

City of Durham

At a Meeting of the **AUDIT OVERVIEW COMMITTEE** held in the Town Hall, Durham, on Wednesday, 30th July, 2008, at 5.30 p.m.

Present: Councillor Lightley (in the Chair)
and Councillors Dickie, Jackson, Kellett and Martin
and Mrs T. Naples.

144. APOLOGIES FOR ABSENCE

There were no apologies for absence.

145. MINUTES

The Minutes of the Meetings held on 23rd June, 2008, were confirmed as a correct record and signed by the Chairman.

Report of the Director of Financial Services

146. PROGRESS REPORT FOR THE PERIOD 1st APRIL 2008 TO 30th JUNE 2008

The Director of Financial Services submitted a comprehensive report that compared the actual work undertaken by Internal Audit with that planned for the period 1st April, 2008, to 30th June, 2008.

Resolved: That the contents of the Progress Report for the 1st April, 2008 to the 30th June, 2008 be noted and the Audit Section be thanked for their hard work in the circumstances.

147. AUDITS COMPLETED IN 2008/2009 RELATING TO 2007/2008 (EXCLUDING ITEMS ALREADY REPORTED)

The Director of Financial Services set out details of items Internal Audit had reviewed.

Resolved: That the report be noted.

148. AUDITS COMPLETED IN 2008/2009

The Director of Financial Services set out details of items Internal Audit had reviewed.

Resolved: That the report be noted.

Report of the Risk Management Working Group

149. ANNUAL REPORT OF THE RISK MANAGEMENT WORKING GROUP 2007/2008

The Risk Management Working Group submitted a comprehensive Annual Report that outlined the work undertaken by the Group during the period 1st April, 2007, to 30th March, 2008.

Resolved: That the Annual Report be noted.

150. IN PRIVATE

Resolved: That pursuant to Section 100.A(4) of the Local Government Act 1972 the public be excluded from the remainder of the Meeting during consideration of the item listed in Column 1 below, being a report of the Officer mentioned in Column 2 below on the grounds that if members of the public were present during discussion of this item there would be disclosure to them of exempt information (as defined in Section 100.I) of the description indicated in Column 3 below.

Column 1	Column 2	Column 3
Special Investigations	Director of Financial Services	Information relating to any individual (Para 1) Information which is likely to reveal the identify of an individual (Para.2) Information relating to the financial or business affairs of any particular person (including the Authority holding the information) (Para.3) Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime (Para.7)

Report of the Director of Financial Services

151. SPECIAL INVESTIGATIONS

The Director of Financial Services and the Head of Internal Audit reported that there had been no special assignments.

Resolved: That the report be noted.

The Meeting terminated at 6.25 p.m.

Chair

Final Accounts Memorandum

City of Durham District Council

Audit 2007/08

Date

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Introduction

- 1 City of Durham District Council (the Council) is responsible for the preparation of:
 - financial statements that present fairly its financial position as at 31 March 2008 and its income and expenditure in the year then ended; and
 - an Annual Governance Statement in accordance with the provisions of the Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice.
- 2 We are responsible for undertaking an audit and reporting:
 - whether, in our opinion, the Council's financial statements present fairly its financial position; and
 - any inconsistencies with the disclosure made by the Council within its Annual Governance Statement.
- 3 We would like to thank the Director of Financial Services and his team for their co-operation during the audit.

Background

- 4 The Council approved the statement of accounts on 30 June 2008 and submitted them to us for audit in accordance with the agreed timetable. We have now completed our audit of these accounts. This report provides feedback to officers of the Council as to the issues identified during the audit.
- 5 A separate report meeting the requirements of ISA+260 ('the Annual Governance Report') was presented to Members on 29 September 2008. The Annual Governance report identified the more significant issues arising from the audit that should be brought to the attention of those charged with governance.
- 6 This report covers issues both within the Annual Governance Report and other less significant discussion points in order to provide management with a comprehensive record of changes and issues identified from the audit of the 2007/08 accounts.
- 7 We also make recommendations to be taken into account for closure of the 2008/09 accounts.

Audit approach

- 8 It should be noted that our audit does not seek either to obtain absolute assurance that the financial statements present fairly your financial position or assurance that they are accurate in every regard. We have planned and conducted our audit so as to identify any material errors in your financial statements that might distort the interpretation of the statements. Thus, our audit was focused heavily on changes to the accounting and reporting environment and in particular complex capital transactions, the Statement of Recognised Gains and Losses and new arrangements for accounting for financial instruments.
- 9 During 2007/08, we calculated a materiality level of £1.36m although we reserved the right to review items of accounts below this level where we deemed them to be politically or numerically sensitive. The concept of materiality also involves a subjective assessment of the impact of the errors on the reader of the accounts rather than adherence to the materiality level as an absolute threshold.

Main conclusions

- 10 We gave an unqualified opinion on the amended accounts on 29 September 2008, following consideration of our Annual Governance Report by the Council.
- 11 We did not identify any inconsistencies in the Annual Governance Statement disclosed by the Council with our cumulative knowledge of internal controls.
- 12 In 2007/2008 there were slightly more errors and uncertainties than in recent years. We discussed and agreed the errors and uncertainties identified, as listed in Appendix 1, with the Director of Financial Services and the Accountancy Services Manager. The amendments to the accounts were agreed where appropriate.
- 13 The working papers were of a good standard and were well referenced and continue to improve year on year. There are some options for continued improvement, including the use of hyper-linking between documents and the production of supporting papers flowing from the main statements. The required steps are not overly large and are an extension of what is produced currently.
- 14 In addition to the amendments made in Appendix 1 the Council chose to amend a number of minor items and these are listed in Appendix 2. Appendix 3 shows those items that need to be taken into account when preparing the 2008/09 Statement of Accounts along with an action plan at Appendix 4 for reference.

Main Issues Arising

- 15 We found that the key officers were available during the audit and responded promptly to queries. The working papers were of a good standard, well referenced and have continued to improve year on year. To maintain this high standard options for improvement include use of hyper-linking between documents to demonstrate a clear audit trail from the main financial statements to the supporting working papers.
- 16 There were three key issues identified at audit:
- the actuary's estimate to support FRS 17;
 - accumulated depreciation not written out;
 - treatment of entries in the STRGL.

FRS17 liability

- 17 The FRS17 liability is calculated by an actuary and the Council along with other Durham districts work with the pension fund administrating body Durham County Council to obtain the calculation. Due to the short time scales involved the actuary makes projections based on estimated figures. For 2007/08 the actuary projected the position to 31 March based on the actual assets as at 28 February.
- 18 The result of using these estimates was that the actuary's total projected assets figure was significantly lower than the assets shown in the Pension Fund accounts as at 31 March 2008. While the two figures will be different the difference is not normally material. This year there was a material difference and a revised actuarial valuation was obtained.

Valuation of Council dwellings

- 19 The CIPFA/LASAAC: Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice (SORP) requires that "where an asset has been revalued, the accumulated depreciation has been written out of the appropriate table in the note to the Core Financial Statements on fixed asset movements
- 20 The Council revalued council dwellings in accordance with CLG's "Guidance on Stock Valuation for Resource Accounting" at the 1 April 2007 but failed to take into account the impact of accumulated depreciation when preparing the financial statements. Deprecation had not been written out in the previous year.

Statement of Recognised Gains and Losses (STRGL)

- 21 The Statement of Total Recognised Gains and Losses (STRGL) reflects the annual change in assets or liabilities on the balance sheet. The STRGL was therefore amended to take account of the issues detailed in the previous paragraphs. In addition to ensure the STRGL complied with the SORP guidance there were a number of separate amendments required.

Appendix 1 – Material amendments agreed at audit

1. The following amendments were made to the Statement of Accounts in the course of the audit:

Non-Trifling Error	Resolution
<p>The Council had not accounted for the impact of the annual revaluation correctly by writing out the accumulated depreciation to the Fixed Asset Restatement Account (FARA) in 2006/07. Consequently the balance on the FARA was understated and accumulated depreciation was overstated. The changes necessary were made in 2007/08.</p> <p>The same error occurred in the 2007/08 accounts and the correcting entries to the capital adjustment account and revaluation reserve were agreed at audit.</p>	<p>The correcting entries were made before the audit opinion was issued.</p>
<p>There were a number of changes to the STRGL due to:</p> <ul style="list-style-type: none"> • net costs of services reducing by £6,074k. • an increase in the Revaluation Reserve of £944k • a decrease in the Capital Adjustment Account of £479k 	<p>Correcting entries were agreed as part of the audit.</p>
<p>The value of the pension fund was estimated by an actuary and was found to be materially different when compared with the Pension Fund asset value at 31 March 2008. While the two figures will normally be different this year the difference was material.</p>	<p>A revised FRS17 statement was received from the Actuary. The decrease in the deferred liability and the pension reserve was £2,870k, and was matched by a gain in the STRGL</p>

Appendix 2 – other amendments made at audit

- 1 The Council also decided to make adjustments for the following:

Issue	Resolution
Within Note 2 to the Single Entity Core Financial Statements, the income column and overhead row did not add up correctly. It would appear that the overheads income has been entered as (118) instead of (188).	Amendment made
Errors were found in note 29 Financial Instruments – Assets and Liabilities in the fair values table on page 79. The comparative figures for total loans and receivables add to £10,776k for both the carrying amount and fair value, but are recorded as £11,776k	Amendment made
Notes to the Collection Fund Accounts include a table on page 108 showing banding of properties for Council Tax. The column 'Number of Properties In Each Band' was arithmetically incorrect due to the number of properties being recorded as 5,683 instead of 5,863.	Amendment made
Report by the Director of Financial Services, page 10, refers to an increase of £539,795 over the 2006/07 budget. However, the figures suggest this should be £539,903.	Amendment made

Appendix 3 – Issues for 2008/09 Audit

- 1 The following are issues for the Council to consider when closing the 2008/09 audit of accounts.

Issue	Recommendation
<p>The Council did not have a return from all Members to support the related party transaction declarations in the accounts. Testing at audit showed that there were no material items to declare which is in line with the declaration in the accounts. However three members had not returned their declaration form.</p>	<p>The Council should ensure that Members and officers are reminded about returning a related party transaction declaration well in advance of 31 March 2009.</p>
<p>The Council did not retain an itemised list of uncleared cheques to support the year end bank reconciliation. While the Council did recreate the list by running a range of reports original list should have been retained.</p>	<p>The Council should ensure that adequate supporting records are retained for the key year end reconciliations.</p>
<p>We were able to give an unqualified VFM conclusion based on the criteria issued by the Audit Commission. For 2008/09 the Audit Commission has however issued further guidance for authorities subject to LGR and this should be followed during the year to support the VFM conclusion. A copy of the guidance has been provided separately for reference.</p>	<p>The Council should ensure it has followed the revised guidance on the VFM conclusion for authorities subject to LGR.</p>

Appendix 4 – Action Plan

	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments
R1	The Council should ensure that Members and officers are reminded about returning a related party transaction declaration well in advance of 31 March 2009.	2	Director of Financial Services	Yes	The internal Corporate Governance Working Group will address this issue early in the new year. This is particularly pertinent given the demise of the Council on 31 March 2009 and is an issue the LGR workstream has identified.
R2	The Council should ensure that all supporting records are retained for all key year end reconciliations	2	Director of Financial Services	Yes	The only issue at audit was the detailed unrepresented cheque listing. Only the summary was retained on file. The detailed listing was able to be re-created during the audit. This was an error and the procedure has been corrected so that the detail is run and retained on a monthly basis.
R3	The Council should consider the revised guidance on the VFM conclusion for authorities subject to LGR and confirm that the different workstreams are addressing the questions raised.	3	Director of Financial Services	Yes	The Financial workstream (consisting of chief officers and heads of service from all 8 authorities) will ensure that the guidance is taken into account. The prospect of a joint response on how this is being addressed collectively will be explored with the Audit Commission.

Risks and issues arising from local government reorganisation (LGR):

Status of guidance

The Audit Commission has produced this summary of possible risks and issues arising from LGR which auditors may find helpful when assessing and responding to risks to their UoR judgments and VFM code conclusions. The risks and issues have been linked to the VFM Code criteria but auditors should note this guidance is for reference only for 2007/08.

The guidance does not have to be applied in arriving at VFM Code conclusions.

¹ Local Government, England. The [*relevant county*] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

1. The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	
<p>LGR consideration:</p> <p>Authorities have a responsibility to co-operate, through the joint implementation arrangements, to develop strategies and objectives for the new unitary authorities. This includes the set up of an Implementation Executive, the Implementation Team and drafting of the Implementation Plan in accordance with the relevant the Order¹. Authorities must work together to safeguard service delivery through the transitional period, and allow an opportunity for service planning and improvement in the long term.</p>	
Relevant issues applicable to continuing authorities under LGR	Relevant issues applicable to demising authorities under LGR
<p>The council has set up an Implementation Executive and Implementation Team in accordance with the LGR Order. The steering groups have begun to agree deadlines and responsibilities for key stages of the reorganisation.</p> <p>The council is working with the demising authorities to develop strategies for the 'new' unitary authority.</p> <p>The council has reviewed its own strategic objectives, standards and targets in light of LGR.</p> <p>Action plans to meet key strategic objectives, standards and targets have been, or are being revised and in light of LGR. This includes the development of the LGR Implementation Plan.</p> <p>A clear public commitment to the aims and benefits of the reorganisation has been communicated to staff and other stakeholders.</p>	<p>There are arrangements in place (including representation on the Implementation Executive and Implementation Team) for liaising with other demising authorities and the continuing body during the LGR process.</p> <p>The council is working with the continuing or shadow authority, through the joint implementation arrangements, to develop the strategies for the 'new' authority.</p>

¹ Local Government, England. The [*relevant county*] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

<p>2. The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.</p>	
<p>LGR consideration:</p> <p>Authorities must ensure adequate channels of communication with service users and other stakeholders are in place, and information is shared with one another as part of the planning process for the ‘new’ authority. Communication links with service users, stakeholders and partners will need to be maintained and in some instances replaced, for example, where links existed at demising authorities, these will need to be replaced at continuing or shadow authorities.</p> <p>Demising and continuing authorities also have a responsibility to consult and co-operate with each other in order to secure the economic, effective, efficient and timely transfer of functions, property, rights and liabilities.</p>	
<p>Relevant issues applicable to continuing authorities under LGR</p>	<p>Relevant issues applicable to demising authorities under LGR</p>
<p>The consultation strategy has been updated to reflect any changes resulting from LGR, and plans are in place to develop appropriate consultation arrangements for the new authority.</p> <p>Arrangements are in place to ensure feedback obtained by demising districts from consultations is used to inform future design and delivery of services?</p> <p>There are arrangements for cascading any significant changes to strategic objectives and or priorities (as a result of LGR) to staff and other stakeholders.</p>	<p>The consultation strategy has been updated to reflect any changes resulting from LGR, and plans are in place to develop appropriate consultation arrangements for the new authority.</p> <p>There is a clear LGR communication strategy which allows for two way dialogue with staff. The strategy signposts staff to areas of support and counselling.</p> <p>There are arrangements for cascading any significant changes to strategic objectives and or priorities (as a result of LGR) to staff and other stakeholders.</p>

¹ Local Government, England. The [*relevant county*] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

<p>3. The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.</p>	
<p>LGR consideration: Reorganisation will bring a time of uncertainty, where members and officers may become distracted with LGR issues. Demising authorities continue to be responsible for delivery right up to the transfer of services. Continuing bodies will need to put appropriate arrangements in place to monitor and scrutinise performance up to and through March 2009.</p>	
<p>Relevant issues applicable to continuing authorities under LGR</p>	<p>Relevant issues applicable to demising authorities under LGR</p>
<p>The council has risk assessed services / areas of performance most susceptible to impact by LGR and stepped up monitoring arrangements in those areas.</p> <p>The council is taking appropriate action to maintain service continuity up to and through March 2009.</p> <p>The council has re-assessed the priority of recommendations made by external bodies in light of LGR.</p> <p>The council recognises the importance of, and has put appropriate arrangements in place, for maintaining a balance between planning and managing LGR strategic issues and maintaining existing services.</p>	<p>The council has risk assessed services / areas of performance most susceptible to impact by LGR and stepped up monitoring arrangements in those areas.</p> <p>The council is taking appropriate action to maintain service continuity up to and through March 2009.</p> <p>The council has re-assessed the priority of recommendations made by external bodies in light of LGR.</p>

¹ Local Government, England. The [*relevant county*] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

4. The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	
<p>LGR consideration: Demising authorities have a responsibility to continue to record and publish robust performance information and to share this with continuing or shadow authorities. Continuing authorities will use this information to ensure they meet at least the same level and quality of performance as that delivered by the predecessor bodies. It is important for the public and members to receive comparative performance information during reorganisation – the public will be concerned about whether they will receive the same type and quality of service up to, and through March 2009.</p>	
Relevant issues applicable to continuing authorities under LGR	Relevant issues applicable to demising authorities under LGR
<p>Data quality governance issues, arising from LGR, have been identified and are being addressed.</p> <p>The council is continuing to ensure that it reports robust PI information.</p>	<p>The council is continuing to ensure that it reports robust PI information.</p>

¹ Local Government, England. The [*relevant county*] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

5. The body has put in place arrangements to maintain a sound system of internal control.	
<p>LGR consideration:</p> <p>At demising authorities, existing systems and processes must be maintained up to March 2009. This will include a period where attention may be focused on LGR issues. The internal audit function at both authorities will have an increasingly more important role to play as the reorganisation date approaches. Internal audit plans should adequately cover LGR risks such as: asset loss, declining computer security, break down of financial controls and the possibility of increased fraud.</p> <p>When making significant spending decisions, demising authorities should ensure they are legal and make financial and managerial sense in light of LGR. From March 2008 until their dissolution, demising authorities are unable to enter into certain contracts without prior approval of the body responsible for setting up the new arrangements. These may include contracts for the supply of goods and services, and for the sale or purchase of land or property².</p> <p>Continuing or shadow authorities have a responsibility to secure, through the joint implementation arrangements, the economic, effective, efficient and timely transfer of functions, property, rights and liabilities from the demising authorities. This includes the transfer of services, assets, contracts, finance and staff.</p>	
Impact on UoR Judgements at continuing authorities under LGR	Impact on UoR Judgements at demising authorities under LGR
<p>The governance statement reflects issues in respect of LGR. The council is taking action to address any significant internal control issues reported in relation to LGR.</p> <p>There is a clear plan detailing how governance arrangements in the demising body will be consolidated into/used to develop arrangements in the newly formed organisation.</p> <p>There is a clear and timely process for making key appointments to minimise risks to governance, business continuity and performance management.</p> <p>LGR risks are being adequately considered as part of the internal audit planning process.</p>	<p>There are arrangements in place to maintain a sound system of internal control in light of LGR. These include adequate control arrangements and sufficient resource allocation up to, and supporting, the transfer of functions, which respond to the specific risks arising from LGR.</p> <p>The governance statement reflects issues in respect of LGR. The council is working with the continuing or shadow authority to ensure the appropriate action is taken to address any significant internal control issues reported in relation to LGR.</p> <p>There is a clear plan detailing how governance arrangements will remain effective and how they will consolidate into/be used to develop arrangements in the newly formed organisation.</p>

¹ Local Government, England. The [*relevant county*] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

<p>Internal audit work is adequately focused on ensuring the compatibility and resilience of critical information, governance and policy systems, with the demising authorities.</p> <p>Internal audit have considered the need to work with other internal auditors to provide support, given the pressures on demising authorities' internal auditors.</p> <p>The council is working in conjunction with the demising authorities to develop standing orders, standing financial instructions and a scheme of delegation for the 'new' authority.</p> <p>The council is working with the demising authorities to identify incompatibility and opportunities for the sharing of information systems.</p> <p>The council has arrangements in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. Arrangements cover:</p> <ul style="list-style-type: none"> • the transition period; and • compliance with LGR implementation orders, in respect of asset transfer and financial decision making. <p>There is a clear view on the legal and technical requirements of reorganisation, including those relating to redundancy, enhancements to terms and conditions, transfer of undertakings regulations and consultation regulations.</p> <p>Partnership governance arrangements have been reviewed to reflect changes to local government organisation.</p>	<p>Internal audit work is adequately focused and balanced between:</p> <ul style="list-style-type: none"> • ensuring the compatibility and resilience of critical information, governance and policy systems; and • to provide assurance on internal control to senior officers and Members to 31 March 2009. <p>The authority has considered the scope for internal audit to work with the continuing or shadow authority's internal auditors to help address LGR-related risks.</p> <p>The council is developing, jointly with the other relevant authorities, standing orders, standing financial instructions and a scheme of delegation for the 'new' authority. The body recognises that existing arrangements in the demising body need to be both maintained, and reviewed in light of LGR requirements.</p> <p>The council has arrangements in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. Arrangements cover:</p> <ul style="list-style-type: none"> • the transition period; and • compliance with LGR implementation orders, in respect of asset transfer and financial decision making. <p>There is a clear view on the legal and technical requirements of reorganisation, including those relating to redundancy, enhancements to terms and conditions, transfer of undertakings regulations and consultation regulations.</p> <p>Partnership governance arrangements have been revisited to reflect changes to local government organisation.</p>
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² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

The council is acting lawfully where there is early termination and severance of contracts of employment, and enhancements to terms and conditions.

The council has put arrangements in place to identify all contractual rights and liabilities and private and third sector contracts which extend beyond March 2009. This information is being shared with the continuing or shadow authority.

The council has put arrangements in place to ensure it acts lawfully where there is early termination and severance of contracts of employment, and enhancements to terms and conditions.

¹ Local Government, England. The [*relevant county*] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

6. The body has put in place arrangements to manage its significant business risks.	
<p>LGR consideration:</p> <p>Councils must work together to identify, evaluate and manage operational and financial risks and opportunities arising from LGR. They must to put arrangements in place for the transfer of records, including information on services, assets, contracts, finance and staff. Effective project management is essential - councils will need to identify key tasks, define responsibilities and determine the time required and order of each task, drawing up a LGR implementation plan.</p>	
Impact on UoR Judgements at continuing authorities under LGR	Impact on UoR Judgements at demising authorities under LGR
<p>The corporate risk register includes LGR risks which are linked to strategic business objectives and assigned ownership.</p> <p>A top level Implementation Team is ensuring reorganisation planning and key risks are managed effectively.</p> <p>There is a practical and realistic LGR project plan in place.</p> <p>Adequate arrangements are being put in place to secure the continuity of services during the transition period.</p> <p>Reports to support strategic policy decisions, and project initiation documents, include a LGR risk assessment.</p> <p>The council has put arrangements in place to consult and co-operate with demising authorities to secure the economic, effective, efficient and timely transfer of functions, property, rights and liabilities.</p> <p>The body has considered workforce planning implications of reorganisation, including vacancy management, fairness, equalities and diversity to ensure effective management of resources.</p>	<p>The corporate risk register includes LGR risks which are linked to strategic business objectives and assigned ownership.</p> <p>A top level Implementation Team is ensuring reorganisation planning and key risks are being managed.</p> <p>There is a practical and realistic LGR project plan in place.</p> <p>Adequate arrangements are being put in place to secure the continuity of services during the transition period.</p> <p>Reports to support strategic policy decisions, and project initiation documents, include a LGR risk assessment.</p> <p>The council has put arrangements in place to track and collate key records and information, identify gaps and agree, with the continuing or shadow authority, common formats for the smooth transfer of data.</p> <p>Action is being taken, in partnership with the continuing or shadow authority, to help staff prepare for the change, identify common and overcome potential barriers to joint working and integration.</p>

¹ Local Government, England. The [*relevant county*] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

Action is being taken to help staff prepare for the change, identify common and overcome potential barriers to joint working and integration.

The council is considering the arrangements for post implementation review.

The body has considered workforce planning implications of reorganisation, including vacancy management, fairness, equalities and diversity to ensure effective management of resources.

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² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

7. The body has put in place arrangements to manage and improve value for money.	
<p>LGR consideration:</p> <p>For the period up to, and through, 1 April 2009, continuing and shadow authorities have the responsibility for preparing and facilitating the economic, effective, efficient and timely transfer of the district councils' functions, property, rights and liabilities.</p> <p>Continuing or shadow, and demising bodies need to work together to put arrangements in place to achieve the efficiency gains set out in the LGR bid document.</p>	
Impact on UoR Judgements at continuing authorities under LGR	Impact on UoR Judgements at demising authorities under LGR
<p>Members and senior managers identify and pursue opportunities to reduce costs or improve quality within existing costs. Consideration is given to the likely impact on users of changes in spending levels as a result of LGR.</p> <p>Arrangements are in place to capture information collected by demising districts on costs and the quality of services. This includes information on equity across the whole community.</p> <p>Targets are set and applied to improve efficiency and value for money. These take into any changes to services created by LGR.</p> <p>The council has produced a robust efficiency plan to achieve the cumulative Efficiency Review target of 7.5% gains over a three-year period and the efficiency gains set out in the LGR bid document.</p> <p>The council has started to consider ongoing and imminent procurements, including those at demising authorities, to ascertain if they are still necessary following LGR.</p> <p>Shared IT services and other partnership agreements have</p>	<p>Members and senior managers maintain plans for reducing costs or improving quality within existing costs. Consideration is given to the likely impact on users of changes in spending levels as a result of LGR.</p> <p>Information on costs and the quality of services is collected, regularly reported to members, and taken into account when reviewing performance up to March 2009. There are arrangements in place to share the information with continuing or shadow authorities and including information on equity.</p> <p>The council has produced a robust efficiency plan to achieve the cumulative Efficiency Review target of 7.5% gains over a three-year period (by preparing plans up to the date of demise and contributing to the continuing authority's plans beyond then) and the efficiency gains set out in the LGR bid document.</p> <p>The council can demonstrate that significant procurement decisions comply with any implementation order and have been agreed by the transition authority.</p> <p>The council ensures investment in services aligns to the</p>

¹ Local Government, England. The [relevant county] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

<p>been considered in light of LGR.</p>	<p>priorities and objectives of the transition authority.</p> <p>Where external funding extends beyond 31 March 2009, there are arrangements in place to inform the transition authority.</p>
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² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

8. The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	
<p>LGR consideration:</p> <p>Councils should be working effectively to prepare the MTFP for the new authority. Demising authorities therefore have a responsibility to transfer financial records and information to the continuing or shadow authorities in an economic, effective, efficient and timely manner. And in the agreed format.</p> <p>Councils must have effective financial management arrangements in place to ensure that both the pre-organisation and post-reorganisation budgets are capable of supporting the level of service activity projected in organisation plans.</p>	
Impact on UoR Judgements at continuing authorities under LGR	Impact on UoR Judgements at demising authorities under LGR
<p>Strategic financial issues in relation to LGR have been identified and these are reported appropriately.</p> <p>The council has a medium-term (three-year) financial strategy which is linked to its key strategic objectives, and takes account of both local improvement priorities and national priorities, including LGR issues.</p> <p>The council is working effectively with demising authorities and other authorities to prepare the MTFP and capital programme for the 'new' authority.</p> <p>The 2008/09 budget takes into account financial information in respect of LGR.</p> <p>The council is updating its equalities impact assessments of its strategies to take into account any changes to service users created by LGR.</p> <p>There are arrangements in place for transferring and managing on-going capital schemes beyond 31 March 2009.</p>	<p>The council is working effectively with the continuing or shadow authority to prepare the MTFP for the new authority.</p> <p>The 2008/09 budget takes into account financial information in respect of LGR.</p> <p>There are arrangements in place for transferring and managing on-going capital schemes (those which extend beyond 31 March 2009) to the continuing or shadow authority.</p> <p>The council has reviewed its capital programme and MTFP in light of LGR.</p>

¹ Local Government, England. The [*relevant county*] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

9. The body has put in place arrangements to ensure that its spending matches its available resources.	
<p>LGR consideration:</p> <p>Councils must have effective financial management arrangements in place to ensure that both the pre-organisation and post-reorganisation spending matches the resources available. This is at a time where officers and members may be distracted by LGR issues.</p> <p>Reorganisation may also bring about changed behaviours where members at demising authorities may be tempted to turn reserves into physical assets in their area without consulting with continuing or shadow authorities.</p>	
Impact on UoR Judgements at continuing authorities under LGR	Impact on UoR Judgements at demising authorities under LGR
<p>The council, through the joint implementation arrangements, has put effective financial management arrangements in place to ensure that both the pre-organisation and post-reorganisation spending matches the resources available.</p> <p>The council has a policy on the level and nature of reserves and balances it needs that has been approved by members.</p> <p>The policy on reserves:</p> <ul style="list-style-type: none"> • has been developed through joint working with other authorities; • is linked with the 'new' MTFP; • includes an analysis of reserves to be merged from demising districts; and • is reflected in the budget. <p>There are arrangements in place to ensure the funding or payback assumptions in the original LGR bid are being monitored, and are on track.</p> <p>The council is developing, through the joint implementation arrangements, a treasury management strategy that reflects the requirements of the CIPFA Code of Practice for Treasury</p>	<p>The council, through the joint implementation arrangements, has put effective financial management arrangements in place to ensure post-reorganisation spending matches the resources available.</p> <p>The council is complying with the Implementation Order in respect of the use of reserves.</p> <p>The council continues to monitor and manage the recovery of arrears and performance against its treasury management strategy. Performance, and supporting information, is being shared with the continuing or shadow authorities.</p>

¹ Local Government, England. The [*relevant county*] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

Management in the Public Services for the 'new' authority.	
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¹ Local Government, England. The [*relevant county*] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

10. The body has put in place arrangements for managing performance against budgets.	
<p>LGR consideration: Councils must have effective financial management arrangements for managing performance against budgets. This is especially important in the months leading up to 1 April 2009 where officers and members may be distracted by LGR issues. Continuing and shadow bodies will want to ensure the services they take over have not been mismanaged and are not overspent.</p>	
Impact on UoR Judgements at continuing authorities under LGR	Impact on UoR Judgements at demising authorities under LGR
<p>There are arrangements in place for managing spending against budgets up to, and through 31 March 2009. This includes adequate reporting to members and management of overspends.</p> <p>The council regularly tests its financial systems to ensure that their processes are secure.</p> <p>There is adequate internal audit coverage of budgetary control planned for the period up to, and through 31 March 2009.</p>	<p>There are arrangements in place for managing spending against budgets up to, and through 31 March 2009 (see above criterion). This includes adequate reporting to members and management of overspends.</p> <p>The council is acting on previous testing of its financial systems to ensure that processes are secure and ready for hand-over.</p> <p>There is adequate internal audit coverage of budgetary control planned for the period up to 31 March 2009.</p>

¹ Local Government, England. The [*relevant county*] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

11. The body has put in place arrangements for the management of its asset base.	
LGR consideration: All councils should be maintaining comprehensive records about their asset base. It is important for authorities to work together to agree the transfer of records from demising authorities to continuing or shadow authorities. The information not only includes the fixed asset register – there will be other assets which will need to be transferred, below the threshold for inclusion.	
Impact on UoR Judgements at continuing authorities under LGR	Impact on UoR Judgements at demising authorities under LGR
<p>The council reviewed its corporate capital strategy, linked to its corporate objectives and medium-term financial strategy, in light of LGR.</p> <p>The Council has reviewed its asset management plan in light of LGR.</p> <p>Arrangements are in place to ensure all asset information is properly transferred from the demising authorities.</p> <p>The council has an annual programme of planned maintenance based on a rolling programme of property surveys. Arrangements are in place to ensure these are updated to reflect assets due to be transferred from demising districts.</p> <p>Arrangements are in place to assess the level of backlog maintenance of assets due to be transferred from demising districts.</p>	<p>The Council has reconsidered its asset management plan in light of LGR. Arrangements are in place to ensure the appropriate asset information is made available to continuing or shadow authorities to support the joint implementation arrangements and decision making.</p> <p>The council maintains an up to date asset register. Arrangements are in place to transfer this information to the continuing authority.</p> <p>The council's corporate property function is working to a timetable to review its portfolio, in cooperation with the continuing or shadow authority, with a view to transferring to the 'new' authority, complying with any relevant Implementation Order.</p> <p>Arrangements are in place to ensure the appropriate asset information is made available to continuing or shadow authorities to support the joint implementation arrangements and decision making.</p> <p>The capital programme identifies on-going approved projects and how these will continue to be funded if they extend beyond 31 March 2009. There are arrangements in place to ensure the approval of new schemes comply with LGR transition requirements.</p>

¹ Local Government, England. The [*relevant county*] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

12. The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	
<p>LGR consideration: Reorganisation brings about specific risks such as: asset loss, declining computer security, break down of financial controls and the possibility of increased fraud. Councils must be aware of these types of risks and put arrangements in place to prevent and manage them. The role of local counter fraud officers, the complaints and whistleblowing procedures will be vital in ensuring this.</p>	
Impact on UoR Judgements at continuing authorities under LGR	Impact on UoR Judgements at demising authorities under LGR
<p>The council maintains arrangements for monitoring compliance with standards of conduct across the council, taking account of LGR related risks up to 31 March 2009.</p> <p>The counter fraud and corruption policy has been reviewed in light of key LGR risks.</p>	<p>The council maintains arrangements for monitoring compliance with standards of conduct across the council, taking account of LGR related risks up to 31 March 2009.</p> <p>The counter fraud and corruption policy has been reviewed in light of key LGR risks.</p>

¹ Local Government, England. The [*relevant county*] (Structural Changes) Order 2008

² Directions to Local Authorities on Control of Disposals, Contracts and Reserves

CITY OF DURHAM**AUDIT OVERVIEW COMMITTEE****13th NOVEMBER 2008****REPORT OF THE DIRECTOR OF FINANCIAL SERVICES****1. PROGRESS REPORT FOR THE PERIOD 1ST APRIL 2008 TO 30TH SEPTEMBER 2008****1.1 Introduction**

This report will compare the actual work undertaken by Internal Audit with that planned for the period 1st April 2008 to 30th September 2008.

1.2 Progress Report

1.2.1 In the period 1st April 2008 to 30th September 2008, the following work was undertaken and compares to the plan as shown below:

Original Audit Plan days	Revised Audit Plan days		Cumulative Planned Audit Days	Cumulative Actual Audit Days	Variance Audit Days
449.00	410.14	Non productive time	209.56	219.70	10.14
246.00	246.00	Management & Administration non chargeable	123.00	96.67	(26.33)
65.00	65.00	Management & Administration chargeable	32.50	19.83	(12.67)
282.00	312.00	2008/2009 Audit Plan	161.00	147.30	(13.70)
40.00	40.00	Follow Up work	20.00	18.20	(1.80)
484.00	275.86	Contingencies & Special Investigations	140.74	181.67	40.93
1566.00	1349.00	Total	686.80	683.37	(3.43)

A more detailed analysis is given in Appendix 'A', together with an up to date position for all audit assignments allocated.

1.2.2 Non productive time is 10.14 days over budget and this is largely as a result of:

- Sickness absence of the Principal Auditor and the Audit Assistant during April and May 2008.
- Increased levels of annual leave and study leave taken in the first six months compared to the forecast position partially offset by reduced levels of day release and other training compared to the forecast position.

Encouragingly there has been no further sickness within the section since the Principal Auditor returned to work in May 2008.

Variances in respect annual leave, study leave, day release and other training will increase proportionally in the next quarter before reducing in quarter four.

- 1.2.3 Many of the items shown under management and administration (both non chargeable and chargeable) are of an ad-hoc nature and are therefore difficult to estimate with any accuracy. It is anticipated that that some of the areas originally included here may not now take place (e.g. Document imaging) as the local government review process progresses. Any surplus capacity will be absorbed by the contingency provision.
- 1.2.4 The original audit plan for 2008/09 was comprised of thirty one (31) audit assignments (including 09/02 Housing benefits quarterly checks which consists of four (4) separate assignments). Five (5) more have been added, including the data matching work for furniture packs, supporting people and NWA; and mutual support for Teesdale (NNDR and Council Tax), taking the total planned assignments to thirty six (36)
- 1.2.5 All cumulative planned and actual days previously charged to contingency for these additional assignments have now been included as part of the revised audit plan.
- 1.2.6 Target days for the mutual aid program have been exceeded due to an underestimate of the travelling time requirements to Barnard Castle.
- 1.2.7 Correspondence with a Senior IT Manager from Durham County Council via their Internal Audit Service has indicated that they are working towards a single county wide IT network including connection to the Government Connect Secure Extranet (GCSx) by the 1st April 2009 as part of the Local Government Review process. This will enable all organisations that are part of the extranet to share data in a secure manner. One of the principal conditions attached to this is that the new authority will need to go through regular compliance checks and one of the requirements is that the network is subjected to regular vulnerability tests both internal and external. Information from our own IT Service indicates that the timescales for joining together the eight currently disparate computer networks is imminent. I would consider therefore that there is no longer a requirement for City of Durham to undertake this process and I would recommend that this audit assignment be removed from the plan. Any other planned IT work will be dependent upon the level of resources available as the year progresses.
- 1.2.8 This means that the number of audit assignments in the revised audit plan for 2008/09 has increased to 35, including the two audit assignments carried out for Teesdale. (Both of which are business critical systems) At the 30th September 2008 sixteen (16) have been fully completed (46%) and one (1) is at draft stage. In terms of business critical systems six (6) out of sixteen (16) have now been completed (38%) with one (1) at draft stage.
- 1.2.9 All other work relating to Local Government review has been identified separately within the contingency provision and amounts to 29.60 days.
- 1.2.10 The completion of the audit plan for 2008/09 is considered to be on target after taking into account the additional work carried out. All remaining quarter two assignments are nearing completion. Target days for Payroll (09/08) and NNDR (09/12) have been exceeded by more than 10%.

- Payroll – This was due to difficulty in tracing some payroll records through the Anite document management system.
- NNDR – additional work at the request of the service regarding billing suppression.

1.2.11 Local government review work for the first six months of the year has been sporadic and mostly centred around work carried out by the Head of Internal Audit with the Audit sub work-stream. This has focused mainly on:

- The Audit Strategy
- Local Performance Indicators
- Relationship Protocol

Although other work relating to fraud and corruption, the audit universe, audit committee terms of reference, audit risk matrix, and audit management software has been carried out by officers from the other Districts with input from the Head of Internal Audit.

1.2.12 Further work on data quality regarding disaggregation of 08/09 budgets and on fees and charges policies has also been undertaken.

1.2.13 The level of work relating to local government review does now seem to be increasing. The Head of Internal Audit has recently attended a one day training course with the members of the new Durham County Council Audit Committee regarding its role and terms of reference. The Head of Internal Audit has also agreed to review financial regulations.

1.2.14 The introduction of the new Microsoft.net version of the audit software (Galileo) will also require significant work from all of the districts and the County with building the various templates and inputting risk matrices, controls etc.

1.2.15 Work on the audit plan in the context of “business as usual” has been largely unaffected by the Local Government Review work being undertaken by audit staff, and it is expected that all of the work outlined in the audit plan will be completed within target. However, members should note that resources for the rest of the year are constrained and any period of prolonged sickness absence will have an adverse affect on the Services’ ability to complete the plan.

1.2.16 Performance against the key local performance indicators for the period 1st April 2008 to the 30th September are shown below compared with the same period last year:-

2007/2008		Indicator	2008/2009	
number	%		number	%
23	40	Number of audits undertaken and completed	16	46
128	-	Number of recommendations made	37	-
124	-	Number of recommendations agreed	37	-

2007/2008		Indicator	2008/2009	
number	%		number	%
3	-	Number of recommendations not agreed	0	-
1	-	Number of recommendations partly agreed	0	-
-	50	% of draft reports issued within 10 working days of closure meeting	-	69
-	77	% of Final report and recommendation action plans issued within 5 working days of the post audit meeting	-	75
-	50	% of recommendation action plans signed off and returned within 5 working days of issue	-	60
0	-	Number of Recommendations withdrawn	9	-
-	100	% of Post audit questionnaires completed and returned	-	100
-	64	% Post audit meetings held within 10 working days of the issue of the draft report	-	85

1.2.17 There are 158 recorded recommendations in the data base. At the 30th September 2008 there were 37 recommendations outstanding, of these 22 recommendations have yet to be followed up with 21 due for follow up in October and a further 1 in later months.(see Appendix B)

1.2.18 Of the 136 recommendations already followed up :-

- 108 have been implemented;
- 13 have been withdrawn (Appendix C)
- 15 will be followed up a second time, 3 in October and 12 in later months (Appendix D)

1.2.19 As Local Government Review progresses it may be necessary to withdraw further recommendations where there is little chance of implementation in the short term and risks of non implementation are low. In addition where improvements in systems are identified via the audit process in the future it may be prudent to focus only on high risk/critical recommendations due to the closeness of vesting day.

1.2.20 A table showing the results of post audit questionnaires returned to date is shown in Appendix E together with comparisons for the last three years.

2.0 AUDITS COMPLETED IN 2008/09

2.1 Audits assessed as EXCELLENT and awarded an audit opinion score of 1

2.1.1 Internal audit reviewed the following systems where given the nature of the risks involved in the achievement of the control objectives, key controls and other parts of the internal control system are working effectively and provides full assurance that risks material to the achievement of the control objectives are adequately managed.

2.1.2 Treasury Management

No recommendations were required all internal controls are in place and working effectively. System adheres to all necessary codes and protocols Staff should be commended for their efforts.

2.2 Audits assessed as GOOD and awarded an audit opinion score of 2

2.2.1 Given the nature of the risks involved in the achievement of the control objectives, key controls and most other parts of the internal control system are working effectively and provide substantial assurance that risks material to the achievement of the control objectives are adequately managed.

2.2.2 NNDR

Only one recommendation was made. This was regarding clarification of the legality of billing procedures to be followed for multi-year bills which include both the current annual demand and adjustment from previous year(s) bills.

2.3 Audits assessed as SATISFACTORY and awarded an audit opinion score of 3

2.3.1 Internal Audit reviewed the following systems where given the nature of the risks involved in the achievement of the control objectives key controls are adequate but other parts of the internal control system requires corrective action. This provides reasonable assurance that risks material to the achievement of the control objectives are adequately managed.

2.3.2 Payroll

Main recommendations were in respect of communication with other services, certification of timesheets and evidence requirements.

2.4 It is pleasing to note that none of the audit assignments completed in the last quarter were awarded an audit opinion score less than 3.

2.5 Four further reviews were carried out which did not require an audit opinion.

2.5.1 Benefits Accuracy Q2

Internal Audit undertakes a quarterly review of the accuracy of benefit claims.

These aim to meet two objectives:

- Enable client management to monitor performance against BVPI 79a.
- Evidence requirements of the Verification Framework.

The quarterly audit identified that 123 of the 125 (98.4%) determinations were compliant with the Verification Framework Requirements.

Failure by Housing Benefits staff to include all relevant income in two of the calculations for benefit has resulted in this unusual decrease in performance. Senior Housing Benefit staff have been informed and will seek to address the problem via re-training.

2.5.2 Furniture packs, Supporting people and NWA

A complete systems review of these three systems has been carried out. New processes have been developed to both assist service users in the day to day management of the system and to enable service users to carry out reconciliation work themselves. Reconciliations work was brought up to date and training for service users has also been carried out.

3. RECOMMENDATIONS

- 3.1 That the Audit Overview Committee note the contents of the Progress Report for the 1st April 2008 to the 30th September 2008

AUDIT PLAN 2008/2009 DETAILED ANNUAL

PERIOD 1/04/2008 TO 30/09/2008

Audit number	Audit item	Target Days	Outturn Actual	Variance	Progress / Complete	Reported to committee
09/01	Performance indicators	15.00	15.83	0.83	Y	Jul-08
09/02a	Housing benefits quarterly check	7.00	6.90	-0.10	Y	Jul-08
09/03	Creditors	10.00	9.93	-0.07	Y	Jul-08
09/04	Treasury management	5.00	5.73	0.73	Y	
09/05	Annual Governance Statement	5.00	2.13	-2.87	Y	Jul-08
09/06	Durham Sport	5.00	2.00	-3.00	Y	Jul-08
09/07	LAA	5.00	3.13	-1.87	Y	Jul-08
Total Quarter 1		52.00	45.65	-6.35		

Key system
Key system

Audit number	Audit item	Target Days	YTD Actual	YTD Variance	Complete	Reported to committee
09/02b	Housing benefits quarterly check	7.00	6.20	-0.80	Y	
09/08	Payroll	15.00	16.07	1.07	Y	
09/09	Crematorium	7.00	5.53	-1.47	Y	Jul-08
09/10	Accountancy FMS	10.00	3.43	-6.57	Testing	
09/11	Cash reconciliations	5.00	1.83	-3.17	Testing	
09/12	NNDR liability	10.00	12.37	2.37	Y	
09/13	Cash collection	10.00	4.40	-5.60	Testing	
Total Quarter 2		64.00	49.83	-14.17		

Key system
Key system
Key system
Key system
Key system

Audit number	Audit item	Target Days	YTD Actual	YTD Variance	Complete	Reported to committee
09/02c	Housing benefits quarterly check	7.00	0.07	-6.93	Testing	
09/14	Sickness	10.00	0.00	-10.00	NYA	
09/15	Housing Benefits	20.00	0.00	-20.00	NYA	
09/16	Council Tax liability	15.00	1.83	-13.17	Testing	
09/17	Debtors	10.00	0.00	-10.00	NYA	
09/18	Safeguarding of assets	10.00	0.00	-10.00	NYA	
09/19	Risk management	7.00	0.00	-7.00	NYA	
Total Quarter 3		79.00	1.90	-77.10		

Key system
Key system
Key system

Audit number	Audit item	Target Days	YTD Actual	YTD Variance	Complete	Reported to committee
09/02d	Housing benefits quarterly check	7.00	0.00	-7.00	NYA	
09/20	Planned Maintenance	10.00	0.00	-10.00	NYA	
09/21	Gas maintenance	10.00	0.00	-10.00	NYA	
09/22	Responsive repairs	10.00	0.00	-10.00	NYA	
09/23	Housing rents	10.00	0.00	-10.00	NYA	
09/24	Governance arrangements	5.00	0.00	-5.00	NYA	
09/25	Fraud and Corruption	5.00	0.00	-5.00	NYA	
Total Quarter 4		57.00	0.00	-57.00		

Key system
Key system
Key system
Key system

Audit number	Audit item	Target Days	YTD Actual	YTD Variance	Complete	Reported to committee
09/26	External penetration testing	0.00	0.00	0.00	Withdrawn	N/A
09/27	In print partnership	0.00	0.00	0.00	Assurance from Derwentside	
09/28	Other possible IT work	30.00	0.00	-30.00	NYA	
TOTAL		30.00	0.00	-30.00		

9 - cont	Local Government review - mutual aid (Teesdale) NNDR	15.00	16.40	1.40	Y	Passed to Teesdale
9 - cont	Local Government review - mutual aid (Teesdale) Council Tax	15.00	16.40	1.40	Y	Passed to Teesdale
9 - cont	Furniture Packs - Final Accounts work	0.00	6.40	6.40	Y	
9 - cont	Supporting People - Final Accounts Work	0.00	8.43	8.43	Y	
9 - cont	NWA - Final Accounts work	0.00	2.27	2.27	Y	
TOTAL		30.00	49.90	19.90		

Key system
Key system

	Target Days	YTD Actual	YTD Variance
TOTAL AUDIT PLAN	312.00	147.28	-164.72

Brought forward

Audit number	Audit item	Target Days	YTD Actual	YTD Variance	Complete	Reported to committee
08/35 b/f	Accountancy Estimates	0.00	4.10	4.10	Y	Jul-08
08/33 b/f	Data Retention and Disposal	0.00	0.40	0.40	Y	Jul-08
08/06 b/f	IT Application controls	0.00	0.40	0.40	Withdrawn	N/A
08/36 b/f	Housing rents	0.00	1.33	1.33	Y	Jul-08
08/23 b/f	Sickness	0.00	1.67	1.67	Y	Jul-08
Total brought forward		0.00	7.90	7.90		

	Target Days	YTD Actual	YTD Variance	
n/a	Follow ups	40.00	18.20	-21.80

Non Productive Time

	Target Days	YTD Actual	YTD Variance
Bank Holidays	32.000	17.00	-15.00
Annual leave	176.583	99.00	-77.58
Sickness	47.750	52.40	4.65
Special leave	5.167	1.50	-3.67
Day release	79.500	22.50	-57.00
Other training	53.058	16.27	-36.79
Study leave / exams	13.500	9.50	-4.00
Hospital/Dental appointments	2.583	1.53	-1.05
TOTAL	410.14	219.70	-190.44

Management and Administration (non chargeable)

	Target Days	YTD Actual	YTD Variance
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Audit planning, management and supervision of the section.	75.00	35.67	-39.33
Review of policy documentation	10.00	4.93	-5.07
Advice and discussion with District Audit	5.00	1.30	-3.70
Audit sub group etc	4.00	2.80	-1.20
Maintenance of data base	5.00	4.17	-0.83
Idea Sub Group	4.00	0.33	-3.67
OMT	2.00	0.73	-1.27
Review of Internal Audit	2.00	0.00	-2.00
Key lines of enquiry	5.00	1.80	-3.20
New legislation	2.00	0.27	-1.73
Business Planning	5.00	0.67	-4.33
Document imaging/Back Scanning	10.00	0.00	-10.00
Options appraisal	20.00	0.80	-19.20
Risk management	10.00	4.87	-5.13
Internal Audit review meetings	10.00	0.57	-9.43
General Administration	60.00	34.17	-25.83
PDR's	3.50	0.00	-3.50
Business Continuity	5.00	0.20	-4.80
Emergency planning	5.00	0.07	-4.93
OMT briefing / review meetings (P Darby)	3.50	3.33	-0.17
TOTAL	246.00	96.68	-149.32

Management and Administration (chargeable)

	Target Days	YTD Actual	YTD Variance
Tender openings	3.00	0.27	-2.73
Financial appraisals	3.00	0.07	-2.93
Stores - stocktaking	4.00	0.00	-4.00
Advice to Departments	20.00	9.70	-10.30
Audit awareness training	2.00	1.13	-0.87
Review of regulations and procedures	3.00	0.00	-3.00
Implementatuiou of recommendations involving additional work by Internal Audit	10.00	4.90	-5.10
Annual Governance Statement	10.00	2.57	-7.43
Misc working groups	10.00	1.20	-8.80
TOTAL	65.00	19.84	-45.16

Ad Hoc work (Contingency)

	Target Days	YTD Actual	YTD Variance	Complete	Reported to committee
09 - cont Millenium / Audit Claim	0.00	0.83	0.83		
09 - cont A Turner	0.00	1.10	1.10		
9 - cont Payments	0.00	0.33	0.33		
9 - cont Co-opted member	0.00	1.73	1.73		
9 - cont XML document conversion / IDEA work for Revenues	0.00	1.07	1.07		
9 - cont Customer services incident	0.00	2.97	2.97		
9 - cont Supporting People - Implementation of new system for grant claim	0.00	28.13	28.13		
9 - cont Secondment to Accountancy	0.00	92.23	92.23		
9 - cont Key workers group	0.00	0.53	0.53		
9 - cont Work experience - Barry Quinn	0.00	1.13	1.13		
9 - cont Cash procedures/collection of cash	0.00	1.13	1.13		
9 - cont Auddis - Leisure Centres	0.00	0.73	0.73		
9 - cont Change of signatories - Solicitors Imprest account	0.00	0.53	0.53		
9 - cont Furniture packs - Implementation of new system for checking prior to payment	0.00	1.93	1.93		
9 - cont Accountancy Service charge calculation	0.00	2.90	2.90		
9 - cont Supervision of staff and security of building during strike action	0.00	0.40	0.40		
9 - cont Compilation of records for HR relating to strike	0.00	0.33	0.33		
9 - cont Flexitime query - Planning	0.00	1.27	1.27		
9 - cont Internal audit budgets	0.00	0.30	0.30		
9 - cont Banking of cash - new procedures	0.00	1.83	1.83		
9 - cont Rent restructuring calculation checks	0.00	2.73	2.73		
Total	0.00	144.13	144.13		
Local Government Review work	0.00	0.00	0.00		
9 - cont Local Government review - audit substream - performance indicators	0.00	0.67	0.67		
9 - cont Local Government review - audit substream - relationship protocol	0.00	0.93	0.93		
9 - cont Other Local government review work	0.00	19.80	19.80		
9 - cont Local Government review - audit substream - audit strategy	0.00	8.20	8.20		
Total	0.00	29.60	29.60		
	0.00	0.00	0.00		
	0.00	0.00	0.00		
	0.00	0.00	0.00		
	0.00	0.00	0.00		
Contingency	275.86	173.73	-102.13		
Total	275.86	173.73	-102.13		

	Target Days	YTD Actual	YTD Variance
Totals	1349.00	683.33	-665.67

Audit Ref	Audit Name	Rec No	Recommendation
08/08	Swimming Baths	R16	A central file be set up which holds all of the procedure notes for the Swimming Baths.
08/23	Sickness	R1	Regular checks should be carried out by managers to ensure that sickness days match across documentation, ResourceLink, and DHS. All significant discrepancies should be followed-up.
08/23	Sickness	R2	Heads of Service should ensure that recommendations regarding sickness are filtered down through team briefings to officers who are required to implement them.
08/23	Sickness	R3	Procedures should be in place to ensure that all Employee Sickness Declaration Forms are promptly scanned into the employees personal file once they have been processed.
08/23	Sickness	R4	All staff should be reminded of the requirement to return a completed ESDF and ensure that it is in by the 4th day of absence.
08/23	Sickness	R5	Managers to ensure that employees complete and return an ESDF for each instance of sick.
08/23	Sickness	R6	Managers to be reminded that evidence of communication, such as interviews, with employees on long-term sick should be forwarded to Payment Services in order that it can be appropriately scanned and filed into the correct personal folder within Anite. This excludes records of telephone conversations.
08/24	Stage School	R1	The GTSS are to liaise with Human Resources to establish when Training with regards to the Child Protection Policy is to be carried out.
08/35	Accountancy Budgets	R1	Emails confirming the accuracy of the staffing be retained on the server in the relevant working paper folder to ensure that an adequate audit trail is maintained.
08/42	Debtors	R1	Appropriate officers from each service be formally given the ability to authorise account requests. This should be recorded on the certifying officers list along with their other authorisation abilities.
08/42	Debtors	R4	All reports monitored including accounts at bailiff, recovery suppressions, and arrangements, should be initialled by the checking officer.
08/42	Debtors	R5	As previously recommended, targets should be set for the raising of invoices by services. Such as 10 working days from provision of service to invoice.
08/42	Debtors	R6	Compliance with targets for raising invoices should be monitored on a regular basis by each service.
09/03	Creditors	R1	All outstanding cheque cancellation requests and database records should be actioned and completed as soon as possible and procedures put in place to ensure that backlogs are avoided in the future.
09/03	Creditors	R2	All requests for emergency payments should be passed to the Principal Payments Officer for monitoring and review purposes.
09/03	Creditors	R3	Consideration be given to re-designing the batch control sheet to ensure that services follow correct procedures.
09/08	Payroll	R1	A report of amendments to bank details to be periodically produced and independently checked against evidence stored in Anite. Evidence of such checks should be maintained.
09/08	Payroll	R2	Officers should record their initials on each exception report after they have checked it.
09/08	Payroll	R3	Accountancy to promptly communicate correct codes to the Payroll section.
09/08	Payroll	R4	Consideration given to redesigning the timesheet for Environmental & Leisure Services to enable all details, including certification, to be on one side. In the meantime both sides should be scanned.
09/08	Payroll	R5	Timesheets which have been signed by an officer not on the Certified Officers List should be queried with the relevant services to ensure its validity and to request that the service organise their inclusion on the list with the appropriate authorisation powers
09/12	NNDR	R1	Clarification be sought to ascertain the correct billing procedures that should be followed with regards to multi-year bills which include annual demands and adjustment bills, to ensure that all bills are enforceable.
			When agreement is reached these should be included in written procedures.

Audit Ref	Audit Name	Department	Rec No	Recommendation	Explanation	Mutually withdrawn date
05/33	Furniture pack scheme	Community Services	R15	That a suitable system be devised to ensure that all inspections required under the terms of the contract are carried out and appropriately recorded	To be incorporated with other schemes for LGR	30-Sep-08
06/19	Homelessness	Community Services	R13	Investigations should be carried out to determine the feasibility of all documents relating to each homelessness application (including the application itself) being stored on the document imaging system 'Anite'.	Withdrawn due to budgetary restrictions and LGR.	28-Apr-08
07/05	Customer Services	Community Services	R7	Service Level Agreements should be developed to ensure that both front and back office services understand what work is to be carried out by Customer Services. Each service should define the requirements for agreement with Customer Services Management	WITHDRAWN - Not a priority will be included in relevant LGR workstream	28-Apr-08
07/39	Sickness	Corporate Services	R14	The Employee Sickness Declaration Form should be amended so that the information recorded on the ESDF by the employee is compatible with that used on Resourcelink and DHS. Amendment could be made to for example, absence details, shifts lost, etc to attempt	Will be included in LGR process if required	30-Sep-08
08/05	Burial Service	Environment and Leisure Services	R8	The use of current IT resources or already available burial software packages should be investigated with the view to replacing the current system	Will be included in LGR process if required	30-Sep-08
08/08	Swimming Baths	Environment and Leisure Services	R12	Unemployment pass holders should be asked to sign a register when using the facilities.	Scheme is no longer operated at Freemans Quay	30-Sep-08
08/16	Payroll	Corporate Services	R1	The cognos reporting tool be utilised to produce reports to enable the periodic review of amendments. All such reviews should be evidenced.	Inability of the system to produce reports + various other checks are in place to review the majority of amendments	30-Sep-08
08/32	Customer Services	Corporate Services	R9	That a suitable system be set up to ensure that all completed forms have been recorded.	All surveys are to be entered directly onto the CRM and therefore there will be no forms to check	30-Sep-08
08/Cont 2	Furniture Packs	Financial Services	R13	The furniture pack system should be subjected to a full review of procedures and any additional amendment required, over and above those included within this report, should be incorporated into the system.	Withdrawn not included in Audit plan due to Transition to new authority (Only major financial and business critical areas to be covered)	28-Apr-08
08/Cont 3	Building Control	Planning Services	R13	Initial discussions should be held with JBC to determine the possibility of variations to the contract pending the outcome of analysis to be carried out over the next 3 months	Being considered as part of LGR	30-Sep-08
08/Cont 3	Building Control	Planning Services	R14	Consideration should be given to options available for the long-term provision of the service	Being considered as part of LGR	30-Sep-08
08/Cont 3	Building Control	Planning Services	R1	The Head of Planning Services should adequately consult all relevant officers on budgets which they are expected to control (1.4).	No further budgets to be consulted upon due to LGR	30-Sep-08
08/07	NNDR	Financial Services	R1	Procedure notes for working practices outside the operation of Sx3 should be reviewed and steps taken to ensure all areas are sufficiently documented.	To be incorporated into new procedures for LGR	30-Sep-08

Audit Ref	Audit Name	Rec No	Recommendation	Planned implementation date	Revised Implementation Date
06/27	Enforcement (Legal)	R3	Once a budget has been allocated, the requirements for the Lexel Accreditation regarding written procedure notes be adhered to and the procedures developed.	30-Apr-07	01-Apr-09
07/23	Flexitime	R1	The current policy should be revised to enable officers to work within the requirements of the service.	30-Apr-07	30-Sep-08
07/23	Flexitime	R7	The times of the Flexi Time Policy be reviewed to reflect the part time and full time employees working hours.	30-Apr-07	30-Sep-08
08/19	Risk Management	R2	Job descriptions be revised for Heads of Service and other Senior line managers to include Risk Management responsibilities. Job descriptions for all other staff should also have some basic responsibility for risk management included.	07-Nov-07	31-Dec-08
08/25	Systems Documentation	R5	When the Development Control Manager carries out the reconciliations of the Agresso Account for Planning to the CAPS information, supporting evidence is to be maintained to demonstrate that this is being carried out on a regular basis, and in a timely man	28-Feb-08	31-Oct-08
08/32	Customer Services	R8	Other methods of recording customer surveys should be investigated which would allow the accurate and automatic production of management information, such utilisation of the CRM, or an Access database.	31-May-08	01-Nov-08
08/32	Customer Services	R3	A record of each PVR checked should be maintained on the CRM system.	31-May-08	31-Oct-08
08/32	Customer Services	R6	Services be reminded of the requirement to close cases once they have been dealt with. Extra training should be given if required.	31-May-08	01-Nov-08
08/42	Debtors	R2	Services should ensure that the necessary documentation is promptly passed to legal when the debt is referred. If insufficient documentation is available Revenues should be informed in order that alternative recovery action can be initiated.	30-Jun-08	Awaiting information
08/42	Debtors	R3	Each credit note to be authorised prior to processing with appropriate evidence and system notes to support this. A credit note proforma should be utilised where appropriate.	30-Jun-08	Awaiting information
08/42	Debtors	R7	The browser reporting facility be utilised to check invoices prior to despatch. This should be carried out by an independent officer if resources allow.	30-Jun-08	Awaiting information
08/Cont 1	NWA - Payment and collection of charges	R4	All properties with incorrect rateable values should be amended to ensure that future charges are correctly recharged	01-Apr-08	Awaiting information
08/Cont 1	NWA - Payment and collection of charges	R5	Where NWA charge based on a fixed charge basis, the Council recharge should be based on the same basis	01-Apr-08	Awaiting information
08/Cont 3	Building Control	R7	Reconciliation procedures are to be introduced on a monthly basis to ensure that all income is appropriately coded (3.3 & 3.4 & 3.10).	01-Aug-07	31-Oct-08
08/Cont 2	Furniture Packs	R6	For future terminations, NFS should be instructed to collect the furniture within 5 working days and where this is not agreed the end of tenancy should be agreed for the Monday following 5 working days from the date of notification.	01-Dec-07	30-Sep-08

Audit Number	Assignment	Risk	pre audit meeting	post audit interview	Clarity	Evidence	Accuracy	Completeness	Contribution to system	Timeliness	Objectives of audit	Understanding	Appreciating risks	Approach Attitude	Helpfulness	Timeliness	Presentation	Overall	Copy final report	Agree recs
09/09	Crematorium	Y	5	4	5	5	5	5	5	5	Y	5	5	5	5	5	5	5	Y	Y
09/08	Payroll	Y	4	4	4	4	4	4	4	4	Y	4	4	4	4	4	4	4	Y	Y
09/03	Creditors	Y	4	4	4	4	4	4	4	4	Y	4	4	4	4	4	4	4	Y	Y
09/12	NNDR	Y	5	5	5	5	5	5	5	5	Y	5	5	5	5	5	5	5	Y	Y
09/04	Treasury Management	Y	5	5	5	5	5	5	5	5	Y	5	5	5	5	5	5	5	Y	Y
			23	22	23	23	23	23	23	23		23	23	23	23	23	23	23		
	Average score 2008/09	100%	4.6	4.4	4.6	4.6	4.6	4.6	4.6	4.6	100%	4.6	4.6	4.6	4.6	4.6	4.6	4.6	100%	100%
Key																				
1	Very poor																			
2	Poor																			
3	Satisfactory																			
4	Good																			
5	Very Good																			
Results 2007/08		100	4.56	4.53	4.56	4.53	4.41	4.44	4.44	4.50	100	4.44	4.63	4.53	4.63	4.78	4.84	4.78	96.88	100
Results 2006/07		100	4.36	4.42	4.45	4.39	4.42	4.39	4.33	4.21	93.94	4.33	4.52	4.55	4.67	4.33	4.45	4.45	100	100
Results 2005/06		95	3.95	3.65	3.85	3.8	3.7	3.8	3.85	3.7	95	3.8	3.75	4.2	4.2	3.85	4	3.85	95	95
Performance improvement 2007/08		0%	0.20	0.11	0.11	0.14	-0.02	0.04	0.10	0.29	6.06%	0.10	0.11	-0.01	-0.04	0.45	0.39	0.33	-3.12	0.00
Average 3.49% improvement from 2006/07 to 2007/08			4.56%	2.42%	2.42%	3.13%	-0.41%	0.99%	2.40%	6.83%		2.40%	2.43%	-0.31%	-0.89%	10.34%	8.74%	7.33%		

IN PRIVATE

Resolved: That pursuant to Section 100.A(4) of the Local Government Act 1972 the public be excluded from the remainder of the Meeting during consideration of the items listed in Column 1 below, being reports of the Officers mentioned in Column 2 below on the grounds that if members of the public were present during discussion of these items there would be disclosure to them of exempt information (as defined in Section 100.1) of the description indicated in Column 3 below.

Column 1

Special Investigations

Column 2

Director of
Financial Services

Column 3

Information relating to any individual
(Para. 1).

Information which is likely to reveal the identity of an individual
(Para. 2).

Information relating to the financial or business affairs of any particular person (including the authority holding that information)
(Para. 3).

Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime
(Para. 7).

<p>Note: Members are respectfully reminded that in opening up the Council's business to public scrutiny the Leader of the Council places emphasis on the need to maintain confidentiality on those items which are allowed to remain so under the Access to Information Act - The abovementioned matters fall into that category and Members' co-operation is sought in this regard.</p>
