter, taking into consideration of number of input sources (such as FRC / ICAEW review findings, AQT findings, RCA findings, etc.) • Identify, design and implement responses as part of the process to strengthen the firm's internal control environment and overall quality • Evaluate responses to identify and remediation process / control gaps <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here.</p>	<p>Audit strategy memorandum</p>

Appendix A: Key communication points

Required communication	Where addressed
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

Appendix B: Current year updates, forthcoming accounting & other issues

Applicable for IFRS Reporters

Current and forthcoming accounting issue

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2023

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements: Disclosure of Accounting Policies* (Issued February 2021)

- The amendments set out new requirements for material accounting policy information to be disclosed, rather than significant accounting policies. Immaterial accounting policy information should not be disclosed as accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (Issued February 2021)

- The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

IFRS 17 *Insurance Contracts* (issued May 2017) and Amendments to IFRS 17 *Insurance Contracts* (Issued June 2020)

- IFRS 17 is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities.

Amendments to IFRS 17 *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Financial Instruments* (Issued December 2021)

- The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis.

IFRS 17 *Insurance Contracts* has not yet been adopted by the FReM. Adoption in the FReM is expected to be from April 2025; early adoption is not permitted.

Appendix B: Current year updates, forthcoming accounting & other issues

Applicable for IFRS Reporters

Page 117

Current and forthcoming accounting issue (continued)

New standards and amendments (continued)

Effective for accounting periods beginning on or after 1 January 2024

The information detailed on this slide is for wider IFRS information only. They will be subject to inclusion within the FReM and Code as determined by FRAB.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Issued January 2020), Deferral of Effective Date (Issued July 2020) and Non-current Liabilities with Covenants (Issued October 2022)

- The January 2020 amendments clarify the requirements for classifying liabilities as current or non-current in IAS 1 by providing clarification surrounding: when to assess classification; understanding what is an 'unconditional right'; whether to determine classification based on an entity's right versus discretion and expectation; and dealing with settlements after the reporting date.

The October 2022 amendments specify how covenants should be taken into account in the classification of a liability as current or non-current. Only covenants with which an entity is required to comply with by the reporting date affect the classification as current or non-current. Classification is not therefore affected if the right to defer settlement of a liability for at least 12 months is subject to compliance with covenants at a date after the reporting date. These amendments also clarify the disclosures about the nature of covenants, so that users of financial statements can assess the risk that non-current debts accompanied by covenants may become repayable within 12 months.

Amendments to IAS 16 Leases: Lease Liability in Sale and Leaseback (Issued September 2022)

- The amendments include additional requirements to explain how to subsequently measure the lease liability in a sale and leaseback transaction, specifically how to include variable lease payments.

For further information, please refer to our blog article: [Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback](#)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued May 2023)

- The amendments introduce changes to the disclosure requirements around supplier finance arrangements with the intention of providing more detailed information to help users analyse and understand the effects of such arrangements.

The amendments provide an overarching disclosure objective to ensure that users of financial statements are able to assess the effects of such arrangements on an entity's liabilities and cash flows, as well as some additional disclosure requirements relating to the specific terms and conditions of the arrangement, quantitative information about changes in financial liabilities that are part of the supplier financing arrangement, and about an entity's exposure to liquidity risk.

For further information, please refer to our blog article: [IASB publishes final amendments on supplier finance arrangements](#)

Appendix C: Consultations on measures to tackle the local government financial reporting and audit backlog

As we outline in the introduction to this report, there are a number of consultations currently taking place that may have implications for: the format and content of the Council's financial statements, the work we are required to undertake under the Code of Audit Practice and the timetable for the publication of the audited statements of account.

In this Appendix, we summarise the proposals in each of the consultations for information.

CIPFA/LASAAC consultation on short-term measures to aid the recovery of local authority reporting and audit

This [consultation](#) proposes amendments to the Code of Practice on Local Authority Accounting (the Accounting Code), applicable only to relevant bodies in England. The proposals are to:

- Extend the current temporary solution for accounting for infrastructure assets beyond 2024/25;
- Remove some disclosure requirements relating to a body's net defined benefit liabilities / assets; and
- Simplify the measurement for operational property, plant and equipment in specific circumstances up to 2025/26.

DLUHC consultation on addressing the local audit backlog in England

This [consultation](#) proposes a range of measures aimed at 'clear the backlog and put the system on a sustainable footing' and outlines two key phases of recovery up to 2027/28. A key aspect of the proposals is to require Category 1 bodies, such as the Council, to publish audited financial statements by a series of backstop dates. This proposal will be put in place by amending the Accounts and Audit Regulations 2015. For statements of account for financial years up to and including 2022/23, this would mean audited accounts will need to be published by 30 September 2024 unless a pre-defined exemption criteria has been met (such as there being an outstanding objection to the accounts at the backstop date).

The consultation sets out other proposals including:

- Publishing a list of bodies and audit firms which do not meet the statutory deadline for publishing audited statements of account; and

- Setting out 'backstop' dates for each financial year up to and including 2027/28.

In including a statutory backstop date for the publication of audited statements of account, the consultation makes it clear that the DLUHC expects that this will give rise to auditors issuing modified audit reports where they have not been able to complete their work on the financial statements.

NAO consultation on draft amendments to the Code of Audit Practice

This [consultation](#) has been launched alongside DLUHC's consultation on amendments to the Accounts and Audit Regulations 2015 and seeks to introduce measures that support more timely auditor reporting. The principle changes to the Code of Audit Practice being proposed are to:

- Require the auditor to issue an opinion on the financial statements by the 'backstop' date outlined in the amended Accounts and Audit Regulations 2015, whether this opinion is modified or not (subject to a number of exemptions);
- Allow the auditor to apply a reduced scope of work in relation to VFM arrangements work for outstanding audits up to and including 2022/23; and
- Require the auditor to publish the Auditor's Annual Report by 30 November each year from the 2023/24 audit year, and for this report to provide a summary of progress on the audit at the time of issue (even if the audit is not complete).

Cameron Waddell, Partner – Public Services

cameron.waddell@mazars.co.uk

Mazars

Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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Audit Strategy Memorandum

Durham County Council Pension Fund

Year ending 31 March 2024



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Appendix A – Key communication points

Appendix B - Current year updates, forthcoming accounting and other issues

Appendix C: Consultations on measures to tackle the local government financial reporting and audit backlog

This document is to be regarded as confidential to Durham County Council Pension Fund. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Annual Audit Plan – Year ending 31 March 2024

Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle Upon Tyne
NE1 1DF

Audit Committee
Durham County Council Pension Fund
Resources, County Hall
Durham
DH1 5UL

20 May 2024

Dear Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2024

We are pleased to present our Audit Strategy Memorandum for Durham County Council Pension Fund for the year ending 31 March 2024. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Durham Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on +44 (0)7813 752 023.

Yours faithfully



Cameron Waddell

Mazars LLP

01

Section 01:

Engagement and responsibilities summary


1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Durham County Council Pension Fund (the Pension Fund) for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website:





<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined overleaf.

At the time of presenting our Audit Strategy Memorandum, there are a series of active consultations in place that could impact upon both the Pension Fund's financial statements and the work we are required to undertake. Appendix C summarises the proposals under each of the consultations and further details can be found on the Financial Reporting Council's [website](#). Should the outcome of these consultations affect the risks we have identified or the scope of our work, we will provide further information to the Audit Committee in due course.

Engagement area	Responsibilities
 Audit opinion	<p>We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or The Audit Committee, as Those Charged With Governance, of their responsibilities.</p> <p>The Chief Finance Officer is responsible for the assessment of whether is it appropriate for the Pension Fund to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:</p> <ul style="list-style-type: none">a) whether a material uncertainty related to going concern exists; andb) consider the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

1. Engagement and responsibilities summary

Overview of engagement (continued)

Engagement area	Responsibilities
 Internal control	<p>Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Durham County Council Pension Fund's internal control.</p>
 Fraud	<p>The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting.</p> <p>As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management personnel as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.</p>
 Wider reporting and electors' rights	<p>The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Pension Fund and consider any objection made to the accounts. This would include an objection made to the accounts of the Pension Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.</p>
 Consistency Statement	<p>We are responsible for forming and expressing an opinion on the consistency of the financial statements within the Pension Fund's annual report and the Pension Fund's financial statements included in the Statement of Accounts of Durham County Council.</p>

02

Section 02:

Your audit engagement team

2. Your audit engagement team

Below is your audit engagement team and their contact details.



Cameron Waddell

Engagement Lead

Cameron.waddell@mazars.co.uk

+44 (0)7813 752 053



Thomas Backhouse

Engagement Manager

thomas.backhouse@mazars.co.uk

+44 (0)7890 949 525

03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline



3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 7.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

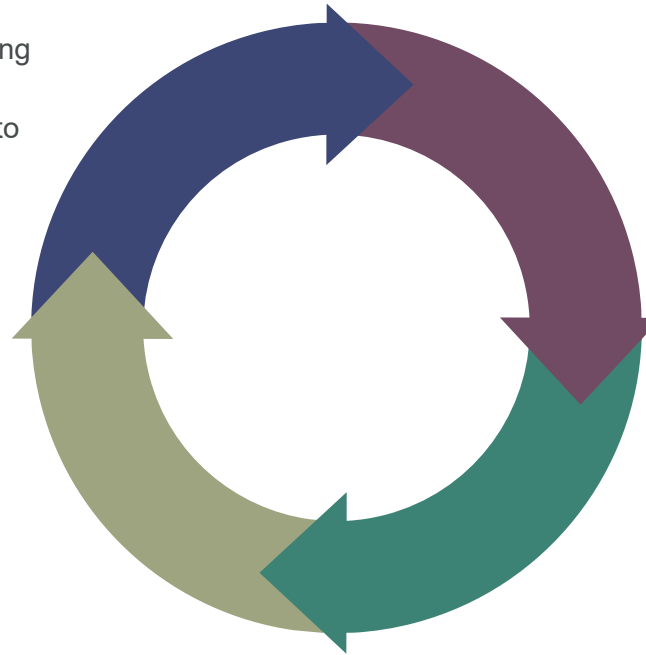
3. Audit scope, approach and timeline

Planning and Risk Assessment [March]

- Planning visit and developing our understanding of the Pension Fund
- Initial opinion risk assessments
- Risk identification and assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

Completion [November]

- Final review and disclosure checklist of financial statements
- Final ATS review
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the independent auditor's report



Interim [April]

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Reassessment of audit plan and revision if necessary

Fieldwork [July to October]

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high-risk areas including detailed testing of transactions, account balances and disclosures
- Review of Audit Report
- Communicating progress and issues
- ATS review of financial statements
- Clearance meeting

3. Audit scope, approach and timeline

Management’s and our experts

Management makes use of experts in specific areas when preparing the Pension Fund’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Disclosure Notes on funding arrangements and actuarial present value of promised retirement benefits	Aon Hewitt	None
Financial Instruments Disclosure	Mercer Limited	None

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Pension Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Pension Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
Investment Valuations and related disclosures	Investment Managers	Substantive testing of in year transactions and valuation applied to investments at the year end
Investment Valuations and related disclosures	Custodian	Substantive testing of in year transactions and valuation applied to investments at the year end

04

Section 04:

Significant risks and other key judgement areas

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or

the likelihood of a risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Pension Fund. We have summarised our audit response to these risks on the next page.



4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Valuation of investments within level 3 of the fair value hierarchy</p> <p>As at 31 March 2023 the fair value of level 3 investments was £397.494m, which accounted for 11.85% of net investment assets. The values included in the accounts are those provided by investment managers updated by the Pension Fund for cash movements, where the most recently available information from fund managers is at a date prior to the year end. The fair values of level 3 investments are based on unobservable inputs, which results in an increased risk of material misstatement.</p> <p>As at 31 March 2023 participation in level 3 investments was primarily through unlisted property funds managed by CBRE, for which CBRE provide the valuations as at the year end. CBRE base the valuations on the most recent valuation statements provided by the underlying funds, amended for cash movements where the valuation statement at 31 March is not available from the underlying funds at the time of preparing the fair value of the Pension' Fund's unlisted property portfolio. Annual audited accounts are available for the underlying funds, but it is noted that these may at a date prior to 31 March.</p> <p>BCPP also manage a portfolio of level 3 funds on behalf of the Pension Fund which in total will be material to the Fund's financial statements at 31 March 2024. BCPP provide the valuation of these funds based on audited financial statements as at 31 December, adjusted for cash movements or any other known movements in value</p>	○	●	●	<p>We plan to address this risk by completing the following additional procedures on a sample basis:</p> <ul style="list-style-type: none"> • agree holdings from fund manager reports to the global custodian's report; • agree valuations included in the Pension Fund's underlying financial systems to the most up-to date supporting documentation at the time of audit including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • agree the investment manager valuations to audited accounts or other independent supporting documentation, where available; • where audited accounts are available, check that they are supported by an unmodified opinion; • review the valuation methodologies through review of accounting policies within audited financial statements and challenge of the fund manager, where required; and • where available, review independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements.

4. Significant risks and other key judgement areas

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, as part of our audit we obtain the views of, and enquire whether the Audit Committee has knowledge of, the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between the Group and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to the Audit Committee which we will obtain prior to completing our audit.

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to the Audit Committee which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

05

Section 05:

Fees for audit and other services

5. Fees for audit and other services

Fees for audit and other services

Our fees (exclusive of VAT) for the audit of Durham County Council Pension Fund for the year ended 31 March 2024, are outlined below:

Fees for work as the Pension Fund's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA.

Fees for non-PSAA work

We have not been separately engaged by the Pension Fund to carry out any additional work.

Area of work	2023/24 Proposed Fee	2022/23 Actual Fee
Code Audit Work	£88,405	£24,303
Fee Variations	TBC	£24,188
Audit Related Fees		
Pensions assurance letter to employer auditors	TBC	£8,250

06

Section 06:

Our commitment to independence

6. Our commitment to independence



Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Ethical Standard 2019.



Compliance

We are not aware of any relationship between Mazars and Durham County Council Pension Fund that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of Durham County Council Pension Fund and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.



Non-audit and Audit fees

We have set out a summary any non-audit services provided by Mazars (with related fees) to Durham County Council Pension Fund in Section 5, together with our audit fees and independence assessment.

6. Our commitment to independence

We are committed to independence and confirm that we comply with the FRC's Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with Cameron Waddell in the first instance.

Prior to the provision of any non-audit services, Cameron Waddell will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: [Terms of Appointment from 2018/19 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

07

Section 07: **Materiality and misstatements**

7. Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to the Audit Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;

- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provides a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

7. Materiality and misstatements

Materiality (continued)

We consider that net assets is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 1% of net assets.

As set out in the table below, based on currently available investments at 31 December 2023 reported to March 2024 Pension Fund Committee, we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £35.5m (£32.3m in the prior year), and performance materiality to be in the region of £28.4m (£25.85m in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

	2023/24 £'000s	2022/23 £'000s
Overall materiality	£35,489	£32,320
Performance materiality	£28,391	£25,856
Specific materiality: Fund Account	£14,469	£14,432
Performance Materiality: Fund Account	£11,575	£11,546
Clearly trivial	£1,065	£970

7. Materiality and misstatements

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to the Audit Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £1.1m, based on 3% of overall materiality. If you have any queries about this, please raise these with Cameron Waddell.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to the Audit Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover quantitative misstatements, including those relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to the Audit Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).



Appendices

A: Key communication points

B: Current year updates, forthcoming accounting & other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix A: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix A: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Audit Committee, Audit Planning and Clearance meetings

Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Pension Fund or Audit Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>
<p>Indication of whether all requested explanations and documents were provided by the entity</p>	<p>Audit Completion Report</p>

Appendix A: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Audit Committee may be aware of.</p>	<p>Audit Completion Report and Audit Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods</p>	<p>Audit Completion Report</p>
<p>Communication regarding our system of quality management, compliant with ISQM 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, the firm’s ISQM 1 team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on the firm’s System of Quality Management:</p> <ul style="list-style-type: none"> • Ensure there is an appropriate assignment of responsibilities under ISQM1 and across Leadership • Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities • Identify, review and update quality risks each quarter, taking into consideration of number of input sources (such as FRC / ICAEW review findings, AQT findings, RCA findings, etc.) • Identify, design and implement responses as part of the process to strengthen the firm's internal control environment and overall quality • Evaluate responses to identify and remediation process / control gaps <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here.</p>	<p>Audit Strategy Memorandum</p>

Appendix B: Current year updates, forthcoming accounting & other issues

Applicable for IFRS Reporters

Current and forthcoming accounting issue

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2023

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements: Disclosure of Accounting Policies* (Issued February 2021)

- The amendments set out new requirements for material accounting policy information to be disclosed, rather than significant accounting policies. Immaterial accounting policy information should not be disclosed as accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (Issued February 2021)

- The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

IFRS 17 *Insurance Contracts* (issued May 2017) and Amendments to IFRS 17 *Insurance Contracts* (Issued June 2020)

- IFRS 17 is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities.

Amendments to IFRS 17 *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 *Financial Instruments (Issued December 2021)**

- The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis.

IFRS 17 *Insurance Contracts* has not yet been adopted by the FReM. Adoption in the FReM is expected to be from April 2025; early adoption is not permitted.

Appendix B: Current year updates, forthcoming accounting & other issues Applicable for IFRS Reporters

Current and forthcoming accounting issue (continued)

New standards and amendments (continued)

Effective for accounting periods beginning on or after 1 January 2024

The information detailed on this slide is for wider IFRS information only. They will be subject to inclusion within the FReM and Code as determined by FRAB.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Issued January 2020), Deferral of Effective Date (Issued July 2020) and Non-current Liabilities with Covenants (Issued October 2022)

- The January 2020 amendments clarify the requirements for classifying liabilities as current or non-current in IAS 1 by providing clarification surrounding: when to assess classification; understanding what is an 'unconditional right'; whether to determine classification based on an entity's right versus discretion and expectation; and dealing with settlements after the reporting date.

The October 2022 amendments specify how covenants should be taken into account in the classification of a liability as current or non-current. Only covenants with which an entity is required to comply with by the reporting date affect the classification as current or non-current. Classification is not therefore affected if the right to defer settlement of a liability for at least 12 months is subject to compliance with covenants at a date after the reporting date. These amendments also clarify the disclosures about the nature of covenants, so that users of financial statements can assess the risk that non-current debts accompanied by covenants may become repayable within 12 months.

Amendments to IAS 16 Leases: Lease Liability in Sale and Leaseback (Issued September 2022)

- The amendments include additional requirements to explain how to subsequently measure the lease liability in a sale and leaseback transaction, specifically how to include variable lease payments.

For further information, please refer to our blog article: [Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback](#)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued May 2023)

- The amendments introduce changes to the disclosure requirements around supplier finance arrangements with the intention of providing more detailed information to help users analyse and understand the effects of such arrangements.

The amendments provide an overarching disclosure objective to ensure that users of financial statements are able to assess the effects of such arrangements on an entity's liabilities and cash flows, as well as some additional disclosure requirements relating to the specific terms and conditions of the arrangement, quantitative information about changes in financial liabilities that are part of the supplier financing arrangement, and about an entity's exposure to liquidity risk.

For further information, please refer to our blog article: [IASB publishes final amendments on supplier finance arrangements](#)

Appendix C: Consultations on measures to tackle the local government financial reporting and audit backlog

As we outline in the introduction to this report, there are a number of consultations currently taking place that may have implications for: the format and content of the Pension Fund's financial statements, the work we are required to undertake under the Code of Audit Practice and the timetable for the publication of the audited statements of account.

In this Appendix, we summarise the proposals in each of the consultations for information.

CIPFA/LASAAC consultation on short-term measures to aid the recovery of local authority reporting and audit

This [consultation](#) proposes amendments to the Code of Practice on Local Authority Accounting (the Accounting Code), applicable only to relevant bodies in England. The proposals are to:

- Extend the current temporary solution for accounting for infrastructure assets beyond 2024/25;
- Remove some disclosure requirements relating to a body's net defined benefit liabilities / assets; and
- Simplify the measurement for operational property, plant and equipment in specific circumstances up to 2025/26.

DLUHC consultation on addressing the local audit backlog in England

This [consultation](#) proposes a range of measures aimed at 'clear the backlog and put the system on a sustainable footing' and outlines two key phases of recovery up to 2027/28. A key aspect of the proposals is to require Category 1 bodies, such as the Pension Fund, to publish audited financial statements by a series of backstop dates. This proposal will be put in place by amending the Accounts and Audit Regulations 2015. For statements of account for financial years up to and including 2022/23, this would mean audited accounts will need to be published by 30 September 2024 unless a pre-defined exemption criteria has been

met (such as there being an outstanding objection to the accounts at the backstop date).

The consultation sets out other proposals including:

- Publishing a list of bodies and audit firms which do not meet the statutory deadline for publishing audited statements of account; and
- Setting out 'backstop' dates for each financial year up to and including 2027/28.

In including a statutory backstop date for the publication of audited statements of account, the consultation makes it clear that the DLUHC expects that this will give rise to auditors issuing modified audit reports where they have not been able to complete their work on the financial statements.

NAO consultation on draft amendments to the Code of Audit Practice

This [consultation](#) has been launched alongside DLUHC's consultation on amendments to the Accounts and Audit Regulations 2015 and seeks to introduce measures that support more timely auditor reporting. The principle changes to the Code of Audit Practice being proposed are to:

- Require the auditor to issue an opinion on the financial statements by the 'backstop' date outlined in the amended Accounts and Audit Regulations 2015, whether this opinion is modified or not (subject to a number of exemptions);
- Allow the auditor to apply a reduced scope of work in relation to VFM arrangements work for outstanding audits up to and including 2022/23; and
- Require the auditor to publish the Auditor's Annual Report by 30 November each year from the 2023/24 audit year, and for this report to provide a summary of progress on the audit at the time of issue (even if the audit is not complete).

Cameron Waddell

Partner

Mazars

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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Audit Committee**20 May 2024****Internal Audit Progress Update Report
Period Ended 31 March 2024****Report of Paul Darby, Corporate Director of Resources****Electoral division(s) affected:**

Countywide.

Purpose of the Report

- 1 To provide Members of the Audit Committee with an update on the work that was carried out by Internal Audit during the period 1 April 2023 to 31 March 2024, as part of the Internal Audit Plan for 2023/24.

Executive Summary

- 2 The report provides an overview of performance against the Internal Audit Plan 2023/24, and aims to:
 - (a) Provide a high level of assurance, or otherwise, on internal controls operating across the Council that have been subject to an Internal Audit of systems and processes;
 - (b) Advise of any issues where controls need to be improved in order to effectively or better manage risks;
 - (c) Advise of other types of audit work carried out such as grant certification or advice and consultancy reviews where an assurance opinion on the control environment may not be applicable;
 - (d) Advise of any amendments to the Internal Audit Plan previously agreed;
 - (e) Track the progress of responses to Internal Audit reports and the implementation of agreed audit recommendations;
 - (f) Advise of any changes to the audit process; and
 - (g) Provide an update on performance against the key performance indicators agreed as part of the Audit Plan.
- 3 The appendices attached to this report are summarised below. Those marked with an asterisk are not for publication (Exempt information

under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3):

- (a) Appendix 2 – Performance against the Internal Audit Plan 2023/24;
- (b) Appendix 3 – Final reports issued in the quarter ended 31 March 2024;
- (c) Appendix 4 – The number of high and medium priority actions raised and implemented in 2023/24;
- (d) Appendix 5 – Internal Audit performance indicators;
- (e) Appendix 6* – Overdue Actions.
- (f) Appendix 7* – Limited Assurance Audits

Recommendations

4 Members are asked to note:

- (a) The amendments made to the Internal Audit Plan during quarter 4;
- (b) The work undertaken by Internal Audit during the period ending 31 March 2024;
- (c) The performance of the Internal Audit Service during the period; and
- (d) The progress made by service managers in responding to the work of Internal Audit.

Background

- 5 As an independent consultancy service, the Council's Internal Audit Team strives to continue to add value and improve the organisation's operations as well as providing objective assurance to service managers and the Council.
- 6 The Internal Audit Plan for 2023/24 was approved by the Audit Committee on 23 May 2023.

Progress against the Internal Audit Plan

- 7 A summary of the approved Internal Audit Plan for each Service Grouping, updated to include work in progress and any audits brought forward from last year's plan, is attached at Appendix 2. The appendix illustrates the status of each audit as at 31 March 2024 and, where applicable, also gives the resultant assurance opinion.
- 8 A summary of the status of audits is illustrated in the table below:

Service Grouping	Not Started	Preparation and Planning	In Progress	Draft Report	Final Report / Complete
Adult and Health Services (AHS)	0	1	3	1	16
Chief Executive (CE)	0	1	0	0	1
Children and Young People's Services (CYPS) *Excluding Schools	0	0	2	0	18
Neighbourhoods and Climate Change (NCC)	2	0	3	0	11
Regeneration, Economy and Growth (REG)	0	2	1	1	11
Resources (RES)	1	10	12	1	40
Schools	0	0	2	4	56
TOTAL	3	14	23	7	153

- 9 A summary of the final internal audit reports issued quarter four is presented in Appendix 3.

- 10 The total number of productive days available during 2023/24 was originally estimated to be 3,152. As at 31 March 2024, the service had delivered 2,943 productive days, representing 93% of the total estimated planned days for the year. The target to the end of March was for 90% to have been delivered, therefore performance was above the profiled target.
- 11 As at 31 March, approximately 80% of the audits in the revised plan had been successfully delivered, with significant progress made during this quarter.
- 12 As the Committee is aware, the service has experienced recruitment and retention challenges over the last two years and although the service is now operating with a full complement of staff, there continues to be significant training and development requirements which need to be met, which has reduced the productive capacity within the team.
- 13 Based on the work undertaken to date, the Chief Internal Auditor will be able to issue an opinion on the adequacy of the internal control environment in place.

Internal Audit activity in the quarter

Amendments to the Approved Internal Audit Plan

- 14 Four reviews were removed from the approved Internal Audit Plan in the quarter.

Service Grouping	Audit	Audit Type	Reason
Neighbourhoods and Climate Change (NCC)	Fleet Management – Hire Process	Assurance	This review was deferred at the services request to the 24/25 audit plan due to ongoing staff recruitment within the hire desk team.
Resources	Contract Management	Assurance	Service request to defer the review to 2024/25.
Adult and Health Services (AHS)	Healthy Start Vitamin Distribution	Assurance	Deferred at the request of the Service.
Adult and Health Services (AHS)	Approval and Payment of Commissioned Services - Panel arrangements for payments to providers	Assurance	Deferred at the request of the Service.

- 15 Five unplanned reviews were added to the Internal Audit Plan in the quarter.

Service Grouping	Audit	Audit Type	Reason
Resources	Creditor Payments - Supplier Masterfile	Assurance	Key financial system review focused specifically on the sub system of supplier Masterfile management.
Resources	Creditor Payments - Duplicate payment checking process	Assurance	Key financial system review focused specifically on the sub system of the duplicate payment checking process.
Resources	Debtors - Debt Referrals to services	Assurance	Key financial system review focused specifically on the sub system of debt referrals to services
Resources	Debtors - Knockdown Damage Process	Assurance & Consultancy	Key financial system review focused specifically on the sub system of the knockdown damage process
Resources	Credit Union	Advice	Service request for data matching / analysis of transactions relating to the Durham Credit Union's bank reconciliation process.

Outstanding Management Responses to Draft Internal Audit Reports

- 16 There are no overdue management responses to draft reports at the end of this reporting period.

Survey Response Rate

- 17 The table below sets out the response rate and average score, by Service Grouping, for the customer satisfaction surveys issued during the period up to 31 March 2024. The average score of 4.7 out of 5 (where 1= Very Poor and 5 = Very Good) is the same the average score from 2023/23.

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Adult and Health Services (AHS)	15	14	93	4.8
Children and Young People's Services (CYPS) *Excluding Schools	4	4	100	4.9
Chief Executive (CE)	0	0	n/a	n/a
Neighbourhoods and Climate Change (NCC)	5	5	100	5
Regeneration, Economy and Growth (REG)	3	3	100	4.7
Resources (RES)	27	27	100	4.7
Schools	55	36	65	4.4
TOTAL	109	89	82	4.7

Responses to Internal Audit Findings and Recommendations

- 18 Details of the numbers of High and Medium priority ranked recommendations that have been raised and those that are overdue, by Service Grouping, are presented in Appendix 4.
- 19 A summary of progress on the actions due, implemented and overdue, as at 31 March 2023, is given in the table below.

Service Grouping	No. of Actions Due	No. of Actions Implemented	No. Overdue by Original Target Date	No. with Revised Target Date	No. Overdue by Revised Target Date
Adult and Health Services (AHS)	13	11	2 (15%)	1	0
Chief Executive (CE)	9	9	0 (0%)	0	0
Children and Young People's Services (CYPS) [Excluding Schools]	71	70	1 (%)	1	0
Neighbourhoods and Climate Change (NCC)	35	35	0 (0%)	0	0
Regeneration, Economy and Growth (REG)	25	25	0 (0%)	0	0
Resources (RES)	222	220	2 (1%)	2	0
TOTAL	375	370	5 (1%)	4	0

20 It is encouraging to note that, of the 375 actions due to be implemented, 370 (99%) have been implemented. Details of the actions that are overdue, following their agreed original target dates, are included at Appendix 6. All of the overdue actions have revised dates for expected implementation.

Limited Assurance Audit Opinions

21 There was one 'limited assurance' opinion audits issued in the period. This is summarised in the table below. Further detail on this review is provided in Appendix 7.

Service Grouping	Service Area	Audit
Children and Young People's Services (CYPS)	Early Help, Inclusion and Vulnerable Children	Fun and Food

Performance Indicators

22 A summary of actual performance, as at the end of March 2024, compared with our agreed targets, is detailed in Appendix 5.

Background papers

- Specific Internal Audit reports issued and working papers.

Other useful documents

- Previous Committee reports.

Contact:	Tracy Henderson	Tel: 03000 269668
	Nicola Cooke	Tel: 03000 269665

Appendix 1: Implications

Legal Implications

The Accounts and Audit Regulation 2015 (Part 2, Section 5) states a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance.

Furthermore, Internal Audit assists the Corporate Director of Resources in fulfilling their duties under Section 151 of the Local Government Act 1972 which requires each Local Authority to make arrangements for the proper administration of their financial affairs.

Finance

There are no direct financial implications associated with this report.

Internal Audit work has clear and direct effects, through recommendations made, to assist in improving value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

Consultation

All Corporate Directors and Heads of Service.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

There are no direct implications on climate change as a result of this report, however the Internal Audit Service ensures that it considers climate change and sustainability in the recommendations that are made.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

The key risk is that actions agreed in audit reports to improve the control environment and assist the Council in achieving its objectives are not implemented. To mitigate this risk, a defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis. Such assurance is reflected in reports to the Audit Committee. Where progress has not been made, further action is agreed and overseen by the Audit Committee to ensure action is taken.

Procurement

None.

INTERNAL AUDIT PLAN FOR PERIOD 1 APRIL 2023 TO 31 MARCH 2024

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
2022 / 2023 audits brought forward into plan					
Adult and Health Services	Adult Care	Azeus - Finance Process	Advice & Consultancy	Final Report	N/A
Adult and Health Services	Adult Care	Azeus - Panel Process	Advice & Consultancy	Final Report	N/A
Adult and Health Services	Adult Care	Azeus - System Upgrade Testing Methodology	Advice & Consultancy	Final Report	N/A
Adult and Health Services	Commissioning	Continuing Health Care and Funded Nursing Care	Assurance	Final Report	Moderate
Adult and Health Services	Adult Care	Section 117 payments	Assurance	Final Report	Moderate
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Claim 4	Grants & Claims	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	High Needs Budget	Follow Up	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Children in Need	Audit	Final Report	Substantial
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	Assurance	Final Report	Moderate
Regeneration, Economy and Growth	Culture, Sport and Tourism	CLUK Income Share Agreement	Assurance	Final Report	Substantial
Resources	Digital Services	Active Directory	Assurance	Planning and Preparation	
Resources	Digital Services	ICT Purchasing	Assurance	Final Report	Moderate
Resources	Digital Services	Incident Management	Assurance	Final Report	Moderate
Resources	Transactional and Customer Services	Council Tax: Valuation	Key System	Final Report	Substantial
Resources	Transactional and Customer Services	Business Rates - Valuation	Key System	Final Report	Substantial
Resources	Transactional and Customer Services	Housing Benefits and CTR - Overarching	Key System	Final Report	Substantial
Resources	Procurement, Sales and Business Services	Creditor Payments - Overarching	Key System	Final Report	Moderate
Resources	Procurement, Sales and Business Services	Creditors - Retrospective POs	Key System	Final Report	Moderate
Resources	Procurement, Sales and Business Services	Creditors - Receipting of goods	Key System	Final Report	Moderate
Resources	Transactional and Customer Services	Financial Assessments	Assurance	Final Report	Moderate
Resources	HR and Employee Services	Payroll - Preparation - Temporary input	Key System	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Short Term Investments	Assurance	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Section 256 agreements	Grants & Claims	Final Report	N/A
Resources	Legal & Democratic Services	External Legal Fees	Advice & Consultancy	Final Report	N/A
Internal Audit Plan for period from 1st April 2023 to 31 March 2024					
Adult and Health Services	Commissioning	Approval and Payment of Commissioned Services - Panel arrangements for pa	Assurance	Cancelled	
Resources	Procurement, Sales and Business Services	Creditor Payments - Supplier Masterfile	Assurance	In progress	
Resources	Procurement, Sales and Business Services	Creditor Payments - Duplicate payment checking process	Assurance	In progress	
Resources	Transactional and Customer Services	Debtors - Debt Referrals to services	Assurance	In progress	
Resources	Transactional and Customer Services	Debtors - Knockdown Damage Process	Assurance	In progress	
Resources	Corporate Finance and Commercial Services	Credit Union	Advice and Consultancy	In progress	
Adult and Health Services	Commissioning	Commissioning of Learning Disability Services	Advice & Consultancy	Final Report	N/A
Adult and Health Services	Commissioning	Commissioning of Mental Health Services	Assurance	Planning and Preparation	
Adult and Health Services	Adult Care	Azeus - Governance Board	Advice & Consultancy	In Progress	
Adult and Health Services	Adult Care	Workforce Development Fund	Grants & Claims	Final Report	N/A
Adult and Health Services	Adult Care	Pathways	Assurance	Final Report	Moderate
Adult and Health Services	Adult Care	Pathways - Durham	Assurance	Final Report	Substantial
Adult and Health Services	Adult Care	Pathways - Peterlee	Assurance	Final Report	Substantial
Adult and Health Services	Adult Care	Pathways - Spennymoor	Assurance	Final Report	Substantial
Adult and Health Services	Adult Care	Pathways - Newton Aycliffe	Assurance	Final Report	Substantial
Adult and Health Services	Adult Care	Pathways - Stanley	Assurance	Final Report	Substantial
Adult and Health Services	Adult Care	Joint Committee Development	Advice & Consultancy	Draft Report	
Adult and Health Services	Adult Care	New CQC Inspection Regime	Assurance	Deferred	
Adult and Health Services	Commissioning	Commissioning of Domiciliary Care	Assurance	Final Report	Substantial
Adult and Health Services	Public Health	Public Health Claims Processed Via Pharmoutcomes	Assurance	Final Report	Substantial
Adult and Health Services	Public Health	Stop Smoking Service	Assurance	In Progress	
Adult and Health Services	Public Health	Provider Selection Regime (Procurement)	Advice & Consultancy	Final Report	N/A
Adult and Health Services	Public Health	Healthy Start Vitamin Distribution	Assurance	Deferred	
Adult and Health Services	Adult Care	Extra Care Housing	Assurance	In Progress	
Adult and Health Services	Adult Care	Azeus	Assurance	Deferred	
Adult and Health Services	Commissioning	Review of Commissioning arrangements with Medequip	Assurance	Cancelled	
Chief Executive	Corporate Affairs	Changing Places Toilets	Grants & Claims	Final Report	N/A
Chief Executive	Corporate Affairs	Data Quality	Assurance	Planning and Preparation	
Neighbourhoods and Climate Change	Community Protection Services	Intelligence Handling	Assurance	In Progress	
Neighbourhoods and Climate Change	Environment	Carbon Emissions Performance	Advice & Consultancy	Final Report	N/A
Neighbourhoods and Climate Change	Environment	Carbon Connects	Grants & Claims	Final Report	N/A
Neighbourhoods and Climate Change	Environment	Carbon Connects	Grants & Claims	Cancelled	
Neighbourhoods and Climate Change	Environment	SMEPower (Claim 7)	Grants & Claims	Cancelled	
Neighbourhoods and Climate Change	Environment	Nature for Climate Peatland (Claim 1)	Grants & Claims	Final Report	N/A
Neighbourhoods and Climate Change	Environment	Nature for Climate Peatland (Claim 2)	Grants & Claims	Final Report	N/A
Neighbourhoods and Climate Change	Environment	Durham Crematorium	Assurance	Final Report	Substantial
Neighbourhoods and Climate Change	Environment	Mountsett Crematorium	Assurance	Final Report	Substantial
Neighbourhoods and Climate Change	Environment	Fuel Stocks and Stores	Assurance	Final Report	Substantial
Neighbourhoods and Climate Change	Environment	Fleet Management - Hire Process	Assurance	Deferred	
Neighbourhoods and Climate Change	Environment	Domestic Vehicle Charging Working Group	Advice & Consultancy	In Progress	
Neighbourhoods and Climate Change	Environment	Trade Waste	Assurance	Final Report	Substantial
Neighbourhoods and Climate Change	Environment	Replacement Processes for Business Energy Efficiency Project (BEEP)	Advice & Consultancy	Not Yet Started	
Neighbourhoods and Climate Change	Highways	Local Transport Capital Block Funding	Grants & Claims	Final Report	N/A
Neighbourhoods and Climate Change	Highways	Stores Management	Assurance	Final Report	Substantial
Neighbourhoods and Climate Change	Highways	Highways Permits	Advice & Consultancy	Final Report	N/A
Neighbourhoods and Climate Change	Partnerships and Community Engagement	Community Grants - Review of Funding Processes	Advice & Consultancy	In Progress	
Neighbourhoods and Climate Change	All Services	Additional Audit Support - NCC	Advice & Consultancy	Not Yet Started	
Regeneration, Economy and Growth	Corporate Property and Land	Milburngate Development Governance	Assurance	Deferred	
Regeneration, Economy and Growth	Corporate Property and Land	Policies and Procedures for due diligence on new tenants	Advice & Consultancy	Deferred	
Regeneration, Economy and Growth	Economic Development	Finance Durham	Assurance	Planning and Preparation	
Regeneration, Economy and Growth	Planning and Housing	Financial Assistance Policy and Property Re-Purpose Loans	Assurance	Deferred	
Regeneration, Economy and Growth	Planning and Housing	Homes England	Assurance	In Progress	
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	Assurance	Draft Report	
Regeneration, Economy and Growth	Corporate Property and Land	Surplus property process and procedures	Advice & Consultancy	Cancelled	
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Project Manager	Grants & Claims	Final Report	N/A
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Heritage Skills	Grants & Claims	Final Report	N/A
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Community Engagement	Grants & Claims	Final Report	N/A
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Conservation Area Grant Scheme	Grants & Claims	Cancelled	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Gala Stage School	Assurance	Final Report	Substantial
Regeneration, Economy and Growth	Economic Development	UK Shared Prosperity Fund	Assurance	Planning and Preparation	
Regeneration, Economy and Growth	Planning and Housing	Disabled Facilities Grant	Grants & Claims	Final Report	N/A
Regeneration, Economy and Growth	Transport and Contract Services	Local Transport Capital Block Funding	Grants & Claims	Final Report	N/A
Regeneration, Economy and Growth	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	Grants & Claims	Final Report	N/A
Regeneration, Economy and Growth	Planning and Housing	Home Upgrade Grant (HUG) 2	Grants & Claims	Final Report	N/A
Regeneration, Economy and Growth	Transport and Contract Services	Active Travel Funding Project	Grants & Claims	Final Report	N/A
Resources	Corporate Finance and Commercial Services	Budgetary Control and Financial Reporting	Key System	Cancelled	
Resources	Procurement, Sales and Business Services	Contract Management	Assurance	Cancelled	
Resources	Transactional and Customer Services	Business Rates - Billing & Refunds	Key System	Final Report	Substantial
Resources	Transactional and Customer Services	Housing Benefits: Overpayment Recovery	Key System	Final Report	Substantial
Resources	Transactional and Customer Services	Deputy and Appointees - Personal Allowance Payments	Assurance	In Progress	
Resources	Corporate Finance and Commercial Services	Section 256 Agreements	Grants & Claims	Draft Report	
Resources	Corporate Finance and Commercial Services	Better Care Fund (Section 75)	Grants & Claims	Final Report	N/A
Resources	Corporate Finance and Commercial Services	Leases	Advice & Consultancy	In Progress	
Resources	Digital Services	Information Governance Group	Advice & Consultancy	Final Report	N/A
Resources	Digital Services	Information Management:	Assurance	Not yet started	
Resources	Digital Services / Corporate Affairs	Information Management - BI Data Ingestion	Assurance	Final Report	N/A
Resources	Digital Services	CRM - Internal Management and Governance	Assurance	Final Report	Moderate
Resources	Digital Services	Change Management	Assurance	In Progress	
Resources	Digital Services	Platform Security	Assurance	In Progress	
Resources	Digital Services	Vulnerability Management	Assurance	Final Report	Substantial
Resources	Digital Services	Active Directory	Advice & Consultancy	Cancelled	
Resources	Digital Services	Digital Strategy	Assurance	Deferred	
Resources	Digital Services	Third Party Access	Assurance	Final Report	Moderate
Resources	Digital Services	Digital Durham	Grants & Claims	Final Report	N/A
Resources	Digital Services	IT Asset Management	Advice & Consultancy	Final Report	N/A
Resources	HR and Employee Services	Payroll - Overarching	Key System	Planning and Preparation	
Resources	HR and Employee Services	ResourceLink Programme Board	Advice & Consultancy	Final Report	N/A
Resources	HR and Employee Services	Payroll - Taxation/PAYE	Key System	Planning and Preparation	
Resources	HR and Employee Services	Payroll - Preparation - Permanent Input	Key System	In Progress	
Resources	HR and Employee Services	Payroll - Agency System	Key System	Draft Report	
Resources	Legal & Democratic Services	Police and Crime Panel	Grants & Claims	Final Report	N/A
Resources	Legal & Democratic Services	RIPA Officers Group	Advice & Consultancy	Final Report	N/A
Resources	Legal & Democratic Services	Company Governance Group	Advice & Consultancy	Final Report	N/A
Resources	Legal & Democratic Services	RIPA Compliance	Assurance	Final Report	N/A
Resources	Legal & Democratic Services	Tender Opening Arrangements	Assurance	Planning and Preparation	
Resources	Legal & Democratic Services	Public Interest Report - Culture and Governance	Advice & Consultancy	Final Report	N/A
Resources	Procurement, Sales and Business Services	Support for standard process using HALO. SLA charging process.	Advice & Consultancy	Final Report	N/A

INTERNAL AUDIT PLAN FOR PERIOD 1 APRIL 2023 TO 31 MARCH 2024

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Procurement, Sales and Business Services	Creditors	Key System	Planning and Preparation	
Resources	Procurement, Sales and Business Services	Petty Cash and Payment Cards workstream	Advice & Consultancy	Final Report	N/A
Resources	Procurement, Sales and Business Services	Procurement Cards	Assurance	Deferred	
Resources	Procurement, Sales and Business Services	Business Support links to Payroll and Employee Services (PES)	Advice & Consultancy	Deferred	
Resources	Transactional and Customer Services	Business Rates - Overarching	Key System	Final Report	Substantial
Resources	Transactional and Customer Services	Business Rates - Recovery	Key System	Final Report	Substantial
Resources	Transactional and Customer Services	Housing Benefits and Council Tax Reduction - Overarching	Key System	Planning and Preparation	
Resources	Transactional and Customer Services	Housing Benefits and Council Tax Reduction - Supported Accommodation	Advice & Consultancy	In Progress	
Resources	Transactional and Customer Services	Council Tax - Overarching	Key System	Planning and Preparation	
Resources	Transactional and Customer Services	Council Tax - Recovery	Key System	Final Report	Substantial
Resources	Transactional and Customer Services	Council Tax - QA and Appeals	Key System	Planning and Preparation	
Resources	Transactional and Customer Services	Cash Management	Key System	Final Report	Substantial
Resources	Transactional and Customer Services	Cash Management - Community Coaches	Key System	Final Report	Substantial
Resources	Transactional and Customer Services	Cash Management - Spennymoor Education Centre	Key System	Final Report	Moderate
Resources	Transactional and Customer Services	Debtors	Key System	Planning and Preparation	
Resources	Transactional and Customer Services	BACS Submissions	Assurance	Final Report	Substantial
Resources	Transactional and Customer Services	Customer Services process review	Advice & Consultancy	In Progress	
Resources	Transactional and Customer Services	Household Support Fund	Advice & Consultancy	Planning and Preparation	
Resources	All Services	Additional Audit Support	Advice & Consultancy	Final Report	N/A
Resources	Legal & Democratic Services	Gifts and Hospitality	Assurance	Final Report	Substantial
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Q1	Grants & Claims	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Family Hubs and Start for Life	Grants & Claims	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Q2	Grants & Claims	Cancelled	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Q3	Grants & Claims	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme - Q4	Grants & Claims	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Special Guardianship and Child Arrangement Orders	Follow Up	Final Report	N/A
Children and Young People's Services	Children's Social Care	Placement Resource Panel (PRP) Arrangements	Audit	Cancelled	
Children and Young People's Services	Children's Social Care	Local Adoption Governance	Audit	Cancelled	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Children's Homes Review of Financial Procedures	Advice & Consultancy	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supervised Spend - Leaving Care Service	Audit	In Progress	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	One Point Hubs and Family Centres	Audit	Deferred	
Children and Young People's Services	Children's Social Care	Children's Homes - Procurement Cards	Advice & Consultancy	Deferred	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Fun and Food	Audit	Final Report	Limited
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Aycliffe Secure Services	Audit	Final Report	Substantial
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Disability Commissioning Arrangements (Short Breaks)	Audit	Deferred	
Children and Young People's Services	All Services	Caldicott Compliance	Audit	Deferred	
Children and Young People's Services	All Services	Caldicott Group	Advice & Consultancy	Final Report	N/A
Children and Young People's Services	Children's Social Care	Liquidlogic - ContrOCC - Manual Payments	Audit	Deferred	
Children and Young People's Services	Education and Skills	Schools Financial Value Standard (SFVS)	Audit	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	High Needs Top Up Funding Arrangements in Schools	Audit	In Progress	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Home to School Transport - Procurement Workstream	Advice & Consultancy	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Home to School Transport - Procurement Bid Analysis	Advice & Consultancy	Final Report	N/A
Children and Young People's Services	Education and Skills	Governor Training	Advice & Consultancy	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme	Grants & Claims	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Turnaround Programme (Youth Justice)	Grants & Claims	Cancelled	
Children and Young People's Services	Education and Skills	Multiply (UKSPF) Funding	Grants & Claims	Final Report	N/A

FINAL REPORTS ISSUED IN PERIOD ENDING 31 MARCH 2024

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
ADULT AND HEALTH SERVICES (AHS)		
Commissioning of Domiciliary Care	Review of the use of commissioned domiciliary care providers (Framework and Provider Panel Agreements), the process for sourcing providers for individual care packages via RFQs and the supporting arrangements for contracting with providers.	Substantial
Public Health Claims Processed Via PharmOutcomes	Review of the PharmOutcomes system controls that support the claims process for the Supervised Consumption Service. Review of supervised consumption data to identify whether data quality issues (such as duplicate claims) are prevalent within system data.	Substantial
Implementation of Local PSR Framework	Review of PSR processes, document templates and policies and procedures developed by DCC to provide feedback on the efficiency of the process, adequacy of internal controls and compliance with the NHS PSR statutory guidance.	N/A
CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)		
Fun and Food	Review of the Fun and Food programme to provide assurance that controls are in place to ensure; <ul style="list-style-type: none"> •Funding is appropriately awarded to eligible organisations and activities. •The programme is monitored and performance managed. •Payments to providers are not made in compliance with established policies, procedures and guidance. •The programme attracts suitable applicants. 	Limited
Supporting Families Programme	Verification of grant claim	N/A
Supporting Families Programme - Q4	Verification of grant claim	N/A

NEIGHBOURHOODS AND CLIMATE CHANGE (NCC)		
Stores Management	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> • Misappropriation or loss of stock. • Stock holding is excessive or does not meet operational needs • Obsolete/spoiled stock. • Cost of providing stores exceeds the benefits. • Unsafe practices within the stores. • Stock valuation is inaccurate. 	Substantial
Trade Waste	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> • Bins are not emptied through crew error, irregular routes/times, or adverse weather • Customers lost to private sector • Failure to meet income target • Extra Waste is collected but not charged • Bills are incorrect, not issued in a timely manner or remain unpaid • Trade Waste information is not properly recorded, managed and maintained • Operatives encounter dangerous situations or waste • Business unaware of proper disposal methods for waste or of services available • Service objectives are not achieved • Trade Waste collected has not been correctly disposed of • Waste is not correctly recorded or reported to the relevant organisations / bodies 	Substantial
Highways Permits	An Advice & Consultancy review to ensure that the charges made to utility companies in relation to highways permits for road and street works are appropriate and will not generate a surplus.	N/A
Carbon Emissions Performance	An Advice & Consultancy review to ensure that the methods employed to calculate the authority's operational carbon footprint, and performance, comply with relevant guidelines, includes all fuels, includes all data from relevant operations, and provides accurately calculated figures which are appropriately reported against carbon reduction targets	N/A

REGENERATION, ECONOMY AND GROWTH (REG)		
Gala Youth Theatre	<p>Assurance review of the arrangements in place to mitigate against the risks of:</p> <ul style="list-style-type: none"> • Courses do not meet service/student expectations • Availability of facilities not as expected • Database registration data is lost • Fees are unpaid • Cost of providing the Youth Theatre outweighs agreed budget • Injury/abuse of students • Data Protection breach 	Substantial

RESOURCES (Res)		
Business Rates - Refunds	Assurance review of the arrangements in place to mitigate against the risk that income is inappropriately returned to a customer who has an outstanding debt with the Council.	Substantial
Housing Benefits: Overpayment Recovery	<p>Assurance review of the arrangements in place to mitigate against the risks of:</p> <ul style="list-style-type: none"> • Failure to adhere to HB legislation, best practice, policies and/or procedures. • Performance is not adequately managed or reported. • Recovery action is inappropriate, not initiated or not initiated promptly and/or appropriately monitored. • Non-Compliance with Data protection Act 2018. 	Substantial
Information Management - BI Data Ingestion	Consultancy work to review the processes that have been used to ingest data into the data lake to date.	N/A
Vulnerability Management	Assurance review of the arrangements in place to manage the risk of Security weaknesses in IT Systems being exploited.	Substantial
Business Rates – Overarching	A report to pull together the audit work on Business Rates to provide an overall assurance opinion	Substantial

RESOURCES (Res)		
Cash Management - Spennymoor Education Centre	<p>Assurance review of the arrangements in place to mitigate against the risks of:</p> <ul style="list-style-type: none"> • Non-compliance with financial regulations. • Theft or misappropriation. • Inappropriate recovery action taken against a customer who has paid. • Information and data are not protected from loss, damage or unauthorised disclosure. • Loss / theft of card data. <p>Payments are not made, or are not made promptly, due to the inability to access an appropriate payment channel.</p>	Moderate
Cash Management	Overarching assurance review combining the outcomes from individual Cash Management reviews carried out.	Substantial
Gifts and Hospitality	Assurance review of the arrangements in place to mitigate against the risk that decisions made by DCC employees are inappropriately influenced by the receipt of gifts or hospitality.	Substantial

	Actions Due	Actions Implemented	Overdue Actions by original target date	Number of Actions where the original target has been revised	Overdue Actions following a revised target date
ADULT AND HEALTH SERVICES (AHS)					
2021/22					
High	0	0	0	0	0
Medium	1	1	0	0	0
Total	1	1	0	0	0
2022/23					
High	0	0	0	0	0
Medium	4	4	0	0	0
Total	4	4	0	0	0
2023/24					
High	0	0	0	0	0
Medium	8	6	2	2	0
Total	8	6	2	2	0
Overall Total	13	11	2	2	0
CHIEF EXECUTIVE					
2022/23					
High	0	0	0	0	0
Medium	9	9	0	0	0
Total	9	9	0	0	0
2023/24					
High	0	0	0	0	0
Medium	0	0	0	0	0
Total	0	0	0	0	0
Overall Total	9	9	0	0	0
CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)					
2021/22					
High	2	2	0	0	0
Medium	36	36	0	0	0
Total	38	38	0	0	0
2022/23					
High	0	0	0	0	0
Medium	19	19	0	0	0
Total	19	19	0	0	0
2023/24					
High	0	0	0	0	0
Medium	14	13	1	0	1
Total	14	13	1	1	1
Overall Total	71	70	1	1	1
NEIGHBOURHOODS AND CLIMATE CHANGE (NCC)					
2021/22					
High	0	0	0	0	0
Medium	9	9	0	0	0
Total	9	9	0	0	0
2022/23					
High	9	9	0	0	0
Medium	15	15	0	0	0
Total	24	24	0	0	0
2023/24					
High	0	0	0	0	0
Medium	2	2	0	0	0
Total	2	2	0	0	0
Overall Total	35	35	0	0	0
REGENERATION, ECONOMY AND GROWTH (REG)					
2021/22					
High	0	0	0	0	0
Medium	5	5	0	0	0
Total	5	5	0	0	0
2022/23					
High	0	0	0	0	0
Medium	7	7	0	0	0
Total	7	7	0	0	0
2023/24					
High	0	0	0	0	0
Medium	13	13	0	0	0
Total	13	13	0	0	0
Overall Total	25	25	0	0	0
RESOURCES (RES)					
2019/20					
High	0	0	0	0	0
Medium	116	115	1	1	0
Total	116	115	1	1	0
2020/21					
High	0	0	0	0	0
Medium	61	61	0	0	0
Total	61	61	0	0	0
2021/22					
High	1	1	0	0	0
Medium	18	18	0	0	0
Total	19	19	0	0	0
2022/23					
High	0	0	0	0	0
Medium	17	17	0	0	0
Total	17	17	0	0	0
2023/24					
High	0	0	0	0	0
Medium	9	8	1	1	0
Total	9	8	1	1	0
Overall Total	222	220	2	2	0
TOTAL COUNCIL					
2019/20					
High	0	0	0	0	0
Medium	116	115	1	1	0
Total	116	115	1	1	0
2020/21					
High	0	0	0	0	0
Medium	61	61	0	0	0
Total	61	61	0	0	0
2021/22					
High	3	3	0	0	0
Medium	69	69	0	0	0
Total	72	72	0	0	0
2022/23					
High	9	9	0	0	0
Medium	71	71	0	0	0
Total	80	80	0	0	0
2023/24					
High	0	0	0	0	0
Medium	46	42	4	3	1
Total	46	42	4	3	1
OVERALL TOTAL	375	370	5	4	1

Performance Indicators as at 31 March 2024

Efficiency		Objective: To provide maximum assurance to inform the annual audit opinion	
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Actual
Productive audit time achieved	% of planned productive time from original approved plan completed.	90% (Annually)	93% as at 31 March 2024
Timeliness of Draft Reports	% of draft reports issued within 20 working days of end of fieldwork/closure interview	100% (Quarterly)	100% (118 out of 118)
Timeliness of Final Reports	% of final reports issued within 10 working days of receipt of management response	100% (Quarterly)	100% (115 out of 115)
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)	100%
Quality		Objective: To ensure that the service is effective and adding value	
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Recommendations agreed	% of recommendations made compared with recommendations accepted	95% (Annually)	100%
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service satisfactory or above (3 out of 5) where 1 is poor and 5 is very good	100% (Quarterly)	100% (89 out of 89) Av. score of 4.7
Customers providing feedback response	% of customers returning satisfaction returns	70% (Quarterly)	82%

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Audit Committee**20 May 2024****Internal Audit Strategy, Charter and Plan 2024/25****Report of Tracy Henderson, Chief Internal Auditor and Corporate Fraud Manager****Electoral division(s) affected:**

Countywide.

Purpose of the Report

- 1 To submit the Internal Audit Strategy, Charter and Internal Audit Plan for the period 1 April 2024 to 31 March 2025, which are attached as Appendices 2, 3, 4 and 5 for approval.

Executive Summary

- 2 Following the presentation of the first formal iteration of the Internal Audit Plan, for the period 1 April 2024 to 31 March 2025, to the Audit Committee on 29 February 2024, this report sets out the proposed final version of the annual plan. The report includes:
 - (a) The Internal Audit Strategy (Appendix 2);
 - (b) The Internal Audit Charter (Appendix 3);
 - (c) The Annual Internal Audit Plan for the period of 2024/25 (Appendix 4).
 - (d) Resource Allocation Comparison 2023/24 v 2024/25 (Appendix 5).
3. In January 2024, the Institute of Internal Auditors (IIA) announced the publication of the new Global International Auditing Standards which are due to become effective in January 2025 and therefore it is envisaged that an updated version of the Internal Audit Strategy and Internal Audit Charter will be presented to Committee for review/approval later in the year.

Recommendation

4 It is recommended that Members:

- (a) Approve the Internal Audit Strategy in Appendix 2;
- (b) Approve the Internal Audit Charter in Appendix 3;
- (c) Approve the proposed Annual Internal Audit Plan for the period of 1 April 2024 to 31 March 2025, as detailed in Appendix 4.
- (d) Note that revised version of the Internal Audit Strategy and Internal Audit Charter attached within this report will be compiled and presented to Audit Committee later in the year.

Background

- 5 From April 2013, CIPFA and the Chartered Institute of Internal Auditors launched a common set of Public Sector Internal Audit Standards (PSIAS) to be adopted across the public sector. The PSIAS were last subject to review/updated in 2017 and sets out the standards for Internal Audit which have been adopted by the council's Internal Audit Service.
- 6 The principles in the PSIAS are consistent with the previous CIPFA Code for Internal Audit that applied across Local Government. They include the need for 'risk-based plans' to be developed for Internal Audit and for plans to receive input from management.
- 7 The Internal Audit Strategy, which has informed the development of the 2024/25 audit plan, has been reviewed and is included at Appendix 2.
- 8 The Internal Audit Strategy and the Internal Audit Charter are reviewed annually by the Audit Committee. No changes have been made to either of these documents during the last year.

New Global Internal Auditing Standards

- 9 In January 2024, the Institute of Internal Auditors (IIA) announced the publication of the new Global Internal Auditing Standards which are due to become effective in January 2025.
- 10 The IIA are in the process of reviewing the changes made to the new Global Internal Auditing Standards in conjunction with the requirements set out in the 2017 version of the PSIAS.
- 11 Therefore, it is envisaged that an updated version of the Internal Audit Strategy and Internal Audit Charter attached within this report will be compiled and presented to Audit Committee later in the year. This will be prior to the new Global Internal Auditing Standards becoming effective in January 2025.

Internal Audit Charter

- 12 The Internal Audit Charter, as set out in Appendix 3, defines the Internal Audit Service's purpose, authority and responsibility. It establishes Internal Audit's position within the organisation, including the nature of the Chief Internal Auditor and Corporate Fraud Manager's functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the Internal Audit Charter resides with the Audit Committee.

- 13 A set of Core Principles are set out for the service, taken as a whole these articulate internal audit effectiveness. In order to be considered effective all of the principles should be present and operating:
- (a) Demonstrates integrity;
 - (b) Demonstrates competence and due professional care;
 - (c) Is objective and free from undue influence (independent);
 - (d) Aligns with the strategies, objectives and risks of the organisation;
 - (e) Is appropriately positioned and adequately resourced;
 - (f) Communicates effectively;
 - (g) Provides risk-based assurance;
 - (h) Is insightful, proactive and future-focused;
 - (i) Promotes organisational improvement.
- 14 There are no changes to the structure or content of the Audit Charter previously agreed by members this year.

Preparation of the 2024/25 Audit Plan

- 15 The Emergent Internal Audit Plan was considered at the Audit Committee's meeting on 29 February 2024. The plan has now had further refinement and discussions have taken place with Corporate Management Team prior to presenting the final version to Committee. This report sets out the proposed Annual Internal Audit Plan 2024/25 for consideration and approval by members of the Audit Committee.
- 16 The proposed Internal Audit Plan 2024/25 is attached at Appendix 4, includes provision for:
- (a) Work started in 2023/24 which was not complete by 31 March 2024;
 - (b) Work that was approved in the 2023/24 audit plan but has been deferred and carried forward into 2024/25 as previously agreed;
 - (c) Planned assurance work scheduled from the 5-year strategic audit plan;
 - (d) Annual due diligence on key systems and compliance with key corporate policies;

- (e) Service requests identified through the consultation process with senior management;
 - (f) Grant certification work;
 - (g) Corporate provision for reactive advice and consultancy work and new emerging risks, including any reactive fraud investigations and irregularities;
 - (h) Corporate provision for planning, quality assurance and reporting;
 - (i) Follow up of agreed audit recommendations.
- 17 At the February 2024 Audit Committee meeting, it was suggested that it may be useful for the contents of the strategic audit plan, which is used as the baseline for establishing the annual audit plan to be shared with Audit Committee. This is not a straightforward exercise due to the way the data is currently held, but the internal audit service will develop the format of the strategic audit plan over the course of the current audit year and will provide Audit Committee with the contents of the strategic audit plan as part of the Emergent Internal Audit Plan report for 2025/26 which will be presented to Audit Committee in February 2025.
- 18 The detailed scope of some audit reviews included in the plan are not yet finalised, however an initial outline scope of each audit has been prepared. These will be further developed as part of the planning and preparation stage of each individual assignment in accordance with the agreed audit strategy. This ensures that audit resources assigned to individual reviews are focused upon operational risks, controls and the assurance environment expected to be in place at the time reviews are actually carried out. This is particularly important due to the extent of change management across the Council.
- 19 Operational risks are those that arise directly from the core activities of delivering services and include:
- (a) Financial Management Risks;
 - (b) Project Risks;
 - (c) Performance Management Risks;
 - (d) Partnership Risks;
 - (e) Human Resources Risks;
 - (f) IT and Information Governance Risks;
 - (g) Procurement and Contract Risks;

- (h) Legal Risks;
 - (i) Service Specific Risks.
- 20 In evaluating the management of these risks, Internal Audit aims to help the achievement of corporate priorities and objectives by providing assurance on:
- (a) The adequacy of risk identification, assessment and mitigation – including the adequacy and effectiveness of the strategic risk management process;
 - (b) The adequacy and application of controls to mitigate identified risk;
 - (c) The adequacy and extent of compliance with the Council's corporate governance framework;
 - (d) The extent of compliance with relevant legislation;
 - (e) The extent to which the Council's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money;
 - (f) The quality and integrity of financial and other management information utilised within the Council.
- 21 In accordance with the Internal Audit Strategy, in consultation with Heads of Service and nominated service manager or key contact, the Service will prepare an agreed Terms of Reference prior to the start of each planned audit and where applicable a Control Risk Assessment (CRA) so as to:
- (a) Inform the scope for audit;
 - (b) Identify and agree key service/system operational objectives;
 - (c) Assess and agree key risks;
 - (d) Identify and agree expected/existing key controls;
 - (e) Identify other key sources of assurance and what assurance they provide that risks are effectively managed;
 - (f) Identify key stakeholders/contacts and circulation list for report;
 - (g) Provide a mechanism for ongoing self-assessment post audit.

- 22 The Service will make all reasonable endeavours to schedule audit work within the timing preference expressed by services, but inevitably this may not always be possible due to the practicalities of scheduling work across all service groupings to match estimated audit resources available.
- 23 Given the extent of the change agenda with which the Council is faced at this time, it is particularly important that the annual audit plan is flexible and allows for the service to be pro-active in supporting management in the consideration of control issues relating to new or emerging risks. As such a contingency provision is also included to respond to new and emerging risks and changes to the strategic audit plan to reflect changes in service priorities and/or risks.
- 24 Service requests are actively encouraged and will be considered in relation to the risk and the type of audit work required, e.g., control design and/or compliance assurance, grant certification work, advice and consultancy etc. and whether or not the service has the necessary skills and resources to undertake the work requested.
- 25 It is always the preference for Internal Audit to be involved in any changes to systems to advise on the appropriate controls before they are implemented rather than potentially auditing a system in retrospect that then requires any improvements.
- 26 Any proposals to amend approved plans will be discussed and agreed with Corporate Directors and any significant changes will be reported to the Audit Committee for approval.

Delivery of the Internal Audit Plan for the period 1 April 2024 to 31 March 2025

- 27 As a result of this planning, the forecast of available resources to be allocated to the management and delivery of the annual audit plan during 2024/25 is 4,140 days, the details of which are shown in the table below. As can be seen by referring to Appendix 5, there is a reduction in the staffing resource available following the removal of one Audit Manager post from the staffing establishment following the implementation of a service restructure on 1st April 2024.

Appendix 1: Implications

Legal Implications

The Accounts and Audit Regulation 2015 (Part 2, Section 5) states a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards or guidance.

Furthermore, Internal Audit assists the Corporate Director of Resources in fulfilling their duties under Section 151 of the Local Government Act 1972 which requires each Local Authority to make arrangements for the proper administration of their financial affairs.

Finance

There are no direct financial implications associated with this report.

Internal Audit work has clear and direct effects, through recommendations made, to assist in improving value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

Consultation

All Corporate Directors and Heads of Service.

Equality and Diversity / Public Sector Equality Duty

There are no equality and diversity / public sector equality duty implications as a result of this report.

Climate Change

There are no climate change implications as a result of this report.

Human Rights

There are no human rights implications as a result of this report.

Crime and Disorder

There are no crime and disorder implications as a result of this report.

Staffing

There are no staffing implications as a result of this report.

Accommodation

There are no accommodation implications as a result of this report.

Risk

The key risk is that actions agreed in audit reports to improve the control environment and assist the Council in achieving its objectives are not implemented. To mitigate this risk, a defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis. Such assurance is reflected in reports to the Audit Committee. Where progress has not been made, further action is agreed and overseen by the Audit Committee to ensure action is taken.

Procurement

There are no procurement implications as a result of this report.

DURHAM COUNTY COUNCIL



Internal Audit Strategy

1. Introduction

1.1 The Internal Audit Strategy for 2024/25 focuses on the delivery of the assurance opinion and the Internal Audit plan to support this opinion. This strategy reflects Internal Audit's contribution to the Council's 'Excellent Council' agenda and fully supports the Council's ambitions as set out in the Sustainable Community Strategy. The Internal Audit Strategy incorporates best practice from the Chartered Institute of Public Finance and Accountancy (CIPFA) and Chartered Institute of Internal Audit (CIIA).

1.2 The requirement for an Internal Audit function for local authorities is within section 151 of the Local Government Act 1972 and authority has been delegated to the Corporate Director, Resources to fulfil this function. Part 2, Regulation 5 of the Accounts and Audit Regulations 2015 requires that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

1.3 The mission of the Internal Audit service is 'to enhance and protect Durham County Council's organisational values by providing risk-based and objective assurance, advice and insight'.

1.4 The assurance is provided through three elements:

- Internal Control;
- Governance and
- Risk Management

1.5 The Terms of Reference of Internal Audit are contained within the Audit Charter. The measures in place to deliver these are set out below.

2. Strategy Statements

2.1 There are overarching strategies to support the delivery of all of our services, these include:

- 2.2 We aim to deliver work of the highest quality, to the appropriate audience and at the most appropriate time.
- 2.3 We support and promote the Council's vision, ambitions, values and objectives in all of the work Internal Audit carries out. It is our ambition to ensure that the delivery of our service is influenced by and positively contributes to these developments together with the growing need for wider ranging assurances in all aspects of the Council's operations. We will also continue to consider and review the impact of organisational change on the Council's governance, internal controls and risks.
- 2.4 We will plan, organise and control the delivery of our service in line with professional standards (Public Sector Internal Audit Standards). We work to add value through providing reliable, objective assurance and insight on the effectiveness and efficiency of governance, risk management and internal control processes. We continually aim to challenge and inspire colleagues to improve.
- 2.5 We will create and communicate high quality information about the effective operation of management's control over risks and we will use our combined experience and knowledge to provide helpful and practical insight and recommendations, we know we can be a catalyst for improving the Council's effectiveness and efficiency based on analysis and assessments of data and business processes. The internal audit team has a comprehensive set of procedures and templates that are regularly reviewed and approved to ensure a consistent approach to our work. All audit work is reviewed to ensure it is evidenced based, independent, technically compliant, risk based, timely, has impact and is practical. We employ quality controls, quality monitoring and quality reviews of our work.
- 2.6 We identify the audit resources with the appropriate skill set to deliver the audit service, which meets the required professional standards. We are committed to integrity, accountability and high levels of customer care. We provide assistance with training and continuous professional development. The Council and the Internal Audit team subscribe to a number of professional support forums. The Chief Internal Auditor and Corporate Fraud Manager is a member of the Local Authority Chief Internal Auditor Network (LACAN) and of the Chartered Institute of Public Finance and Accountancy (CIPFA) Internal Audit Special Interest Group in order to utilise the peer support that these groups provide. We also have in place a Quality Assurance Improvement Plan (QAIP) as required by PSIAS.
- 2.7 We will strive to raise the profile of Internal Audit in a positive way at all times. The ways that we do this include:
- Professional advice and support to Members, Corporate Directors, Heads of Service and all employees.

- Delivery of our principal service including high quality audit reports (drafts and final) and Committee reports.
- Issuing Client Satisfaction Questionnaires for all work that we undertake whilst analysing and understanding the responses and acting on the messages conveyed to us.
- Maintaining good client relations and to this end:
 - Attend all Service Grouping management teams on at least a quarterly basis.
 - Provide time within the Internal Audit Plan for advice and consultancy with respect to internal controls for all of our clients.
 - Detailed Terms of Reference are prepared for each audit based on close liaison with clients.
 - Provide all Corporate Directors with quarterly and annual reports on the activity within their Service Groupings.
 - Provide a training module on internal control, risk management and fraud awareness currently through the 'Durham Managers' programme.

2.8 We aim to support good value for money in all that we do. Our work is designed to help in the promotion of continuous performance and internal control improvement through the issue of reports containing relevant and valued recommendations and action plans. We support effective financial management, help prevent fraud and corruption and undertake investigations where it is felt appropriate to do so. The service also participates in benchmarking to measure our performance and value for money against peer organisations.

2.9 We plan, record and monitor the time spent on all audit activities to manage our staffing resources efficiently and economically.

3. Delivery of the Service

3.1 The Chief Internal Auditor and Corporate Fraud Manager is responsible for the Internal Audit Service and delivering of the Audit Plan in accordance with the Terms of Reference detailed in the Audit Charter.

3.2 The Internal Audit Service will be delivered on the basis of a five year risk based Strategic Audit Plan which is approved annually by the Audit Committee and is based on risks identified by the Chief Internal Auditor and Corporate Fraud Manager in consultation with Service Groupings. The Chief Internal Auditor and Corporate Fraud Manager maintains a continuous review of the risks and issues affecting the Council and thus the Audit Plan using the following:

- Review of Council's priorities and objectives;

- Continuous assessment of risk identified by the strategic risk register and senior managers;
- Issues arising from changes in legislation;
- The implications of external inspection reports.

3.3 The Audit Plan must balance the needs to:

- Provide assurance on the effectiveness of internal controls operating within the Council
- Adequately review the assurance provided by key financial systems for management and the external auditor to place reliance on.
- Allow for the Internal Audit Service to offer advice and guidance on control issues to the Council's managers
- Investigate all suspected or detected frauds or irregularities.
- Provide time to allow Internal Audit to carry out appropriate unplanned work requested by managers.

3.4 The Chief Internal Auditor and Corporate Fraud Manager will assess the services resource requirements and formulate the Internal Audit Plan. The staffing structure of Internal Audit comprises a mix of professional, accounting technician and trainee posts with a mix of specialisms to reflect the varied workload of the service. These resources will be met internally within the Council supplemented by appropriately qualified external resources should there be the requirement.

4. Review of the Strategy

4.1 The strategy will be reviewed annually by the Audit Committee alongside the Internal Audit Charter and Annual Internal Audit Plan.



INTERNAL AUDIT CHARTER

May 2024

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1. Introduction

- 1.1 The purpose of this Charter is to establish the terms of reference for the Durham County Council Internal Audit Service and outline how the service will be delivered and developed through its Audit Strategy. It sets out the purpose, authority and responsibility of Internal Audit.

2. Statutory Basis

- 2.1 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations (England) 2015, which state that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

- 2.2 The Public Sector Internal Audit Standards (PSIAS) and CIPFA’s Local Government Application Note (LGAN), which came into effect April 2013, constitute proper practices to satisfy the requirements for larger relevant local government bodies as set out in the Accounts and Audit Regulations 2015. The PSIAS were updated on 1 April 2017 and the charter has been updated to reflect these changes.

- 2.3 Section 151 of the Local Government Act 1972 states that every local authority should make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs (The Chief Financial Officer (CFO)). CIPFA has defined proper administration in that it should include, ‘compliance with the statutory requirements for accounts and internal audit’.

- 2.4 The CIPFA Statement on the Role of the Chief Financial Officer states that the CFO must:

- Ensure an effective internal audit function is resourced and maintained
- Ensure that the authority has but in place effective arrangements for internal audit of the control environment
- Support internal audit arrangements and
- Ensure the audit committee receives the necessary advice and information so that both functions can operate effectively

- 2.4 This Internal Audit Charter recognises the mandatory nature of the PSIAS including the definition of Internal Auditing, the Mission of Internal Audit, the Code of Ethics and the Standards themselves.

- 2.5 As required by the PSIAS, this Charter defines the group or body determined to fulfil the roles and responsibilities of the ‘board ‘and ‘senior management’ for the purpose of internal audit activity, as referred to in the individual standards. These definitions are set out in Appendix C.

3. Definition

- 3.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4. Mission

- 4.1 The mission of the Internal Audit Service is 'to enhance and protect Durham County Council's organisational values by providing risk-based and objective assurance, advice and insight'.

5. Code of Ethics

- 5.1 Internal Auditors in the UK public sector organisations must conform to the Code of Ethics (the Code) as set out in the PSIAS. The Code applies to both individuals and entities that provide internal auditing services.
- 5.2 The Code consists of 4 principles that are relevant to the profession and practice of internal auditing and set out the rules of conduct that describe behaviour norms expected of internal auditors to guide their ethical conduct. The 4 principles are integrity, objectivity, confidentiality and competency.
- 5.3 Internal auditors must also have regard to the Committee on Standards in Public Life, "Seven Principles of Public Life", those being:
- Selflessness
 - Integrity
 - Objectivity
 - Accountability
 - Openness
 - Honesty
 - Leadership

6. Strategic Aims

- 6.1 The overall strategy supports the Council achieve its aims and objectives through the provision of a high quality internal audit service that gives management reasonable assurance on the effectiveness of the Council's internal control environment and acts as an agent for change by making recommendations for continual improvement.

6.2 The service aims to be flexible, pragmatic and to work in collaboration with management to suit organisational needs. Through a risk based approach to audit planning, the service will make a positive contribution to corporate governance arrangements and assist management in developing a framework for achieving objectives within acceptable levels of risk.

7. Objectives of Internal Audit

7.1 The service's primary objective is the provision of reasonable, not absolute, evidenced based assurance on the effectiveness of the whole of the Council's risk management, control and governance environment to the Corporate Management Team and the Audit Committee.

7.2 The provision of the annual assurance opinion will be in compliance with professional guidelines and in accordance with the Accounts and Audit regulations 2015. The annual opinion will be included within the Council's Annual Governance Statement that forms part of the Council's published annual Statement of Accounts.

7.3 To determine the audit opinion the internal audit service will review, appraise and report upon:

- The adequacy of risk identification, assessment and mitigation
- The adequacy and application of controls to mitigate identified risk
- The adequacy and extent of compliance with the Council's corporate governance framework
- The extent of compliance with relevant legislation
- The extent to which the organisation's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money
- The quality and integrity of financial and other management information utilised within the organisation

7.4 When presenting the annual audit opinion the Chief Internal Auditor and Corporate Fraud Manager will:

- Disclose any qualification to that opinion, together with the reasons for that qualification
- Present a summary of the audit work undertaken from which the opinion is derived, including reliance placed on the work of others
- Draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken to the work that was planned and summarise the performance of the internal audit service

- Present a statement on conformance with the PSIAS and the results of a Quality Assurance and Improvement Programme (QAIP) required by the PSIAS.

7.5 Other objectives include:

- Supporting the Section 151 Officer (Chief Finance Officer) in discharging his statutory duties for ensuring proper administration of the Council's financial affairs.
- Championing good governance by helping to improve the Council's risk management, control and governance processes by providing management with timely advice and guidance.
- Supporting the Audit Committee in fulfilling its governance responsibilities as detailed in the Committee's terms of reference set out in the Council's Constitution.
- Supporting Officers and Members in identifying and understanding exposure to risk and providing advice on control design, techniques and strategies.
- Working with other assurance and review bodies to ascertain the extent to which reliance can be placed on the work of other auditors and inspectorates to maximise assurance and the effectiveness of audit resources available.
- Helping to promote a strong counter fraud culture across the Council, through the development and effective implementation of the Council's Counter Fraud and Corruption Strategy and Anti-Money Laundering policy.
- Providing quality services through the highest standards of professional practice, quality assurance systems and investment in staff.
- Be future focussed and to continually add value to the organisation.

8. Outcomes of Internal Audit

8.1 The main outcome is the provision of independent assurance to "those charged with governance", which within Durham County Council is the Audit Committee, on the effectiveness or otherwise of the Council's risk management, control and governance arrangements and in so doing we contribute to:

- Improved identification and management of risks contributing to improved performance management and the successful achievement of the Council's vision and priorities.
- Improved corporate governance through helping to support compliance with relevant legislation, the Council's policies, plans and procedures.
- Improved accountability, safeguarding of Council assets and interests and use of public resources.

- Improved quality and reliability of financial and other management information used to support informed decisions.

9. Independence, Objectivity and Authority

- 9.1 To be effective Internal Audit must operate independently and in an unbiased manner and have unrestricted access to all information deemed necessary in the course of its work.
- 9.2 The Chief Internal Auditor and Corporate Fraud Manager has direct and unrestricted access to any employee or elected member including the Chief Executive, the Leader of the Council, Corporate Management Team and the Audit Committee.
- 9.3 For day to day operational activities the Chief Internal Auditor and Corporate Fraud Manager reports to the Corporate Director of Resources but maintains independence by reporting in their own name on functionality of the audit service direct to the Audit Committee.
- 9.4 Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free and unrestricted access to all records, assets, elected members, personnel and premises, including those of partner organisations or external contractors conducting business on behalf of or in partnership with the Council, in order to obtain such information and explanations as it considers necessary to fulfil its responsibilities.
- 9.5 Internal Audit will remain free from interference by any element in the organisation including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of the necessary independent and objective standards.
- 9.6 Objectivity is maintained by ensuring that all internal auditors are free from any conflicts of interest and being free from direct management responsibility for the development, implementation or operations of any of activities audited.
- 9.7 Internal auditors will not be allocated to assurance reviews in areas where they have had a responsibility for, or have undertaken any significant advice and consultancy work, within the previous two years.
- 9.8 As the Chief Internal Auditor and Corporate Fraud Manager also has responsibility for corporate risk management, counter fraud and insurance services, arrangements will be made for any audit work to be carried out in these areas by a suitably experienced and qualified auditor. In these cases the Chief Internal Auditor and Corporate Fraud Manager will remove themselves from the review process of these audits and all findings and draft reports will be shared at their conclusion with both the Chief Internal Auditor and Corporate Fraud Manager and the Corporate Director, Resources in order to apply the necessary safeguards as set out in PSIAS standard 1112 where the Chief Audit Executive has roles beyond Internal Auditing.

10. Scope of Audit Work

10.1 Internal Audit's role applies to all functions and services for which the Council is responsible, including those delivered by its partners where appropriate.

10.2 In addition to the regular review of all key systems of internal control which forms the majority of assurance work, Internal Audit will:

- Respond to requests for support, advice and guidance on implementing and/or improving best practice control procedures for current and new systems.
- Promote the development and effective implementation of Control and Risk Self Assessments (CRSA) as outlined within the Audit Approach Section of this Charter.
- Provide support, advice and guidance on risk and controls to staff involved in the design and implementation of new systems and processes.
- Provide assistance on key projects, including attendance on project boards, and conduct specialist consultancy and value for money reviews. The scope of this work is agreed with management and is subject to having the necessary resources, skills and ensuring suitable assurance over Internal Audit's independence and objectivity. Any significant advice and consultancy work that may be considered to impact on the independence of the Internal Audit Service will be reported to the Audit Committee for approval.
- Be alert in all its work to risks and exposure that could allow fraud or corruption to occur and to any indications that a fraudulent or corrupt practice may have been occurring
- Review controls where a potential fraud has been detected/reported to provide assurance that the alleged fraudulent activity is unable to continue and to prevent a reoccurrence.
- Determine the most appropriate course of action by which fraud and irregularities should be investigated in accordance with the Council's Counter Fraud and Corruption Policy.

10.3 It must be noted that whilst Internal Audit will promote the Council's Counter Fraud Policy to deter and prevent fraud, for example participating in the National Fraud Initiative, it does not have responsibility for the prevention and detection of fraud and corruption. Internal Audit cannot guarantee that fraud or corruption will be detected in its work. Managing the risk of fraud and corruption is the responsibility of all service managers.

11. Strategic Audit Planning

- 11.1 The level of internal audit resources required to examine all of the Council's activities exceeds those available each year. It is, therefore, essential that the work of internal audit is properly planned to ensure that sufficient work is undertaken each year to draw reasonable conclusion and assurance on the effectiveness of the Council's risk management, control and governance arrangements.
- 11.2 Strategic planning processes aim to provide a reasonable level of independent review of the Council's risk management, control and governance systems through periodic audit plans in a way which affords suitable priority to the Council's objectives and risks.
- 11.3 The starting point for strategic planning is maintaining an understanding of the Council's strategic aims and objectives, its corporate governance arrangements and the assurance framework in place by which those charged with governance gain confidence that any risks which may impact on the achievement of those aims and objectives are effectively identified, assessed and managed.
- 11.4 In consultation with service managers internal audit will
- Consider the Council's risk across two categories:
 - a. **Strategic Risks** - these are the business risks that may arise both internally and externally from the Council and should be included in Corporate and Service Strategic Risk Registers
 - b. **Operational Risks** - these are the risks that arise directly from the core activities of delivering services that may not always be documented
 - Identify key service delivery activities, and their objectives in supporting the delivery of Council's strategic aims and objectives, on which assurance is required by those charged with governance (the Audit Universe)
 - Review the Council's assurance arrangements in place to clearly map out an integrated assurance framework of all known sources of assurance, independent or otherwise, and identify any gaps and duplication
 - Assess the reliability of other assurance sources
 - Regularly carry out risk assessments of each key service activity, and key systems that support the delivery of service objectives, to determine the priorities for reviewing operational risks.

- 11.5 Strategic risk registers will inform but not drive the internal planning process and internal audit will audit those risks where controls have been identified as the means of managing the risk. Priority will be given to those risks which have a high gross score and a low net score, where the effective management of the risk is heavily dependent on the identified controls, and there is little or no other source of assurance.
- 11.6 Assurance on the strategic risk of fraud and corruption will be provided each year with some specific targeted fraud prevention and detection reviews as part of a risk assessed counter fraud programme of work.
- 11.7 Internal Audit will aim to review operational risks relating to key service activities and key systems within a five year rolling programme, dependent on an audit assessment of known risks and the reliability of other assurance sources. Some key risks where a high level of assurance is required to demonstrate the continuous effectiveness of internal controls, for example those associated with key financial systems, may be subject to annual review. The timing of reviews will be agreed in consultation with management wherever possible.

12. Annual Audit Plans

- 12.1 Annual audit plans will be developed to provide a reasonable level of independent assurance on both strategic and operational risks to enable an annual opinion on the entire control environment to be given.
- 12.2 The preparation of the annual plan will also consider any strategic objectives of the service in relation to delivering any commitments under Service Level Agreements or undertaking certain reviews at particular frequencies to fulfil statutory requirements.
- 12.3 In addition to risk based assurance reviews, the annual audit plan will also include provision for advice and consultancy. This provision covers time set aside for reactive and proactive value added work and includes:
- Proactive, responsive and innovative solutions to problems and opportunities to help the organisation achieve its business objectives
 - Timely response to ad hoc requests for advice on the identification, assessment and mitigation of risks through effective controls
 - Timely response to ad hoc requests for advice on the impact of proposed policy initiatives, programmes and projects as well as responses to emerging risks
 - Planned involvement in new initiatives or working groups established to help identify and assess risk and design suitable controls
 - Undertaking VFM reviews.
 - Investigation of irregularities and suspected fraud and corruption
 - Grant certification work requiring independent assurance that grant terms and conditions have been met.

- 12.4 The level of audit resources required to deliver, at the very least, both a minimum level of independent assurance and adequate provision for advice and consultancy will be considered by the Chief Internal Auditor and Corporate Fraud Manager. Minimum assurance levels will be informed by the maturity of the Council's risk management arrangements and the reliance that can be placed on other assurance sources. Any concerns the Chief Internal Auditor and Corporate Fraud Manager has over the quantity and quality of skills available to deliver the required level of assurance, or to add value through its advice and consultancy work, will be referred to the Section 151 Officer (Chief Financial Officer) and the Audit Committee for consideration.
- 12.5 Strategic and annual plans will be considered by the Corporate Management Team and approved and monitored by the Audit Committee.

13. Audit Approach

- 13.1 Internal Audit will adopt a risk based approach to all assurance work as outlined below:

Strategic Risk

- 13.2 Reviews of strategic risks will provide assurance that:

- Risk management processes, defined by the Council's risk management strategy and policy, are in place and are operating as intended
- Managers are responding to risks adequately and effectively so that those risks are reduced to an acceptable level
- The controls that managers have in place are successful in managing those risks

Operational Risk

- 13.3 Reviews of key service delivery activities and key systems will provide assurance on the effectiveness of

- Compliance with corporate governance arrangements
- Risk identification, assessment and business continuity
- The control environment to manage identified risks and to ensure that the Council's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money, including
- Information governance (quality and integrity of financial and other management information and how it is used and communicated)

- 13.4 Internal Audit will adopt a risk based approach to evaluate the effectiveness of controls designed to mitigate risks through substantive testing and/or compliance testing. Compliance testing will confirm if a control actually exists and substantive testing will provide assurance that the control is effective and / or is consistently applied. The level of testing will be relative to the impact and likelihood of the risk occurring due to a control weakness.
- 13.5 Internal Audit will work with service managers to help embed effective risk management by supporting them to carry out a control and risk assessment (CRA) of operational risks for each audit area subject to review in advance of each assurance audit.
- 13.6 Internal Audit will agree the objectives and risks associated with each key system or service delivery area to be reviewed with the relevant service manager/key contact prior to the start of any audit to ensure that the scope and objectives of each review are focused on providing assurance on the high or significant risks identified through the CRA. Terms of reference will be issued to key contacts to formally agree the scope of each review, identified keys risks, potential impact and expected key controls.
- 13.7 The key contact is the person who is authorised by the head of service to agree resultant draft reports and the implementation of any proposed audit recommendations.
- 13.8 Terms of Reference will confirm the scope of each review and the audit approach to be applied. The latter may vary due to the nature of the risk upon which assurance is required and the extent of reliance on other assurances sources.

14. Audit Reporting

- 14.1 All audit assignments will be the subject of formal reports and all assurance reviews will include an audit opinion.
- 14.2 The reporting structure is designed to ensure that final versions of reports are agreed with managers and are both accurate and practical.
- 14.3 Towards the end of an audit an exit meeting with the key contact will be arranged to share and discuss initial audit findings. If this is not practical, an informal draft report will be issued to the key contact which will set out initial findings.
- 14.4 The purpose of the exit meeting/informal draft stage is to give feedback and to eliminate any inaccuracies in audit findings so that these can be resolved before a formal draft report is issued.
- 14.5 Draft reports will ask the key contact to provide a management response to the recommendations made and agree target implementation dates and responsible officers.

- 14.6 To assist managers in their response, the importance of findings/recommendations are categorised as High, Medium or Best Practice. Details of how the importance of audit findings is assessed leading to these recommendation rankings are given in Appendix A.
- 14.7 It is the responsibility of managers to address audit findings and implement audit recommendations or other agreed appropriate action, or accept the risk resulting from not taking action.
- 14.8 An overall opinion will be provided on each assurance audit review to help inform the overall opinion required to support the Council's Annual Governance Statement.
- 14.9 The determination of the audit assurance opinion is derived from the overall level of assurance on the effectiveness of controls operating in each specific area reviewed and is informed by the risk identified through recommendation rankings. Where a Limited Assurance opinion is given the control framework in place is considered to be ineffective and requires improvement to maintain an acceptable level of control. Further details of how assurance opinions are derived are given in Appendix A.
- 14.10 Management responses to recommendations made in draft reports will be incorporated into audit reports that will then be reissued as finals. Copies of all final reports are shared with the Council's External Auditor on request.
- 14.11 Wherever possible the circulation of audit reports will be agreed at the outset and will have due regard to confidentiality and legal requirements. Any information gained in the course of audit work remains confidential without limiting or preventing internal audit from meeting its reporting responsibilities to the wider organisation.
- 14.12 Internal Audit will follow-up progress made by managers in responding to draft reports and on the implementation of all high and medium priority recommendations agreed in final reports.
- 14.13 Progress on the response to draft reports issued and the implementation of agreed recommendations will be reported to Audit Committee. Any significant recommendations overdue will be reported to Committee on an exception basis each quarter. In accordance with the Committee's request, where any significant recommendations remain overdue the following quarter the responsible manager will be asked to attend Audit Committee to provide an explanation for the delay.
- 14.14 Management is required to provide a response to draft reports issued within 20 working days. If a response has not been received within this timescale the following escalation process will then be invoked:
 - A reminder will be sent to the key contact, and copied into the relevant head of service, requesting a response within the next 10 days

- If a response is still not forthcoming, a second reminder will be issued direct to the head of service, advising that if a response is not received within the next 5 days the matter will be reported to the relevant Corporate Director
- All draft reports remaining outstanding at the end of each quarter will be reported to the Audit Committee.

14.15 Audit Managers / Principal Auditors will report quarterly to Service Grouping Management Teams on progress made on delivering the agreed annual plan, unplanned work carried out and any proposed amendments to the plan, overdue responses to draft reports, any significant issues arising from audit work and progress made by managers in implementing audit recommendations.

14.16 To help focus attention on areas of significant risk, quarterly progress reports will include by exception details of all audits resulting in a limited assurance opinion.

14.17 Where a limited assurance opinion is given, it is the intention of Internal Audit to follow up the audit within six months of issue to verify that the recommendations have been made in line with the agreed actions. A follow up report detailing progress made and any actions that are still to be completed will be prepared on completion of the review.

14.18 In accordance with the PSIAS, to maintain organisational independence, Internal Audit will report on the functionality of the audit service to Audit Committee by:

Reporting a draft annual risk based audit plan for approval

Presenting Quarterly Internal Audit Progress reports:

- To consider progress made in delivering the agreed annual plan
- To inform Members of significant issues arising from audit assurance work and the impact this may have if control weaknesses identified are not addressed
- To inform Members of other audit work carried out or planned
- To consider progress made by managers in the implementation of audit recommendations drawing attention to significant risks not being effectively managed

Presenting an Annual Audit Report to:

- Compare actual activity with planned work and performance targets
- Provide an overall opinion on the control environment
- Provide a summary of work undertaken to formulate the annual opinion on the entire control environment, including reliance placed on work by other assurance bodies
- Demonstrate the extent of compliance with the PSIAS and the results of the Quality Assurance and Improvement Programme, including internal and any external assessments carried out.
- Draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement.

15. Responsibilities of Managers

- 15.1 Internal Audit is involved in a wide range of internal and external relationships. The quality of these relationships impacts on the effective delivery of the service, its reputation and independence.
- 15.2 Internal Audit will strive to build effective working relationships with all stakeholders, internal and external, by encouraging an environment of mutual trust, confidence and understanding.
- 15.3 A key relationship is with managers across the organisations. Managers at all levels need complete confidence in the integrity, independence and capability of internal audit.
- 15.4 Managers' role is to manage the risks facing their service and to maintain an adequate and effective system of internal control to mitigate these risks. Managers are also responsible for ensuring that employees are aware of the processes and procedures required to operate the control systems in place.
- 15.5 It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of fraud and irregularities. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- 15.6 Internal Audit will endeavour to plan its work so that it has a reasonable expectation of detecting significant control weaknesses and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- 15.7 Managers are encouraged to maximise the effectiveness of the outcome of internal audit work by:

-
- Commenting on, and inputting to, strategic and annual audit plans.
 - Working with audit staff in the development of a control and risk assessment (CRA) for the service activity or system as part of the preparation and planning stage of each assurance review.
 - Agreeing terms of reference, informed by the CRA where applicable, for each audit assignment to ensure attention is focused on areas of greatest risk or concern.
 - Giving information and explanations that are sought during audit reviews.
 - Providing access at all reasonable times to premises, personnel, documents and assets as necessary.
 - Giving early notification of plans for change, including potential new initiatives, operational systems and processes.
 - Ensuring key contacts provide responses to draft audit reports within the required timescales.
 - Ensuring agreed actions arising from audit recommendations are carried out efficiently and on a timely basis
 - Notifying internal audit of any suspected fraud, irregularity, improper use or misappropriation of the Council's property or resources.
 - Pending investigation and reporting, take all responsible steps to prevent further loss and to secure records and documents against removal or alteration.
 - Acting in line with the Council's disciplinary procedures.

16. Relationship with the Audit Committee

- 16.1 The Council has adopted best practice in implementing an Audit Committee. This committee is independent of both the Executive and Scrutiny function, and reports directly to the Council on matters it feels are relevant. Terms of Reference, reflecting best practice, have been agreed.
- 16.2 The existence of an independent and effective Audit Committee helps to convey to employees and the public the importance Members and Officers attach to risk management, corporate governance and internal control.
- 16.3 The Audit Committee is not just the concern of auditors as it has responsibility for ensuring that the Council has good corporate governance arrangements in place to help deliver the best services to support the Council's priorities, aims and objectives and ensure excellent use of resources.
- 16.4 Internal Audit is one of a number of assurance providers that contribute to the Council's corporate assurance framework. It does this by providing an opinion on the level of assurance the Council can place upon the entire internal control environment and by making recommendations to improve it. This includes Internal Audit's evaluation of the effectiveness of the Council's risk management and corporate governance arrangements.

- 16.5 It is important that the Council seeks independent assurance about the mechanisms underpinning the various aspects of governance and one of the responsibilities of the Audit Committee is to review the functionality and effectiveness of Internal Audit.

17. Audit Resources, Skills and Service Quality

- 17.1 In order for Internal Audit to demonstrate high standards of professional conduct, the Internal Auditor must be impartial in discharging all responsibilities. Bias, prejudice or undue influence must not be allowed to limit or override objectivity.
- 17.2 The service is required to operate in compliance with both the PSIAS and the LGAN. Policies and standard working practices have been put in place to ensure all audit staff understand and comply with the PSIAS/LGAN.
- 17.3 An important element of the PSIAS is the requirement to undertake regular quality assurance assessments and maintain a quality assurance and improvement programme.
- 17.4 A quality assurance framework, detailing the policies, procedures and working practices under which the service operates has been defined and documented in an Audit Manual.
- 17.5 The Chief Internal Auditor and Corporate Fraud Manager is responsible for providing periodically a self-assessment on the effectiveness of the internal audit service and compliance with agreed procedures to ensure professional standards are maintained. Any areas of non-compliance with the standards and or the LGAN will be reported as part of the Annual Audit Report to Corporate Management Team and the Audit Committee.
- 17.6 In accordance with the PSIAS, an external assessment will be carried out at least every five years. The results of this external assessment will also be reported to the Corporate Management Team and the Audit Committee.
- 17.7 The service is provided by Durham County Council's in house internal audit team, supported in specialist areas as and when considered necessary by a third party partner. The staffing structure will, as far as possible, be comprised of a suitable mix of qualifications, experience and skills.
- 17.8 The Chief Internal Auditor and Corporate Fraud Manager ensures internal audit resources are sufficient to meet its responsibilities and achieve its objectives. Resource requirements are reviewed annually in relation to draft annual audit plans. Resources will be considered in terms of available days and the skills and experience of audit staff. Any concerns that the Chief Internal Auditor and Corporate Fraud Manager has regarding resources available to deliver the service in accordance with the PSIAS will be reported to the Corporate Director, Resources and the Audit Committee.

- 17.9 Individual training needs are identified in accordance with the Council's Performance Appraisal Scheme and supplemented by regular audit skills assessments and post audit reviews. As well as basic training in audit techniques and the development of specialist skills, the service is committed to coaching and mentoring its staff and to providing opportunities for continuous professional development to all staff.
- 17.10 Internal Audit maintains its awareness of national and local issues through membership and subscription to professional bodies such as CIPFA's Better Governance Forum, Technical Information Service, Finance Advisory Network (FAN), County Chief Internal Auditor Network, the Institute of Internal Auditors and through regular liaison with external audit.
- 17.11 The service will keep abreast of best audit practice by adhering to CIPFA's and the IIA's practice advisories and practice guides, where applicable, as well as networking with other internal audit service providers.
- 17.12 In this regard the service considers trends and emerging issues that could impact the organisation.
- 17.13 A suite of performance indicators (PIs) and targets has been developed to measure and monitor the performance and effectiveness of the service. The current PI's are detailed in Appendix B. PIs and targets will be reviewed annually.
- 17.14 In accordance with the requirements of the Accounts and Audit Regulations 2015, an annual review of the effectiveness of the internal audit service is undertaken by the Audit Committee. This will be informed by a review of the service carried out by the Corporate Director Resources and from consideration of the Quality Assurance and Improvement Programme and any internal or external assessments required by the PSIAS. By reviewing the service the Audit Committee is able to gain assurance that the service maintains its independence and objectivity, that it is effective and conforms to the expected professional quality standards so that it can place reliance on its work and the annual audit opinion.
- 17.15 The outcome from the annual effectiveness review is reported to the Corporate Management Team and Audit Committee as part of the Annual Internal Audit Report.

18. Approval and Review

- 18.1 The Chief Internal Auditor and Corporate Fraud Manager will review this Charter annually to ensure that it is kept up to date and fit for purpose. The Charter is endorsed by the Corporate Management Team and approved by the Audit Committee. Any amendments will be reported to the Audit Committee for approval. A copy of the Charter will be made available on the Council's intranet.

19. Key Contact

Name:

Tracy Henderson, Chief Internal Auditor and
Corporate Fraud Manager

Tel:

03000 269668

Email:

tracy.henderson@durham.gov.uk

Address

Internal Audit, Risk and Corporate Fraud
Corporate Resources
Durham County Council
County Hall
Durham
DH1 5UL

20. Other Related Documents

Other related documents that should be read in conjunction with this Charter are:

- Public Sector Internal Audit Standards
- CIPFA's Local Government Application Note
- The Council's Risk Management Strategy
- The Council's Constitution – Financial Procedure Rules
- The Council's Constitution – Local Code of Corporate Governance
- The Council's Constitution – Codes of Conduct
- The Council's Counter Fraud and Corruption Strategy and Fraud Response Plan
- The Council's Confidential Reporting Code (Whistle Blowing Policy)

ASSESSMENT OF AUDIT FINDINGS, RECOMMENDATIONS AND AUDIT OPINIONS

APPENDIX A

Findings

Individual findings are assessed on their impact and likelihood based on the assessment rationale in the tables below:

Impact Rating	Assessment Rationale
Critical	A finding that could have a:
	Critical impact on operational performance (Significant disruption to service delivery)
	Critical monetary or financial statement impact (In excess of 5% of service income or expenditure budget)
	Critical breach in laws and regulations that could result in significant fine and consequences (Intervention by regulatory body or failure to maintain existing status under inspection regime)
	Critical impact on the reputation of the Council (Significant reputational damage with partners/central government and/or significant number of complaints from service users)
	Critical impact on the wellbeing of employees or the public (Loss of life/serious injury to employees or the public)
Major	A finding that could have a:
	Major impact on operational performance (Disruption to service delivery)
	Major monetary or financial statement impact (1-5% of service income or expenditure budget)
	Major breach in laws, regulations or internal policies and procedures (non compliance will have major impact on operational performance, monetary or financial statement impact or reputation of the service)
	Major impact on the reputation of the service within the Council and/or complaints from service users
Minor	A finding that could have a:
	Minor impact on operational performance (Very little or no disruption to service delivery)
	Minor monetary or financial statement impact (less than 1% of service income or expenditure budget)
	Minor breach in internal policies and procedures (non compliance will have very little or no impact on operational performance, monetary or financial statement impact or reputation of the service)

Likelihood	Assessment criteria
Probable	Highly likely that the event will occur (>50% chance of occurring)
Possible	Reasonable likelihood that the event will occur (10% - 50% chance of occurring)
Unlikely	The event is not expected to occur (<10% chance of occurring)

Overall Finding Rating

This grid is used to determine the overall finding rating.

LIKELIHOOD			
Probable	M	H	H
Possible	L	M	H
Unlikely	L	L	M
	Minor	Major	Critical
	IMPACT		

Priority of recommendations

The definition of the priority of recommendations arising from each overall finding as follows;

High	Action required, that is considered imperative , to improve the control environment so that objectives are not exposed to unacceptable risks through lack of or weaknesses in critical or key controls.
Medium	Action required to improve the control environment so that objectives are not exposed to risks through weaknesses in controls.
Best Practice	The issue merits attention and its implementation will enhance the control environment.

Overall Assurance Opinion

Based upon the ratings of findings and recommendations arising during the audit as summarised in risk matrix above we define the overall conclusion of the audit through the following assurance opinions:

Substantial Assurance	There is a sound system of control. Any weaknesses identified expose some of the system objectives to minor risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some weaknesses, which expose objectives to risk.
Limited Assurance	There are weaknesses in key areas in the system of control, which expose objectives to unacceptable levels of risk.

PERFORMANCE INDICATORS

APPENDIX B

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Efficiency		
Objective: To provide maximum assurance to inform the annual audit opinion		
KPI	Measure of Assessment	Target & (Frequency of Measurement)
Productive audit time achieved	% of planned productive time from original approved plan completed as at 31 st March.	90% (Monthly)
Timeliness of Draft Reports	% of draft reports issued within 20 working days of end of fieldwork/closure interview	100% (Monthly)
Timeliness of Final Reports	% of final reports issued within 10 working days of receipt of management response	100% (Monthly)
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)
Quality		
Objective: To ensure that the service is effective and adding value		
KPI	Measure of Assessment	Target & (Frequency of Measurement)
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Monthly)
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (3 out of 5) where 1 is poor and 5 is very good	100% (Quarterly)
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)

Public Sector Internal Audit Standards

Definition of the terms 'Board' and 'Senior Management' for the purpose of Internal Audit Activity

Standard		Reference to board or senior management	Proposed body/group to fulfil role	
Ref	Title		Senior Management	Board
1000	Purpose, authority and responsibility	Senior Management and the board must approve the Internal Audit Charter	Corporate Management Team (CMT)	The Audit Committee
1110	Organisational Independence	<p>The Chief Audit Executive (CAE) must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The CAE must confirm to the board at least annually the organisational independence of the Internal Audit activity.</p> <p>The CAE must report functionality to the board. The CAE must also establish effective communication with, and have free and unfettered access to the Chief Executive and the Chair of the Audit Committee.</p> <p>Functionality includes:</p> <ul style="list-style-type: none"> • Approving the Internal Audit Charter • Approving the Risk Based Internal Audit Plan • *Approving the internal audit budget and resource plan • Receiving communications for the CAE on the internal audit activity's 		<p>The Audit Committee</p> <p>The Audit Committee with the exception of those functions marked with an* which are the responsibility of the Corporate Director, Resources who has delegated authority from Council to maintain an effective internal service.</p> <p>Note</p>

DEFINITIONS UNDER PSIAS

APPENDIX C

		<p>performance relative to its plan and other matters</p> <ul style="list-style-type: none"> • *Approving decisions regarding the appointment and removal of the CAE • *Approving the remuneration of the CAE and • Making appropriate enquiries of management and the CAE to determine whether there are inappropriate enquires of management and CAE to determine whether there are inappropriate scope or resources limitations 		<p>The public sector interpretation with the PSIAS acknowledges that in the UK public sector the board would not generally approve the CAE's remuneration.</p> <p><i>“The underlying principle is that the independence of the CAE is safeguarded by ensuring that his or her remuneration or performance assessment is not inappropriately influenced by those subject to audit. In the UK public sector this can be achieved by ensuring that the Chief Executive undertakes, countersigns, contributes feedback to or reviews the performance appraisal of the CAE and that feedback is also sought from the Chair of the Audit Committee “</i></p>
1130. C2	Impairment to Independence or Objectivity	Approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement		The Audit Committee
1312	Quality Assurance and Improvement Programme (QAIP)	<p>External Assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team form outside the organisation. The CAE must discuss with the board:</p> <ul style="list-style-type: none"> • The form of external assessments 		The Audit Committee

DEFINITIONS UNDER PSIAS

APPENDIX C

		<ul style="list-style-type: none"> • The qualifications and independence of the external assessor or assessment, including any potential conflict of interests <p>NB The Public Sector requirement of this standard states,</p> <p>“The CAE must agree the scope of external assessments with an appropriate sponsor e.g. the Accounting/Accountable Officer or Chair of the audit committee as well as with the external assessor or assessment team”</p>		
1320	Reporting the results of QAIP	The CAE must communicate the results of the quality assurance and improvement programme to senior management and the board .	CMT	The Audit Committee
1322	Disclosure of Non - Conformance	Instances of non-conformance with the definition of Internal Auditing , the Code of Ethics or the standards impacts the overall scope or operation of the Internal Audit Activity, must be reported to the board by the CAE. More significant deviations must be considered for inclusion in the annual governance statement		The Audit Committee

DEFINITIONS UNDER PSIAS

APPENDIX C

2020	Communications and Approval	<p>The CAE must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.</p> <p>Where the CAE believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.</p>	CMT	The Audit Committee
2060	Reporting to Senior Management and the Board	The CAE must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must include significant risk exposures and control issues, including fraud risks governance issues and other matters needed or requested by senior management and the board.	CMT	The Audit Committee
2600	Communicating the Acceptance of Risk	When the CAE concludes that management has accepted a low level of risk that may be unacceptable to the organisation, the CAE must discuss the matter with senior management . If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the board .	CMT	The Audit Committee

NB. The role of Chief Audit Executive referred to in the Standards is that undertaken by the Chief Internal Auditor and Corporate Fraud Manager.

APPENDIX 4: DURHAM COUNTY COUNCIL ANNUAL INTERNAL AUDIT PLAN 2024/25				
Service Grouping	Service	Audit Title	Reference	Estimated Days
Chief Executive	Corporate Affairs	Corporate Performance Management Framework	11040/2025	10.0
Chief Executive	Corporate Affairs	Corporate Business Intelligence	11042/2025	10.0
Chief Executive	Corporate Affairs	Changing Places Toilets	00671/2025	3.0
TOTAL ESTIMATED DAYS FOR CHIEF EXECUTIVE				23.0
Adult & Health Services	Adult Care	Transition Arrangements between Childrens and Adult Services	50017/2025	15.0
Adult & Health Services	Adult Care	New CQC Inspection Regime	50036/2025	20.0
Adult & Health Services	Adult Care	Shared Lives	50080/2025	15.0
Adult & Health Services	Adult Care	Adaptations	50081/2025	15.0
Adult & Health Services	Adult Care	SALT - Short and Long Term Care	50240/2025	12.0
Adult & Health Services	Commissioning	Workforce Development Fund	00638/2025	4.0
Adult & Health Services	Commissioning	Commissioning of Learning Disability Services	50022/2025	15.0
Adult & Health Services	Commissioning	Commissioning of Mental Health Services	55200/2025	10.0
Adult & Health Services	Public Health	Pharmoutcomes	50220/2025	10.0
Adult & Health Services	Public Health	Healthy Start Vitamin Distribution	50239/2025 (new)	12.0
Adult & Health Services	Adult Care	CITO	58801/2025	10.0
Adult & Health Services	Adult Care	Azeus Data Quality	58814/2025	15.0
Adult & Health Services	Adult Care	Azeus - Provision Costing	58814/2025	15.0
Adult & Health Services	Adult Care	Rolling Respite Care	50197/2025	12.0
Adult & Health Services	Adult Care	Learning Disability Task and Finish Group	50093/2025	2.0
TOTAL ESTIMATED DAYS FOR ADULTS AND HEALTH SERVICES				182.0
Children and Young People's Services	Children and Young People's Services	Liquidlogic	58813/2025	10.0
Children and Young People's Services	Children's Social Care	Foster Carer Payments	50200/2025	20.0
Children and Young People's Services	Children's Social Care	Placement Resource Panel (PRP) Arrangements	50203/2025	15.0
Children and Young People's Services	Children's Social Care	Children's Homes	53000/2025	20.0
Children and Young People's Services	Children's Social Care	Children's Homes - Procurement Cards	53007/2025	10.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Speech and Language Therapy (SALT) - Shortage of Teachers	50223/2025	12.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Family Hubs and Start for Life	53006/2025	4.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	One Point Intensive Family Support Team and Family Hubs	53009/2025	20.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families	00611/2025	15.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Disability Commissioning Arrangements (Short Breaks)	54300/2025	15.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Youth Justice Service	85819/2025	15.0
Children and Young People's Services	Education and Skills	Multiply (UKSPF) Funding	00679/2025	5.0
Children and Young People's Services	Education and Skills	Arrangements for the allocation of SEN funding and its application in schools	78466/2025	25.0
Children and Young People's Services	Education and Skills	School Transport Budget	70502/2025	15.0
Children and Young People's Services	Education and Skills	Review of Swimming SLA	78481/2025	10.0
Children and Young People's Services	Locality and Operational Support	Caldicott Compliance	58809/2025	10.0
Children and Young People's Services	Locality and Operational Support	Caldicott Group	58810/2025	2.0
Children and Young People's Services	Education and Skills	Schools Financial Value Standard (SFVS)	70420/2025	5.0
Children and Young People's Services	Education and Skills	Schools - Safe Recruitment and Selection	70509/2025	8.0
TOTAL ESTIMATED DAYS FOR CHILDREN AND YOUNG PEOPLE'S SERVICE				236.0
Neighbourhoods and Climate Change	Consumer Protection	Pollution Control	12265/2025	10.0
Neighbourhoods and Climate Change	Consumer Protection	Works in Default	13339/2025	10.0
Neighbourhoods and Climate Change	Consumer Protection	Fees and Charges	13132/2025	10.0
Neighbourhoods and Climate Change	Consumer Protection	Civil Penalties (Civil Sanctions)	13133/2025	12.0
Neighbourhoods and Climate Change	Highway Services	Space on Highway	13139/2025	10.0
Neighbourhoods and Climate Change	Highway Services	Local Transport Capital Block	00627/2025	6.0
Neighbourhoods and Climate Change	Partnerships and Community Engagement	Community Grants	11033/2025	7.0
Neighbourhoods and Climate Change	Environment	Utility Bills	26047/2025	12.0
Neighbourhoods and Climate Change	Environment	Clean and Green	13126/2025	20.0
Neighbourhoods and Climate Change	Environment	Neighbourhood Wardens	13421/2025	12.0
TOTAL ESTIMATED DAYS FOR NEIGHBOURHOODS AND CLIMATE CHANGE				109.0

APPENDIX 4: DURHAM COUNTY COUNCIL ANNUAL INTERNAL AUDIT PLAN 2024/25				
Service Grouping	Service	Audit Title	Reference	Estimated Days
Regeneration, Economy and Growth	Planning and Housing	Financial Assistance Policy and Property Re-Purpose Loans	00612/2024	10.0
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	13551/2025	20.0
Regeneration, Economy and Growth	Corporate Property and Land	Surplus Property Policies and Procedures	13556/2025	12.0
Regeneration, Economy and Growth	Planning and Housing	Disabled Facilities Grant	00614/2025	7.0
Regeneration, Economy and Growth	Planning and Housing	Home Upgrade Grant (HUG) 2	00677/2025	5.0
Regeneration, Economy and Growth	Transport and Contract Services	Local Transport Capital Block Funding	00620/2025	6.0
Regeneration, Economy and Growth	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	00622/2025	6.0
Regeneration, Economy and Growth	Transport and Contract Services	Transport Contract Management - Contract Documentation and Invoice Payments	25805/2025/01	12.0
Regeneration, Economy and Growth	Transport and Contract Services	Transport Contract Management - Operator and Driver Verification	25805/2025/02	8.0
Regeneration, Economy and Growth	Transport and Contract Services	Housing Infrastructure Fund - Newton Aycliffe	00680/2025	7.0
Regeneration, Economy and Growth	Transport and Contract Services	Future high street / stronger town / LUF	00681/2025	7.0
Regeneration, Economy and Growth	Transport and Contract Services	Integrated Passenger Transport Unit – Adult Care Transport	25805/2025	20.0
Regeneration, Economy and Growth	Culture, Sport and Tourism	Consett Empire Theatre	14900/2025	15.0
Regeneration, Economy and Growth	Culture, Sport and Tourism	Gala - Box Office	14901/2025	12.0
TOTAL ESTIMATED DAYS FOR REGENERATION, ECONOMY AND GROWTH				147.0
Resources	Legal & Democratic Services	Electoral Services	10940/2025	10.0
Resources	Legal & Democratic Services	Members Expenses	10910/2025	10.0
Resources	Legal & Democratic Services	Registrars	11160/2025	10.0
Resources	Legal & Democratic Services	Police and Crime Panel	00647/2025	3.0
Resources	Legal & Democratic Services	RIPA Officers Group	11011/2025	3.0
Resources	Legal & Democratic Services	Company Governance Group	11071/2025	8.0
Resources	Legal & Democratic Services	Health & Safety Group	11240/2025	5.0
Resources	Corporate Finance and Commercial Services	VAT	10915/2025	10.0
Resources	Corporate Finance and Commercial Services	Direct Debit Payments	10619/2025	10.0
Resources	Corporate Finance and Commercial Services	Collection Fund	10926/2025	10.0
Resources	Corporate Finance and Commercial Services	Section 256 Agreements	50078/2025	10.0
Resources	Corporate Finance and Commercial Services	Better Care Fund	50079/2025	5.0
Resources	Procurement, Sales and Business Services	Contract Variations	11058/2025	12.0
Resources	Procurement, Sales and Business Services	Contract Management	11055/2025	12.0
Resources	Procurement, Sales and Business Services	Creditors	10150/2025	20.0
Resources	Procurement, Sales and Business Services	Payment Cards Workstream	10105/2025	10.0
Resources	Procurement, Sales and Business Services	Procurement Cards	10112/2025	25.0
Resources	HR and Employee Services	Attendance Management Framework	64446/2025	10.0
Resources	HR and Employee Services	Payroll - Overarching	10210/2025	1.0
Resources	HR and Employee Services	ResourceLink Programme Board	10215/2025	1.0
Resources	HR and Employee Services	Payroll - Access to Data and Records	10203/2025	10.0
Resources	HR and Employee Services	Payroll - Recruitment and Selection: Identity Verification	11029/2025	10.0
Resources	Transactional and Customer Services	Business Rates	00550/2025	20.0
Resources	Transactional and Customer Services	Housing Benefits and Council Tax Reduction (HB and CTR) - New Claims and Change in Circumstances	00706/2025	20.0
Resources	Transactional and Customer Services	Council Tax	00500/2025	20.0
Resources	Transactional and Customer Services	Cash Management	10460/2025	20.0
Resources	Transactional and Customer Services	Debtors	10400/2025	20.0
Resources	Transactional and Customer Services	Financial Deputies	50007/2025	15.0
Resources	Transactional and Customer Services	Welfare Rights	00776/2025	10.0
Resources	Transactional and Customer Services	County Durham Outreach and Support (CDOS)	00780/2025	15.0
Resources	Transactional and Customer Services	Welfare Assistance	00725/2025	10.0
Resources	Transactional and Customer Services	Insolvency / Bankruptcy	00505/2025	10.0
Resources	Digital Services	Mobile Phones	10919/2025	10.0

APPENDIX 4: DURHAM COUNTY COUNCIL ANNUAL INTERNAL AUDIT PLAN 2024/25				
Service Grouping	Service	Audit Title	Reference	Estimated Days
Resources	Digital Services	Information Governance Group	11010/2025	2.0
Resources	Digital Services	Environmental Information Requests	11090/2025	10.0
Resources	Digital Services	Backup Arrangements	98022/2025	10.0
Resources	Digital Services	SharePoint	98039/2025	10.0
Resources	Digital Services	Digital Programme	98107/2025	30.0
Resources	Digital Services	Digital Durham Grant Claim	98112/2025	2.0
Resources	Digital Services	IT Asset Management	98142/2025	15.0
TOTAL ESTIMATED DAYS FOR RESOURCES				454.0

2024/25	
Estimated Gross Days Available	4,140
Non – Productive Time (Annual Leave, Sickness, Office Duties etc.)	803
Non – Productive Time (Training)	481
Productive Time – not allocable to services, e.g. Audit Planning, Supporting Audit Committee, Quality Assurance, Contingency	885
<u>Audit Plan for 1 April 2024 to 31 March 2025</u>	
Audit days required to complete and close audit reports relating to 2023/24	255
Chief Executive	23
Adult and Health Services (AHS)	182
Children and Young People Service (CYPS)	236
Neighbourhoods and Climate Change (NCC)	109
Regeneration, Economy and Growth (REG)	147
Resources (RES)	454
Schools	160
Durham Police and Crime Commissioner / Durham Constabulary	186
Durham and Darlington Fire & Rescue Authority	86
Aim High Academy Trust	16
Durham Crematorium	18
Mountsett Crematorium	18
Pension Fund	45
New College Durham	30
Durham City Charter	6
TOTAL DAYS REQUIRED	4,140

2023/24	
Estimated Gross Days Available	4,431
Non – Productive Time (Annual Leave, Sickness, Office Duties etc.)	894
Non – Productive Time (Training)	385
Productive Time – not allocable to services, e.g. Audit Planning, Supporting Audit Committee, Quality Assurance, Contingency	1,050
<u>Audit Plan for 1 April 2024 to 31 March 2025</u>	
Audit days required to complete and close audit reports relating to 2022/23	202
Chief Executive	15
Adult and Health Services (AHS)	189
Children and Young People Service (CYPS)	248
Neighbourhoods and Climate Change (NCC)	164
Regeneration, Economy and Growth (REG)	128
Resources (RES)	383
Schools	350
Durham Police and Crime Commissioner / Durham Constabulary	201
Durham and Darlington Fire & Rescue Authority	83
Aim High Academy Trust	16
Durham Crematorium	18
Mountsett Crematorium	18
Pension Fund	50
New College Durham	31
Durham City Charter	6
TOTAL DAYS REQUIRED	4,431

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Audit Committee

20 May 2024

Appointment of Co-opted Independent Members to the Audit Committee

Report of Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

None.

Purpose of the Report

- 1 To update the Audit Committee on the recruitment of co-opted Independent Members to the Audit Committee, to seek agreement to increase the Audit Committee Co-opted Audit membership from two to three members and to make recommendations to Council for the appointment to these roles for a three year period from 1 May 2024.

Executive summary

- 2 Durham County Council's Audit Committee has co-opted Independent Members who are appointed in accordance with CIPFA's Position Statement: Audit Committee's in Local Authorities and Police 2022, which recommends that the audit committees of local authorities should include at least two co-opted members to provide appropriate technical expertise. The existing two Independent Persons were appointed in accordance with authority granted by Full Council on 31 October 2018 and their term was subsequently extended until 30 April 2023.
- 3 At its meeting on 18 October 2023, Council approved to further extend the term of office of the two current co-opted Audit Committee members until 30 April 2024, with agreement that a recruitment exercise would be undertaken prior to that date to secure co-opted members from 1 May 2024 onwards.
- 4 The existing appointees were free to re-apply for these roles in open competition with any other applicants and Council also agreed for the term of office for the new co-operated Audit Committee members to be for a fixed term of three years.

- 5 This report summarises the outcome of the recruitment exercise that has been undertaken and the recommendations to be presented to Council at its meeting on 24 May 2024.
- 6 The report proposes that the Audit Committee increases the co-opted membership from two to three members and that the Audit Committee recommend to full Council the reappointment of Clive Robinson and Ian Rudd and the appoint of Francis Barnish as a new co-opted Independent Member to the Audit Committee with effect from 01 May 2024 for a fixed term of three years.

Recommendation

- 7 The Audit Committee are asked to:
 - (a) note the recruitment process undertaken for co-opted Independent Members;
 - (b) agree to increase the Audit Committee Co-opted Independent membership from two to three members; and
 - (c) recommend to full Council the reappointment of Clive Robinson and Ian Rudd and also to appoint Francis Barnish as a new co-opted Independent Member to the Audit Committee with effect from 1 May 2024 for a fixed term of three years.

Background

- 8 CIPFA's Position Statement: Audit Committee's in Local Authorities and Police 2022 recommends that the audit committees of local authorities should include at least two co-opted members to provide appropriate technical expertise. The council meets this requirement and currently has two Independent Co-opted Members appointed to its Audit Committee.
- 9 The role, membership and terms of reference of the Audit Committee are set out within the Constitution, which is approved by Council.
- 10 Good corporate governance requires independent and effective assurance processes, underpinned by robust risk management arrangements, 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 oversee that these arrangements are in place and operating effectively.
- 11 The specific objectives of the Audit Committee, as 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.
- 12 The existing two Independent Co-opted Members of the Audit Committee were appointed in accordance with authority granted by Full Council on 31 October 2018 and their term was subsequently extended until 30 April 2023.
- 13 As part of the review of the constitution in 2023 it was not picked up that the tenure of the two co-opted members had expired, with both continuing to attend meetings of the Audit Committee and making positive contributions to the discussions held.
- 14 On 18 October 2023, Council considered a report, which set out the proposal to extend the term of office of the current co-opted Audit Committee members until 30 April 2024 for a fixed term of 3 years, with agreement that a recruitment exercise would be

undertaken prior to that date to secure co-opted members from 1 May 2024 onwards.

Recruitment Process

15 Council approved the following indicative recruitment timetable:

Recruitment Stage	Timescale
Positions Advertised	Monday 15 January 2024
Deadline for applications	Friday 23 February 2024
Interviews to be held	w/c 18 March 2024
Member Induction	April 2024
Audit Committee	Monday 20 May 2024
Appointments Confirmed by Council	Wednesday 22 May 2024

16 The roles were advertised on the Council's website on 15 January 2024 and were also promoted on the Council's social media pages. Five applications were received and the Panel (consisting of the Chair and Vice Chair of the Audit Committee supported by the Chief Internal Auditor and Corporate Fraud Manager) decided to shortlist all five candidates. Interviews took place on 20 and 26 March 2024. A copy of the role profile and person specification are attached at Appendix 2 for information.

17 The candidates were asked a series of questions to test their suitability for the role against the criteria set out in the person specification.

18 The Panel decided to recommend Clive Robinson and Ian Rudd for reappointment, and to also recommend that a third Co-opted Independent member be appointed, Francis Barnish thus increasing the Co-opted Audit Committee membership from two to three members. All three candidates demonstrated that they met the criteria for the role and had a good understanding and an enthusiasm to support the Audit Committee.

19 Subject to Council approving their appointment, the co-opted Independent Members will be appointed for a fixed three-year term commencing on 1 May 2024.

20 Once appointed, arrangements will be made for the induction and relevant Audit Committee training to be provided. **Background papers**

Other useful documents

- None

Author Tracy Henderson

Tel 03000 269668



Appendix 1 - Implications

Legal Implications

None. The council's arrangements satisfy CIPFA's Position Statement: Audit Committee's in Local Authorities and Police 2022, which recommends that the audit committees of local authorities should include at least two co-opted members to provide appropriate technical expertise. .

Finance

The role of Co-opted Independent Audit Committee Members is not remunerated. However, the Council will reimburse reasonably incurred travel and subsistence expenses. Where appropriate, the Council will pay for the Independent Persons to attend training. These costs are met from the Legal and Democratic Services budget.

Consultation

On 18 October 2023 Full Council considered a report which set out proposals to conduct a recruitment process to appoint Independent Co-opted members to the Audit Committee for a period of three years from 1 May 2024. The Chair and Vice Chair of the Audit Committee participated in the recruitment process, including shortlisting and the subsequent interview process, alongside the Head of Internal Audit and Corporate Fraud Manager.

Equality and Diversity / Public Sector Equality Duty

The recruitment exercise was conducted in accordance with the Council's recruitment arrangements in relation to equality and diversity to ensure fairness.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

Risk

The proposals in this report seek to extend the Co-opted Independent Membership of the Audit Committee to three, which will further strengthen the Councils already strong arrangements through its Audit Committee.

Procurement

None.

Appendix 2 – Co-opted Independent Audit Committee Member Role Profile & Person Specification



Independent Audit Committee Member

Role Description and Person Specification

About the Audit Committee

Durham County Council's Audit Committee provides challenge and assurance on the Council's control environment, mainly focusing on risk, control, governance, and financial issues, to support the council in ensuring that it is well managed and able to deliver its priorities.

Main duties and responsibilities

To be one of the co-opted members (non-voting) of the Authority's Audit Committee to serve alongside the 9 elected County Councillors to assist the Council in maintaining high standards of corporate governance.

The Audit Committee has the following functions:-

The Audit Committee considers and approves the Annual Statement of Account and is an advisory committee to the Council and the Executive (Cabinet) on audit and governance issues in order to provide independent assurance over the adequacy of the Council's risk management framework and associated control environment. In particular the Audit Committee will:

- Consider and comment on reports from the External Auditor and consider the External Audit Annual Management Letter and reports.
- Consider and comment on the council's annual Final accounts in accordance with accounting policies and codes of practice.
- Consider and comment on the Annual Governance Statement and recommend it for signature by the Chief Executive and the Leader of the Council for publication in the Statement of Accounts

- Consider and comment on reports from the Head of Internal Audit on internal audit reviews undertaken in accordance with the Annual Audit Plan.
- Consider any significant issues arising from external or internal audit work.
- Consider and comment on the annual internal audit strategy, audit charter and the annual audit plan.
- Consider and comment on the Head of Internal Audit's annual report and assurance opinion and a summary of internal audit activity, together with the level of assurance provided over the Council's corporate governance arrangements.
- Monitor and comment on the effective development and operation of risk management policy in the Council.
- Monitor and comment on the Council's arrangements to protect the Council from fraud, bribery and corruption, including the review of the Counter Fraud and Corruption Strategy, the Fraud Response Plan and Corporate Fraud Sanctions policy and the Confidential Reporting (Whistle Blowing) Policy.
- Monitor and comment on the report of the Corporate Director of Resources detailing the Counter Fraud work completed annually in order to protect the public purse.
- Consider and comment on reports from the Corporate Director of Regeneration, Economy and Growth which provided an update on health, safety and wellbeing performance.
- Review the Treasury Management Policy and Strategy and make recommendations on risk control measures.
- Any other audit and assurance related responsibilities as may from time to time be allocated.

Commitment

The Audit Committee usually meets 5/6 times a year in February, May, June, July, Sept and November.

Meetings are held in person at County Hall located in Durham City and last around 2 and half hours. Candidates should have the time and commitment to prepare for and attend meetings during normal working hours, as well as attend any appropriate training sessions.

Person specification

Experience

You will be a person who has experience of working in a medium / large organisation at a senior level or other experience which would give similar benefits.

Financial management experience (accountancy, audit or management of a large budget) would be advantageous.

Skills

You will have:

- an ability to understand complex issues and the importance of accountability and probity in public life
- an ability to analyse and question written and verbal reports on financial, audit and risk management activities
- an understanding of the need for independence of audit from daily management responsibilities
- an ability to demonstrate integrity and discretion
- effective interpersonal skills
- be able to maintain strictest confidentiality of sensitive information

Knowledge

All members of the Audit Committee should have, or should acquire as soon as possible after appointment:

- an understanding of the objectives and key activities of the Council and current major initiatives and significant issues for the Council
- an understanding of the Council's structures and responsibilities, including key relationships with partners, businesses and organisations
- an understanding of the Council's culture
- an understanding of any relevant legislation or other rules governing the Council
- an understanding of corporate governance arrangements in place across the Council
- an understanding of the governance environment generally
- an understanding of risk management and internal control

Other

You must:

agree to sign up to the Council's Code of Conduct which sets out the standards of behaviour expected of Councillors, including confidentiality agreements which Co-opted Members will be expected to abide by.

A connection to Durham County Council is also desirable i.e., you live in the County, work in the County, or have other recognisable ties to the area.

Co-opted(non voting members) members must not:

- be a Councillor or officer of the Council or have been so in the preceding five years prior to appointment.
- be related to, or a close friend of, any Councillor or officer of Durham County Council.
- have any criminal convictions. The Council has the right to DBS check any independent committee members.
- be an undischarged bankrupt.
- have significant business dealings with the Council.
- have a formal connection with any political group.
- have a proven history of vexatious and/or frivolous complaints against Durham County Council.
- be the holder of a significant office in an organisation being grant aided/supported by Durham County Council.
- have had any significant business dealings with the council.

Remuneration

This role is not remunerated.

Travelling and subsistence expenses will be paid in respect of attendance at meetings and training will be provided.

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Audit Committee**20 May 2024****Review of the Audit Committee
Terms of Reference and Self-
Assessment of Effectiveness****Report of Tracy Henderson, Chief Internal Auditor and Corporate
Fraud Manager****Electoral division(s) affected:**

Countywide.

Purpose of the Report

- 1 To present Members with the findings of the evaluation of the self-effectiveness of the Audit Committee carried out during the Audit Committee Workshop session which took place on 13 February 2024, as prescribed by CIPFA in their document Audit Committees: Practical Guidance for Local Authorities and Police 2022.
- 2 To present to members with the amended Terms of Reference for the Audit Committee which will be presented to Full Council for formal review and approval in May 2024.

Executive Summary

- 3 The CIPFA Publication – Practical Guidance for Local Authorities and Police 2022 Edition sets out its guidance on the function and operation of audit committees in local authorities and police bodies and represents CIPFA's view of best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales.
- 4 Audit Committees are a key component of an authority's governance framework and provide an independent and high-level resource to support governance and strong public financial management.
- 5 The Committee at its meeting on 29 September 2023 were provided with a copy of the CIPFA Position Statement the Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022 and CIPFA's Audit Committee Arrangement: Self-Assessment of Good Practice document and it was agreed that a self-assessment of the Audit Committees

effectiveness against the good practice guidance recommended by CIPFA would be undertaken.

- 6 On 13 February 2024, the Committee attended a workshop to undertake the review of the effectiveness. This report presents the outcome of the review.

Recommendations

- 7 Members of the Audit Committee are asked to:
- (a) Note and comment on the completed self-assessment and evaluation of good practice for Audit Committees in Local Authorities set out in Appendix 2;
 - (b) Note the changes to the Audit Committee's Terms of Reference incorporating CIPFA's model Terms of Reference defined in the Practical Guidance for Local Authorities 2022 set out at Appendix 3, which have been incorporated into the Part 3A of council's revised Constitution and will be subject to review and approval by Full Council on 22 May 2024.
 - (c) Note and comment on the training plan for Audit Committee Members for the Municipal Year 2024/25 set out at Appendix 4 and obtain agreement that Members will attend a training session on 31 July 2024 to address the training needs identified.
 - (d) Note that the outcome of the self-assessment will form the basis of the future annual reporting from Audit Committee, compiled by the Chair of Audit Committee, supported by the Chief Internal Auditor, which will be prepared for presentation to Full Council demonstrating how the Audit Committee meets its Terms of Reference and providing a summary of the work of the committee during the year.

Background

- 8 CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 ('the Position Statement') sets out CIPFA's view of the role and functions of an audit committee. It replaces the previous 2018 Position Statement and includes all principal local authorities in the UK.
- 9 The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt and has been prepared in consultation with sector representatives.
- 10 CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.
- 11 The previous review of Audit Committee effectiveness was carried out in accordance with the previous CIPFA Publication – Practical Guidance for Local Authorities and Police 2018 Edition, the outcome of which was reported to Audit Committee on 31 May 2019.
- 12 As a result of the self-assessment and evaluation of effectiveness, although no significant gaps have been identified, several areas for improvement were identified with regards to the purpose and governance of the Committee, as well as the training and development opportunities available to Audit Committee Members . The completed assessment is at attached at Appendix 2.
- 13 One of the areas of improvement identified was that the Audit Committee Terms of Reference required reviewing and updating. The amended Terms of Reference is attached at Appendix 3.
- 14 In addition, as part of the review, each individual member was provided with a self -assessment of their core knowledge and skills to complete to ensure the Committee is as effective as possible and to identify any future training needs. As several areas of improvement were identified, a training plan for Audit Committee Members for the Municipal Year 2024/25 has been compiled and is attached at Appendix 4

Background papers

- CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 is attached below:



CIPFA Audit
Committees Position !

- CIPFA's Audit Committees: Practical Guidance for local authorities and police is attached below:



Guiding the audit
committee - supplement

Contact: Tracy Henderson

Tel: 03000 269668

Appendix 1: Implications

Legal Implications

There are no specific legal implications associated with this report. The Audit Committee contributes to the effective corporate and financial governance of the Council and provides relevant and appropriate challenge and oversight where necessary. It is good practice for the Audit Committee to review its effectiveness periodically to ensure that its arrangements reflect best practice.

Finance

There are no specific financial implications associated with this report.

The Audit Committee has clear terms of reference and directly effects and assists in improving value for money obtained, the probity and propriety of financial administration, and / or the management of operational and strategic risks.

Consultation

The Audit Committee were consulted as part of the workshop on 13 February 2024. The proposed amendments to the Committee's terms of reference were considered by the Constitution Working Group on 22 February as part of the Annual Review of the Constitution and were supportive of the proposals.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

The Audit Committee provides an independent review of the Council's risk management framework and comments on its effectiveness.

Procurement

None.

Audit Committee Arrangements: Self-Assessment of Good Practice carried out on 13th February 2024

(Extract from CIPFA, Audit Committees: Practical Guidance for Local Authorities and Police, published October 2022)

CIPFA outlines that the checklist below provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement on Audit Committees in Local Authorities, and broader practical guidance referred to above. Within the practical guidance CIPFA specifically states:

“Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.”

Good Practice Question		Does not comply	Partly Complies and extent of improvement needed			Fully Complies	Comment
			Major improvement	Significant improvement	Moderate improvement		
Weighting of Answers		0	1	2	3	5	
Audit Committee Purpose and Governance							
1	Does the authority have a dedicated audit committee that is not combined with other functions (e.g., standards, ethics, scrutiny)?					5	Dedicated Audit Committee established as a full, politically balanced committee of Council which operates under the terms of reference set out in DCC Constitution (Section 3A-10 to 3A-11 on pages 62 and 63) and is not combined with other functions.
2	Does the Audit Committee report directly to the governing body (pcc and chief constable / full council / fire authority etc)					5	Audit Committee reports directly to Full Council (in a local authority the full council is the body charged with governance). An annual report from Audit Committee for the period September 2022 to August 2023 was provided to Full Council in October 2023.

3	<p>Has the audit committee maintained its advisory role by not taking on any decision-making powers?</p>					<p>5</p> <p>The third para on p23 of 2022 CIPFA guidance makes specific reference to approval of financial statements specifying “Currently, some authorities have delegated decisions such as the approval of the financial statements to the audit committee. This takes the audit committee beyond its advisory role.”</p> <p>In 2010, Full Council delegated Audit Committee with the responsibility for the review and approval of the following under the terms of reference set out in DCC Constitution ; <u>Approval of Final Accounts</u> - (Section 3A-10 on pages 62) “Audit Committee approves the Council’s Final Accounts” (Section 3A-11 on pages 63 item Q) approve the annual statement of accounts;</p> <p><u>Approval of Annual Governance Statement</u> - (Section 3A-11 on pages 62 item N) “approval and adoption of the Council’s Annual Governance Statement”</p> <p><u>Approval of Risk Management Policy and Strategy</u> Although there is currently no reference relating to the approval of the council’s risk management arrangements with the TOR Section for Audit Committee within the Constitution, reference is made to Audit Committee approval of the council’s Risk Management policy statement and strategy within Section AF-14 on page 230 of the Constitution)</p> <p>To summarise, Audit Committee has delegated authority for the approval of the annual statement of accounts, the Annual Governance Statement and Risk Management policy statement and strategy and this is reference within the Constitution as required.</p>
4	<p>Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFAs 2022 Position Statement?</p>				3	<p>The current terms of reference for Audit Committee does not reflect the specific 2022 CIPFA guidance wording.</p>

							Key Consideration 1 - The Terms of Reference is being revised and updated in accordance with the CIPFA 2022 Position Statement and guidance in preparation for the 2024 annual review of Constitution.	
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				3		An e-form knowledge self-assessment completed for this review identified that the understanding of the role and remit of Audit Committee is variable across the Committee Membership. Therefore, a training plan has been compiled, which includes the provision to help improve the understanding of the role and purpose of the Audit Committee.	
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					5	This is often demonstrated during Audit Committee meetings e.g. during 2023 meetings, questions posed by Audit Committee Members resulted in two presentations being delivered by Officers at the Audit Committee meeting which took place on 29 th February 2024. This has proved worthwhile and there was positive feedback from Audit Committee Members.	
7	Does the governing body hold the audit committee to account for its performance at least annually?					5	Audit Committee reports annually to Full Council on the work carried out by the Committee. (last annual report was presented to AC on 29 th Sept 23 before being presented to Full Council on 18 th October 2023 by the Audit Committee Chair)	
8	Does the audit committee publish an annual report in accordance with the 2022 guidance, including:							
	• Compliance with the CIPFA position statement 2022					5	The next Audit Committee Annual Report for 2023/24 will include a summary of this latest review of effectiveness, which is against the latest 2022 CIPFA position statement guidance. As per Key consideration 1 – Review wording in next revision of Constitution in relation to 4 above.	
	• Results of the annual evaluation, development work undertaken and planned improvements					5		
	• How has it fulfilled its terms of reference and the key issues escalated in the year?					5		
Core Functions								
	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's position statement as follows:							
	Governance arrangements					5	Adequately set out in DCC Constitution	

Page 230	Risk management arrangements				5	Adequately set out in DCC Constitution
	<p>Internal control arrangements, including</p> <ul style="list-style-type: none"> • Financial management • Value for money • Ethics and standards • Counter fraud and corruption 			3		<p>Financial Management is included within the Committee’s financial reporting arrangements on the accounts, but the FM Code is not set out in explicit terms within the committee’s terms of reference. However, Finance do separately take a report to Committee on the FM Code Key consideration.</p> <p>1a - As per Key consideration 1 – Consider amended wording in the ToR to encompass principles of the FM Code, but not make it explicit in case the Code changes.</p> <p><u>Value for Money</u> It is current practice for the Audit Committee to approve the final accounts (Page 230 of the Constitution), which contains an annual VFM opinion</p> <p>Page 10 of the CIPFA guidance states “When the AGS is prepared, the adequacy and effectiveness of arrangements to secure value for money (VfM) should be included, as per CIPFA guidance”</p> <p>“When the external auditor raises concerns about VfM, the audit committee should ensure there is a robust action plan to address the issues raised. A significant VfM failing is likely to lead to a formal recommendation or report in the public interest. In addition to the work of the auditor, the audit committee should consider what other assurances are available in relation to identified VfM risks and highlight areas for improvement”</p> <p>1b - As per Key consideration 1 – Consider amended wording in the ToR to ensure that the roles and responsibilities of the Audit Committee in relation to Value for Money is clearly defined.</p> <p><u>Ethics and standards</u> Page 282 of the Constitution details the Code of Conduct for DCC Members</p>

						<p><u>Counter Fraud and Corruption</u> Page 10 of the CIPFA guidance states “The audit committee should include counter fraud and corruption within its agenda. This should not be limited to an update to the committee on a significant case of fraud or corruption. The audit committee’s responsibility to have oversight of arrangements means that they should be able to judge whether the authority’s arrangements are fit for purpose</p> <p>The audit committee should have oversight of the authority’s counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation”</p> <p>DCC’s Constitution -The Audit Committee will review and endorse the Council’s Counter Fraud and Corruption Strategy and will seek assurance on its effectiveness and that of other fraud related policies and procedures (page 234)</p> <p>Counter Fraud and Corruption Strategy reported to AC 30th Sept 2022. Internal Audit and Corporate Fraud Report to the Chief Officers and the Audit Committee on the use of resources to counter fraud and corruption and of any investigatory work undertaken. (page 235)</p> <p>Bi annual PPP reporting. Annual PPP reporting 22/23 on 30th June 23 and 23/24 first quarter reported to AC on 27th Nov 23</p>
	Annual governance statement				5	It is the responsibility of the Audit Committee to approve the Annual Governance Statement and to seek the necessary assurance that the Council’s corporate governance arrangements including risk management and internal control are effective (Page 232 of the Constitution).
	Financial reporting				3	The Audit Committee approves the final accounts (Page 230 of the Constitution). In and a suite of other financial reports are presented to AC for

Page 210						<p>review e.g. Treasury Management, final outturn for the General Fund and the Collection Fund, review of accounting policies approval of the annual statement of accounts, Changes to the Code of Practice for Local Authority Accounting in the UK (CIPFA Code) as reported to Council annually.</p> <p>1c - As per Key consideration 1– Consider amended wording in the ToR to ensure that the roles and responsibilities of the Audit Committee in relation to Treasury Management activities is clearly defined.</p>
	Assurance framework				5	<p>AC is an advisory committee to both the Council and the Executive on audit and governance issues in order to provide independent and effective assurance over the adequacy of the Council's financial management and reporting, risk management framework, and other processes required to achieve the council's corporate and service objectives (as referenced within Page 221 of DCC's Constitution).</p>
	Internal Audit				5	<p>P62 of the Constitution which refers to the Head of Internal Audit's annual report and opinion, and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements;</p> <ul style="list-style-type: none"> -consider summaries of Internal Audit reports on a quarterly basis; -consider reports dealing with the performance of the Internal Audit service; - consider a report from Internal Audit on agreed audit recommendations not implemented within a reasonable timescale;
	External Audit				5	<p>The Audit Committee currently approves the final accounts (Page 230 of the Constitution)</p>
10	Over the last year, has adequate consideration been given to all core areas?				5	Yes
11	Over the last year, has the committee only considered agenda items that align with its core functions, as set out in the 2022 guidance?				5	At DCC, Audit Committee also review Health, Safety and Wellbeing Performance reports

12	Has the committee met privately with the external auditors and head of internal audit in the last year?				3		This practice is not currently in place. Key Consideration 2 – Consideration should be given for arrangements to be made for Audit Committee to meet privately with the external auditors and head of internal audit.
Audit Committee Membership							
13	Has the committee been established in accordance with the 2022 guidance as follows?						
	• Separation from executive					5	Yes
	• A size that is not unwieldy and avoids use of substitutes					5	The current composition of AC is 9 Elected Members and 2 Independent Members.
	• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation					5	There are currently 2 Independent Members
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?					5	DCC Voting members - Each political group is allocated a certain number of seats on the Audit Committee in line with its political proportionality on the County Council. Group Leaders are then informed of the number of seats they are entitled to on each Committee and it is for them to let us know who they are nominating to those seats and that skills and knowledge is considering as part of this decision making. Independent Members - These are recruitment through an external recruitment exercise, which includes a personal specification setting out the skills, knowledge and experience required. All applicants meeting the essential criteria are interviewed as part of the standard recruitment process.
15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?					3	There is a program of Member Induction following each election and training for Audit Committee members is mandatory. The last mandatory training for Audit Committee Members was hosted by Stephen Carter on 24 June 2021 following 2021 elections.

						<p>If any Members are appointed subsequent to this who have not received the training then a bespoke training is provided to that Member, arranged through Democratic Services and the appropriate officer within the Internal Audit Service.</p> <p>An e-form knowledge self assessment was completed by Members during this review and a training plan has been compiled to further enhance Members skills and knowledge.</p>
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?			2		<p>The CIPFA Position Statement specifies “While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance”.</p> <p><u>Mandatory Training Provision</u> Although there is mandatory training established for all voting Audit Committee Members, not all Members have participated in the training and development opportunities which are available.</p> <p>Key Consideration 3 – All voting Audit Committee Members are reminded of the training and development opportunities available via the Members portal and Members are encouraged to participate in the training offer provided.</p> <p>In addition, although the HIA provides Internal Audit training and support to new AC Members on appointment, this review identified one elected Member who had not been informed of the Audit Committee training offer available and as such, had not participated in the training required prior to attending Audit Committee meetings.</p> <p>Key Consideration 4 – Member training should be arranged as required.</p> <p><u>Personal Development Review (PDR)</u> All voting Audit Committee Members are offered an annual PDR but this is not a mandatory requirement.</p>

							Key Consideration 5 – All voting Audit Committee Members are reminded that PDR's are available and Members are encouraged to participate in the PDR process.
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?				3		<p>The response rate for the knowledge self-assessment carried out by Members was 73% (8 out of 11 assessments were submitted).</p> <p>Although the 10 questions posed showed that collectively Members consider there to already be a satisfactory level of knowledge, a number of areas were identified which Members considered to require improvement.</p> <p>Therefore, a training plan has been compiled, to further enhance the skills and knowledge of Audit Committee.</p>
18	Is adequate secretariat and administrative support provided to the committee?					5	Experienced and comprehensive committee support is being provided.
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?				3		<p>Committee has good working relationships with key people, including internal audit, the CFO and External Auditor.</p> <p>As per Key consideration 2 – in relation to point 12 above.</p>
Engagement and Outputs							
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?					5	<p>An Annual Report from Audit Committee, including a summary of work completed during the municipal calendar year, was presented to Council on 18th October 2023. This provided Council with the opportunity to offer feedback on the work and performance of the Audit Committee. It was noted in the minutes that Councillor Watson considered the effectiveness of the Audit Committee to be excellent and Council was requested to note the report.</p> <p>Councillor R Bell, Deputy Leader and Portfolio Holder for Finance thanked Councillor Watson for his report and paid tribute to the work of our Audit Committee over the last year. Councillor Bell also thanked thank the officers who furnished the Committee with the many detailed reports it considered which allowed it to provide robust</p>

Page 2/11						overview and assurance of the Council's corporate and financial governance arrangements, and risk management and internal control frameworks.
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?				5	Alex Watson is an experienced Chair, having previously been Council Leader and has extensive experience of audit and local government.
22	Are meetings effective with a good level of discussion and engagement from all the members?				5	Meetings are quorate and exhibit some levels of engagement, for example requesting risk and finance updates resulting in the delivery of additional items at subsequent meetings.
23	Has the committee maintained a non-political approach to discussions throughout?				5	Yes
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?				5	Yes, as necessary and required. The Chair and Vice Chair attend AC pre meetings with Section 151 and the Chief Internal Auditor and Corporate Fraud Manager which provides the opportunity for such discussions to take place. Risk discussions during meetings have resulted in updates being provided and presentations being delivered by key officers at subsequent Audit Committee meetings and key officer and action owners have been called into Audit Committee to provide updates on the progress made in implementing audit findings
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?				5	This has not been required as yet, but the option is available if needed.
26	Do audit committee recommendations have traction with those in leadership roles?				5	Yes, the Director of Resources (S151 officer) and CMT regularly review and engage in discussions on the implementation of audit recommendations.
27	Has the committee evaluated whether and how it is adding value to the organisation?				5	Yes, through completion of the Annual Report from the Audit Committee to Full Council.
28	Does the committee have an action plan to improve any areas of weakness?				5	Through this assessment and reporting through the next Annual Report to Full Council
29	Has this assessment been undertaken collaboratively with the audit committee members?			3		This assessment has been subject to input from Audit Committee members meeting with the Chair, Chief Internal Auditor and the Finance Manager to discuss the roles, skill sets and responsibilities set out in the CIPFA 2022 Guidance.

							Can improve the outcome of the assessment further via participation from all members.
	Subtotal Score	0	0	2	27	150	
	Total Score (max score is 200 – 40 questions multiplied by 5)	179					



DURHAM COUNTY COUNCIL – AUDIT COMMITTEE

TERMS OF REFERENCE

1. Governance

- 1.1 The Audit Committee is an advisory committee to both the Council and the Executive. The Committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. Its role in ensuring there is sufficient assurance over the governance, risk and control gives greater confidence to Cabinet and Full Council that the arrangements are effective.
- 1.2 The Committee has oversight of both internal and external audit, together with the financial and governance reports, helping to ensure there are adequate arrangements in place for both internal challenge and public accountability.
- 1.3 The Chair of the Audit Committee reports on the work undertaken by the Committee to Full Council.
- 1.4 To help maintain its independence, the Audit Committee has the right to meet privately with the External Auditor and the Chief Internal Auditor and Corporate Fraud Manager as considered necessary.
- 1.5 The Audit Committee can request employees, elected members, partners, contractors and the public to attend meetings in order to seek information and explanations as is considered necessary to fulfil its role.
- 1.6 The Committee has access to other committees, e.g. Overview and Scrutiny, from which it can gain assurance on the adequacy and effectiveness of the Council's governance arrangements

2. Composition and Meetings

- 2.1 The membership of the Audit Committee shall comprise of nine Members of the Council and three co-opted non-voting members.
- 2.2 A quorum of three elected members (including the Chair or Vice Chair) is required for decisions of the Committee to be ratified.

2.3 The Chair of the Audit Committee will be independent of the Executive and will not be the Chair of a Scrutiny Committee or the Standards Committee.

2.4 The Audit Committee will meet at least four times a year. Meetings will be open to the public, but they may be excluded where information of an exempt or confidential nature is being discussed.

3. Terms of Reference

Governance, Risk and Control

3.1. To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of corporate governance.

3.2 To monitor the effective development and operation of risk management in the Council.

3.3 To monitor progress in addressing risk-related issues reported to the Committee.

3.4 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

3.5 To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.

3.6 To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

3.7 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption

3.8 To monitor the counter fraud strategy, actions and resources.

3.9 To review the governance and assurance arrangements for significant partnerships or collaborations.

Financial and Governance Reporting

Governance Reporting

- 3.10 To review and approve the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.
- 3.11 To consider whether the annual elevation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives

Financial Reporting

- 3.12 To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- 3.13 To approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 3.14 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 3.15 To provide independent and effective assurance over the adequacy of the Council's financial management and reporting, treasury management strategy, risk management framework, and other processes required to achieve the Council's corporate and service objectives.

Arrangements for audit and assurance

- 3.16 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

External Audit

- 3.17 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- 3.18 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

- 3.19 To consider specific reports as agreed with the external auditor.
- 3.20 To comment on the scope and depth of external audit work and to ensure that it gives value for money.
- 3.21 To consider additional commissions of work from external audit.
- 3.22 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- 3.23 To provide free and unfettered access to the Audit Committee Chair for the auditors, including the opportunity for a private meeting with the Committee.

Internal Audit

- 3.24 To approve the internal audit charter.
- 3.25 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 3.26 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 3.27 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 3.28 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 3.29 To consider any impairments to the independence or objectivity of the Head of Internal Audit arising from additional role or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments.
- 3.30 To consider reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - updates on the work of internal audit, including key findings, issues of concern and action in hand as a result of internal audit work.

- regular reports on the results of the Quality Assurance and Improvement Programme (QUAIP).
 - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAs) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the AGS.
- 3.31 To consider the Head of Internal Audit's annual report, including:
- the statement of the level of conformance with the PSIAs and LGAN and the results of the QAIP that support the statement (these will indicate the reliability of the conclusions of internal audit).
 - the opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, together with the summary of the work supporting the opinion (these will assist the committee in reviewing the AGS).
- 3.32 To consider summaries of specific internal audit reports as requested.
- 3.33 To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 3.34 To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.
- 3.35 To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations.
- 3.36 To provide free and unfettered access to the Audit Committee Chair for the Head of Internal Audit, including the opportunity for a private meeting with the Committee.

Accountability arrangements

- 3.37 To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- 3.38 To report to full council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

- 3.39 To publish an annual report on the work of the Committee, including a conclusion on the compliance with the CIPFA Position Statement.

Counter Fraud and Corruption

- 3.40 To review and approve the Counter Fraud Strategy and considering whether it meets recommended practices alongside approving the Council's Sanctions Policy.
- 3.42 To review and approve the Council's Confidential Reporting Code (Whistleblowing).
- 3.43 Championing good counter fraud and anti-corruption practice to the wider organisation.
- 3.44 Reviewing the fraud risk profile and estimate of fraud losses or potential harm to the organisation and the local community.
- 3.45 Reviewing the Counter Fraud Plan of activity and resource, seeking assurance that it is in line with the strategy and fraud risk profile.
- 3.46 To review and approve the Council's Anti Money Laundering Policy.
- 3.47 Monitoring the performance of the Corporate Fraud Team.
- 3.48 Overseeing any major areas of fraud identified and monitoring action plans to address control weaknesses.

Audit Committee Training Plan for the Municipal Year 2024/25

Area of Training Identified	Training Scope to include	Training to be delivered by
Audit Committee Purpose and Governance		
The Audit Committee's role and its place within the Governance structure of the organisation	<p>The Audit Committee's place within DCC's governance structure</p> <p>The Terms of Reference for Audit Committee, including the Committees' role and responsibilities</p> <p>Code of Conduct for AC Members</p>	Tracy Henderson, Chief Internal Auditor and Corporate Fraud Manager
Core Functions		
Governance	<p>The seven principles as outlined in Delivering Good Governance in Local Government Framework (CIPFA/Solace, 2016)</p> <p>How the principles of governance are implemented locally as set out in the local code of governance</p> <p>The requirements of the Annual Governance Statement (AGS)</p>	<p>Faith Huntington, Risk, Insurance and Governance Manager</p> <p>John Blowes – Risk and Governance Officer</p>
Risk Management	The principles of risk management, including how it	Faith Huntington, Risk, Insurance and Governance Manager

	<p>supports good governance and decision making and the role of the Audit Committee.</p> <p>Overview of the Council's risk management policy and strategy</p> <p>Overview of the organisation's risk management methodology and the current risk maturity for DCC.</p>	John Blowes – Risk and Governance Officer
Internal Audit	<p>Overview of the requirements of the PSIAS/LGAN and how these apply to DCC.</p> <p>The arrangements in place for audit planning and the delivery of the internal audit service within the council i.e. – the structure of the Internal Audit Service and its client base</p> <p>Overview of the Internal Audit Strategy and Audit Charter</p> <p>Arrangements in place for ensuring that the IAS is compliant with the PSIAS/LGAN i.e., annual review?</p> <p>Arrangements for the EQA of internal audit including:</p>	<p>Tracy Henderson, Chief Internal Auditor and Corporate Fraud Manager</p> <p>Nicola Cooke – Internal Audit Manager</p>

	<p>-how frequent assessments take place, who and what is involved in the assessment, how the results of the assessment are reported</p> <p>IA progress reporting</p> <p>Annual Audit reporting including the provision of the annual assurance opinion.</p>	
Financial Management	<p>How the organisation meets the requirements of the role of the CFO as required by The Role of the Chief Finance Office in Local Government (CIPFA 2016)</p> <p>An overview of how good financial management is set out in the CIPFA Financial Management Code, and the level of compliance required.</p> <p>Treasury Management – including the role of AC in the Effective Scrutiny of Treasury Management assessment tool, including Regulatory requirements, treasury risks, and the council's treasury management strategy</p>	Joanne McMahon – Finance Manager

External Audit	Arrangements in place for the appointment of the external auditors and quality management undertaken by the provider. -Overview of the key reports and assurances that the external audit provides.	Mark Outterside, Mazars
Counter Fraud and Corruption	<p>Overview of the principal Fraud Risks posed to DCC.</p> <p>The principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014)</p> <p>Overview of fraud risk management and the council's arrangements for tackling fraud</p> <p>Whistleblowing arrangements in place within DCC.</p>	Paul Gibbon, Corporate Fraud Manager

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Treasury Management – Independent & Effective Assurance Reviews



Consultations & Code Updates

In response to the major expansion of local authority investment activity over the past few years into the purchase of non-financial investments, particularly property, CIPFA launched consultations on its Treasury Management Code of Practice and its Prudential Code for Capital Financing.

These Codes define a regulatory framework that the council and all local authorities are required to comply with.

Compliance with this framework results in a number of policies, systems and procedures that enable a council to invest and borrow appropriately.

These consultations resulted in updated versions of these Codes of Practice.

Consultations & Code Updates

The purpose of the revised Codes is to:

- improve reporting and increase transparency;
- ensure capital plans and investment plans are affordable and proportionate
- tighten up regulations around local authorities financing capital expenditure on investments in commercial projects for yield;
- ensure treasury management decisions are being made in accordance with proper professional practice; and
- ensure the appropriate level of expertise to be able to operate safely in all areas of investment and capital expenditure and involve members adequately in making properly informed decisions on such investments.

Effective Treasury Management

To support effective treasury management at the council we have developed training material to support members in:

- their understanding of treasury management activity;
- and their role in independent and effective assurance reviews of this function.

However, this does come with a

WARNING!



Coffee at the ready!!!!



What is Treasury Management?

As an overview, treasury management is defined in the Code of Practice as:

‘the management of the organisation’s borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks’

Essentially treasury management activity involves:

- managing the council’s cash flow;
- making decisions on investments and / or borrowing to support the council’s overall policy objectives; and
- a series of policies, strategies and controls.

Effective Treasury Management

Effective Treasury Management:

- provides support towards the achievement of the council's business and service objectives;
- gives consideration to the principles of achieving value for money; and
- employs suitable, comprehensive performance measurement techniques within the context of effective risk management.

Cash Flow Management

Cash flow management is the process by which the council monitors the overall liquidity of the council's finances and calculates the amount of cash that may be surplus at any point in time. Surplus cash is invested to enable the generation of a financial return, this interest generated increases the funding available to the council to support its policies and business objectives .

Cash flow management also:

- enables the understanding of the timing of payments and receipts. The need to spend money does not always coincide with the receipt of funds, as such we manage instances where the council has a temporary deficit or excess of cash;
- enables effective borrowing decisions that smooth out cash flows and support capital expenditure requirements; and
- ensures that the council has the required cash available to fund its capital expenditure plans.

Cash sources

Cash is generated from a variety of sources including:

- Council Tax and Business Rates collected
- Revenue Support Grant, Specific Grants and Fees and Charges
- Reserves and Balances
- Capital Receipts and Grants
- Capital Borrowing



Investment Objectives

The regulatory framework dictates that the council is required to produce an Annual Investment Strategy to:

- encourage the 'prudent' investment of funds that the council holds on behalf of its communities; and
- balance relative risk and reward, this is particularly important for the council, given that we are dealing with public funds.

A prudent investment policy will also consider:

- the achievement of the security (protecting the capital sum from loss);
- the liquidity (ensuring the money is available when needed) of funds;
- the return that could be obtained within these priorities.

Borrowing Objectives

The Prudential Framework for Capital Finance, supported by CIPFA's Prudential Code, enables the council to borrow money for capital purposes, should it be considered as affordable and prudent.

The treasury management function seeks to ensure that:

- borrowing costs are minimised; and
- the structure of the council's overall borrowing will not leave it overly vulnerable to market conditions (e.g. if a large proportion of the council's debt is maturing and requires renegotiation at one particular point in time, the council is potentially vulnerable to prevailing market interest rates).

Treasury Activity & Risk Management

Risk management in Treasury Management has some unique factors to consider:

- Ensuring the council has enough assets to meet its liabilities (liquidity). Is the council investing the right amount given its overall cashflow;
- Exposure to certain investment risks. There is a need to set limits to how much the council can invest in certain products, mindful of the need to be able to realise assets quickly when needed; and
- Diversifying. Essentially, this is about ensuring that there is a spread in its portfolio enough to deal with any likely economic or financial shocks.

In order to decide with whom, and in what, to invest, the council needs to have regard to an organisations credit rating.

Investments, and organisations, are given a rating by agencies. This rating helps potential investors to identify the risks associated with investment.

Treasury Activity & Risk Management

Getting Advice

Local authorities **must** make their own investment decisions, but, given the potentially specialised knowledge and skill required to deliver an effective treasury management service many employ an external firm of advisors to support them.

Such advisors give regular advice on:

- compliance with the Code;
- technical accounting issues;
- counterparty analysis;
- views on the direction of interest rates; and
- assistance in formulating and monitoring treasury management strategies, policies and practices.

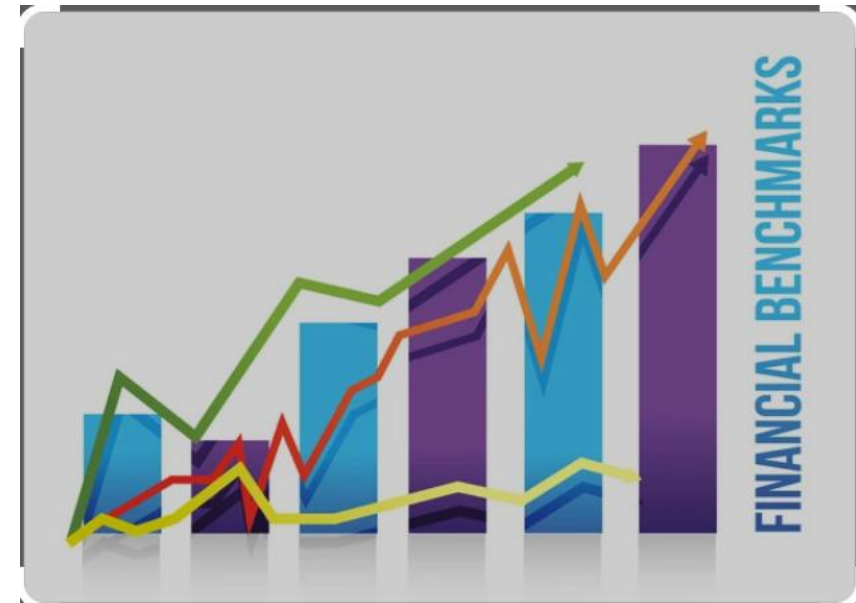


Treasury Activity & Risk Management

Benchmarking & Performance Measurement

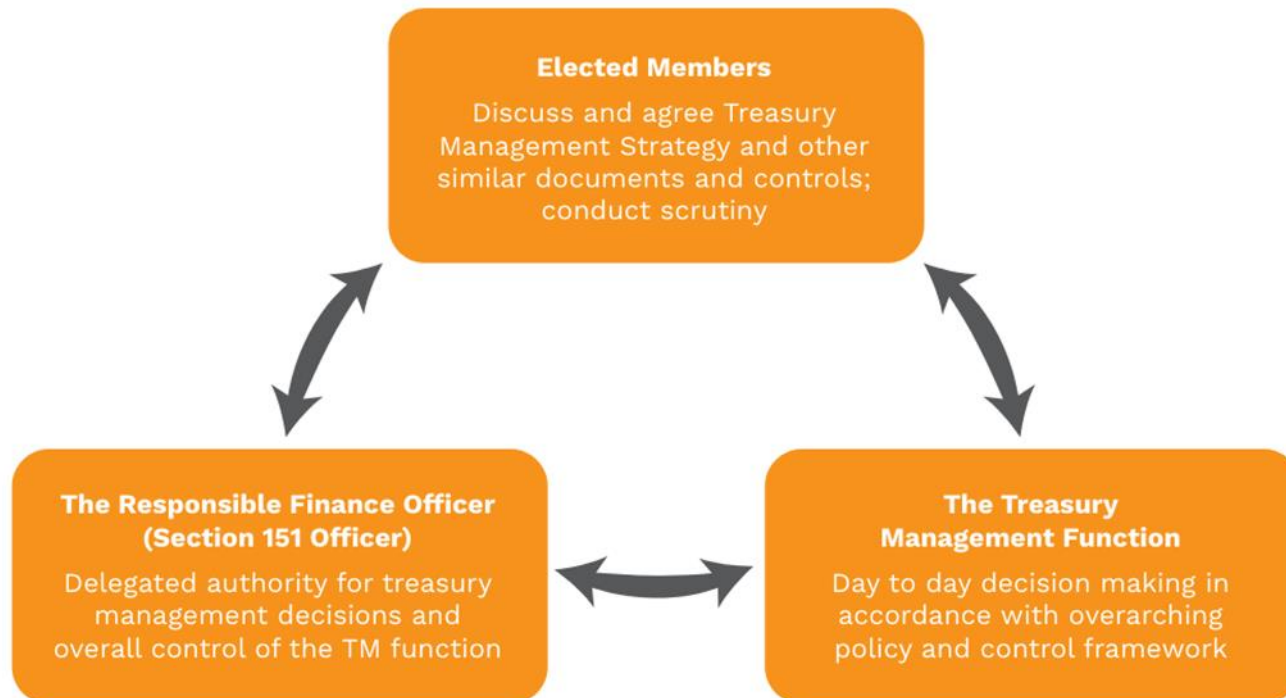
CIPFA conducts a benchmarking service which is useful for high level comparison and review. However, direct comparison with peers can be misleading at lower levels. Each council is responsible for its own appetite for risk, as defined within their annual treasury management strategy.

The CIPFA Codes specify a series of indicators designed to agree parameters for the treasury management activity at the Council, assisting in the management of risk and the assessment of performance. These indicators provide a good starting point for councillors seeking to get to grips with the basics, before more detailed questions are asked of officers.



Treasury Activity & Decision Making

A range of individuals are involved in making decisions. In many ways, treasury management decisions are made in a similar manner to other decisions at the authority. This can be illustrated by the following diagram.



Treasury Management – Independent & Effective Assurance

As the nominated committee, the Audit Committee has responsibility for ensuring independent and effective assurance over the adequacy of the council's Treasury Management strategy, policies and practices and this should be undertaken in line with the Treasury Management Code of Practice.

This is an essential part of ensuring that local government remains transparent, accountable and open, resulting in improved public policies and services. It involves challenging assumptions and assessing what risks might arise from the implementation of a decision.

Treasury Management - Independent & Effective Assurance

For the assurance reviews to be effective, the approach needs to be that of a 'critical friend'. It is important to identify:

- where decisions could be improved; and
- how to prevent mistakes being made or repeated.

The focus should be on forward thinking and making positive comments and change suggestions.



Treasury Management – Independent and Effective Assurance

The independent and effective assurance review undertaken by the Audit Committee will be ‘pre-decision scrutiny’. This takes place before a decision is made.

Pre-decision scrutiny is best focused on key questions around decisions, implementation, risks and measures of success.

Audit Committee’s independent review provides the opportunity to:

- support treasury management policy;
- improve decision making;
- improve accountability and transparency.
- provide potential solutions before decisions are finalised; and
- improve knowledge and understanding of treasury matters amongst the members of the governing body

Member Training

Treasury management is a specialist area, as such committee members will need the right knowledge and skills to undertake their independent assurance role. Below is a list of key knowledge areas:

- Regulatory requirements
- Treasury risks
- The council's treasury management strategy
- The council's policies and procedures in relation to treasury management

To support you in your role as a `critical friend` of the council's treasury management policies and practices, a new online training module has been developed. Undertaking this training will provide you with the required knowledge, as described above to undertake your role effectively and support better governance.

Member Training

Members will receive a notification email to access the online training module.

Next steps:

1. The training will need to be completed by the 20 June 2024.
2. Audit Committee will receive the Treasury Management Outturn Report for consideration at its meeting on the 28 June 2024.
3. Council will receive the Treasury Management Outturn Report for consideration at its meeting on the 17 July 2024.*

Any finally, please remember.....

* *Date to be confirmed after May 22 Council meeting*

Coffee at the ready!!!!



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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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