



Audit Committee

Date **Friday 1 June 2018**
Time **10.00 am**
Venue **Committee Room 1A - County Hall, Durham**

Business

Part A

**Items during which the Press and Public are welcome to attend.
Members of the Public can ask questions with the Chairman's
agreement.**

1. Apologies for absence
2. Minutes of the meeting held on 13 March 2018 (Pages 3 - 10)
3. Declarations of interest, if any
4. Draft Annual Governance Statement for the year April 2017 to March 2018 - Report of the Corporate Director of Resources (Pages 11 - 34)
5. Internal Audit, Plan, Strategy and Charter 2018/2019 - Report of the Chief Internal Auditor and Corporate Fraud Manager (Pages 35 - 76)
6. Internal Audit Progress Report Quarter Ended 31 March 2018 - Report of the Chief Internal Auditor and Corporate Fraud Manager (Pages 77 - 94)
7. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
8. 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)**

9. Internal Audit Progress Report Quarter Ended 31 March 2018 - Report of the Chief Internal Auditor and Corporate Fraud Manager (Pages 95 - 110)
10. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration

Helen Lynch
Head of Legal and Democratic Services

County Hall
Durham
23 May 2018

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

Councillor E Bell (Chairman)
Councillor J Rowlandson (Vice-Chairman)

Councillors C Carr, J Carr, J Clark, J Robinson, S Robinson,
J Shuttleworth and O Temple

Co-opted Members:

Mr C Robinson and Mr I Rudd

Contact: Jackie Graham

Tel: 03000269704

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1B, County Hall, Durham on **Tuesday 13 March 2018 at 11.00 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

Councillors J Shuttleworth and O Temple

Co-opted Members:

Mr C Robinson

1 Apologies for absence

Apologies for absence were received from Councillors C Carr, J Carr, M Davinson, J Rowlandson, J Robinson and S Robinson

2 Declarations of interest

Declarations of interest were provided by Members of the Committee. A general declaration of interest would be recorded given that Members were school governors, members of various Committees of the Council, former District Councillors and bodies such as the Fire Authority.

3 General Data Protection Regulations

The Committee received a presentation from the Principal Information Management Officer, Transformations and Partnerships General Data Protection Regulations (for copy see file of Minutes).

The presentation highlighted the following points:-

- What if the new Data Protection Act?
- Why is it needed?
- What does law deliver?
- GDPR Overview
- Things to consider
- New categories of personal data
- New Data Protection principles
- Things we will need to consider
- What are we doing about it

Councillor Temple asked if the Council used data harvesting for marketing purposes. The Principal Information Management Officer explained that the

Council did not trawl through the internet but that we did manage our subscriptions from the public. Councillor Temple further asked if we purchased data for the purposes of marketing and was advised that this was carried out. The Council did use reputable data brokers who would receive consent in the first instance. If someone asked us to stop sending them marketing materials we would do so. Councillor Temple asked what responsibility the Council had when buying information in good faith, and asked that if the Council received evidence to the contrary we would take action. He was advised that it was the same when purchasing anything from a reputable company. The Council would stop using data if it had been obtained incorrectly.

Mr Robinson asked if there were boundaries with other agencies and that the Council were clear about how to scope evidence. The Principal Information Management Officer explained that the Council will act as a data controller and would interact with the data processors. The boundaries would be set by the data controller. He added that schools and parish & town councils would be their own data controllers. Members were informed that the procurement team were updating all of the current contracts to meet the requirements of the new legislation. When information would be shared such as between the Children's and Adults Services with the Police, mental health trusts, social workers etc. it was important that everyone was on the same page.

Mr Robinson asked if the biggest challenge was to implement this by the end of May and was advised that the Council were already dealing with data but that this would be a focus on changing the culture and outlook on how we dealt with privacy. The Council were changing the practice in the way they worked as part of an overall Inspire programme which would see different ways of working.

The External Auditor asked how councillors would be categorised. The Principal Information Management Officer explained that they would have three separate areas – one as a member of a committee which would be covered as part of the overall data control, secondly as a member of a political party which would be covered by the political party, and the third part would be as a ward councillors where they would be their own individual data controller. For the latter they would need to register with the ICO.

Members were advised that there would be training sessions held to raise awareness.

The Chairman asked that a further update be given at a later date as the implementation of the legislation developed.

Resolved:

- (i) That the presentation be noted.
- (ii) That a further update be brought back to Committee.

4 Minutes

The Minutes of the meeting held on 30 November 2017 were agreed as a correct record and were signed by the Chairman.

5 Agreement of Accounting Policies for Application in the 2017-18 Financial Statements

The Committee considered an update from the Corporate Director of Resources on the County Council's accounting policies to be applied in the preparation of the 2017/18 Statement of Accounts and to seek confirmation that appropriate policies are being applied (for copy see file of Minutes).

Resolved:

That the recommendations contained within the report be agreed.

6 Final Accounts Timetable for the Year Ended 31 March 2018

The Committee considered a report of the Corporate Director of Resources that provided Members with the Final Accounts Timetable for 2017/18 detailing the deadlines for key actions to complete the Statement of Accounts in line with statutory deadlines (for copy see file of Minutes).

The Principal Accountant, Resources advised that following the dry run of the early close down for the accounts last year discussions were taking place with the Audit and Assets teams on lessons learnt.

Resolved:

That the report be noted.

7 Changes to the Code of Practice for Local Authority Accounting in the UK 2017-18

The Committee considered 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), applied to the 2017/18 accounts (for copy see file of Minutes).

Resolved:

That the report be noted.

8 External Audit - Durham County Council Audit Strategy Memorandum Year Ended 31 March 2017

The Committee received a report from the External Auditor explaining the scope of the audit, the risks identified and the procedures that will be performed to deliver the audit for Durham County Council (for copy see file of Minutes).

Mr M Kirkham, Mazars, advised that the significant risks included depreciation of property, plant and equipment as a key area of management judgement.

The Chairman asked if the evaluation or depreciation was flawed in some way or if it was not as robust and he was assured that this addition did not reflect the

Council's past performance but that the regulator had added the component to the plan.

Referring to the significant risk of MTFP, Mr Robinson asked if there was something that could be done to alleviate the concerns for the external auditor. Mr Kirkham said that audit work identified whether arrangements exist and he assured members that no gaps had been identified. The Chief Internal Auditor and Corporate Fraud Manager added that Internal Audit cover this in their plan.

Resolved:

That the report be noted.

9 External Audit - Durham Pension Fund Audit Strategy Memorandum Year Ended 31 March 2017

The Committee received a report from the External Auditor explaining the scope of the audit, the risks identified and the procedures that will be performed to deliver the audit for Durham County Council Pension Fund (for copy see file of Minutes).

Mr Kirkham, Mazars informed the Committee that the threshold for the whole of the pension fund accounts had been revised and was based on as net assets of the fund. This was applied as a percentage point to identify the threshold for the misstatements and 1% had been agreed.

Resolved:

That the report be noted.

10 External Audit Progress Report - February 2018

The Committee received a report from the External Auditor that gave an update on progress on the External Audit report for Durham County Council (for copy see file of Minutes).

Resolved:

That the report be noted.

11 Corporate Governance Review 2017/2018 - Key Dates

The Committee received a report of the Corporate Director, Resources that informed of the key dates for the corporate governance review for the 2017/18 financial year (for copy see file of Minutes).

Resolved:

That the report be noted.

12 Revised Risk Management Policy and Strategy

The Committee considered a report of the Corporate Director of Resources that sought approval of the revised Risk Management Policy & Strategy (for copy see file of Minutes).

Resolved:

That the revised Risk Management Policy and Strategy be approved.

13 Strategic Risk Management Progress Report for the Quarter Ended 31 December 2017

The Committee considered a report of the Corporate Director, Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during (for copy see file of Minutes).

The Risk, Insurance and Governance Manager informed the Committee that there were now 23 strategic risks.

Mr Robinson asked if the Council were able to provide assurances during the recent poor weather and was advised that this was managed well. The Chief Internal Auditor and Corporate Fraud Manager confirmed that a report was being prepared as a result of the adverse weather.

The Chairman was assured following a question about data protection that this included as a risk and a major project was in place to ensure that data continued to be protected with the appropriate measures in place. The Chief Internal Auditor and Corporate Fraud Manager added that this was also included in the internal plan for next year and that he would give assurances that measures were in place.

Councillor Temple commented that with regards to this issue the potential fines would be increased and therefore the severity of how we measured the risk would be enhanced. He said that the Council should not be complacent. The Risk, Insurance and Governance Manager assured the Committee that the issue was still around the breach of data and that processes were in place.

Resolved:

That the report provides assurance that strategic risks were being effectively managed within the risk management framework across the Council.

14 Emergent Internal Audit Plan 2018/2019

The Committee considered a Report of Chief Internal Auditor and Corporate Fraud Manager that provided details of the emergent Internal Audit Plan for 2018/2019 and gave an update on the development of the 2018/2019 Internal Audit Plan (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager asked that any comments on the plan be sent to him before it was reported back to Committee for formal approval in May 2018.

Resolved:

That comments on the proposed direction and process for the development of the emergent Internal Audit Plan be noted and that the plan would be reported to the meeting on 31 May 2018 for formal approval.

15 Internal Audit Progress Report for the quarter ended 31 December 2017

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed Members of the work that had been carried out by Internal Audit during the period 1 2017 to 30 2017 as part of the 2017/2018 Internal Audit Plan (for copy see file of Minutes).

The Audit and Fraud Manager highlighted progress against the Plan for each Service Grouping, and informed Members of the amendments to the plan and the unplanned audit reviews in the quarter. The report also provided a summary of progress on actions due, implemented and overdue, and finalised audits that had been issued with a limited assurance opinion.

Councillor Temple commented that he was disappointed that out of four surveys sent to a service group, only two were returned.

Resolved:

- (i) That the amendments made to the 2017/2018 Annual Internal Audit Plan be noted;
- (ii) That the work undertaken by Internal Audit during the period ending 31 December 2017 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 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.

17 Internal Audit Progress Report for the quarter ended 31 December 2017

The Committee considered the report of the Chief Internal Auditor and Corporate Fraud Manager which presented the appendices in the Internal Audit Progress Report referred to in Part A of the Agenda (for copy see file of Minutes).

Members were advised that there were eight audits finalised in the quarter that had been issued with a limited assurance opinion.

The Committee received updates and assurances on outstanding actions from the Head of Early Help, Asses & Safeguarding, Children & Young Peoples Services.

Resolved:

That the content of Appendices 6 and 7 be noted, and the proposed actions in respect of the overdue areas as outlined, be agreed.

This page is intentionally left blank

Audit Committee

01 June 2018

Draft Annual Governance Statement for the year April 2017 – March 2018



Report of Corporate Management Team Report of John Hewitt, Corporate Director Resources

Purpose of the Report

- 1 To seek approval of the draft Annual Governance Statement (AGS) for 2017/18, attached in appendix 2. Audit Committee will be asked to approve the Final AGS on 30 July 2018.

Background

- 2 The Accounts and Audit (England) Regulations 2015 require the Council to prepare an Annual Governance Statement, which must accompany the Statement of Accounts.
- 3 The Corporate Director, Resources is responsible for co-ordinating and overseeing the Council's corporate assurance arrangements, and prepares the AGS to demonstrate how far the Council complies with the principles of good governance and recommending improvements, to be published in the Council's Annual Statement of Accounts. The draft AGS is included in **Appendix 2**.

Outcome of the Review of Effectiveness

- 4 The outcome of the review of effectiveness is set out in the AGS and concludes that the Council's corporate governance arrangements in place during 2017/18 were fit for purpose in accordance with the governance framework.

Issues for consideration

- 5 The AGS should also highlight any areas where governance arrangements must be further improved, for example, through enhancements to existing arrangements as part of continuous improvement or from an identified weakness. With regard to the latter, there is no formal criteria of what constitutes a significant weakness requiring action. Guidance issued by the Chartered Institute of Public Finance and Accountancy helps the Council to exercise judgement in deciding whether or not a particular issue should be regarded as falling into this category. Factors which may be helpful in exercising that judgement include:

- a) the issue has seriously prejudiced or prevented achievement of a principal objective;
- b) the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- c) the issue has led to a material impact on the accounts;
- d) the Audit Committee, or equivalent, has advised that it should be considered significant for this purpose;
- e) the Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;
- f) the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
- g) the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

6 The review also concluded that eight actions, listed in appendix C of the AGS, should be included in the plan of improvements to strengthen governance arrangements during 2018/19.

Recommendations and reasons

7 Audit Committee is requested to:

- a) Approve that actions 1 to 8 in appendix C are included in the plan of improvements to strengthen governance arrangements during 2018/19; and
- b) Approve the draft Annual Governance Statement.

Contact: Kevin Roberts Tel: 03000 269657

Appendix 1: Implications

Finance

Financial planning and management is a key component of effective corporate governance.

Staffing

Ensuring the adequate capability of staff meets a core principle of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) guidance.

Risk

Delivery of the corporate governance action plan will strengthen the decision making and strategic and operational management of the Council's business.

Equality and Diversity/ Public Sector Equality Duty

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

Accommodation

None directly, although asset management is a key component of effective corporate governance.

Crime and Disorder

None.

Human Rights

None.

Consultation

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

Procurement

None.

Disability issues

Ensuring access to services meets a core principle of the CIPFA/ SOLACE guidance.

Legal Implications

Ensuring compliance with relevant laws and regulations, and ensuring that expenditure is lawful, is a key component of effective corporate governance

Appendix 2: Annual Governance Statement 2017/18

INTRODUCTION

1. This statement meets the requirements of Regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement (AGS). It explains how the Council's arrangements for the governance of its affairs complied with its Local Code of Corporate Governance for the year ended 31 March 2018.

CONTEXT

2. Summarised information relating to the constitution, structure, budget and services provided by Durham County Council, along with key statistical information about County Durham can be found on the [About Us](#) page on the Council's website.

SCOPE OF RESPONSIBILITY

3. Durham County Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
4. The Accounts and Audit (England) Regulations 2015 require the Council to prepare an AGS, which must accompany the Statement of Accounts. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
5. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk and performance.
6. In April 2018, the Council approved, adopted and published on its website, a revised Local Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives (SOLACE) Framework – "Delivering Good Governance in Local Government".

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

7. The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of sustainable economic, social and environmental benefits for the people of County Durham.
8. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact should they occur, and to manage them efficiently, effectively and economically.
9. The governance framework has been in place across the Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

THE GOVERNANCE FRAMEWORK

10. The key elements of the Council's governance arrangements are detailed in the Council's Local Code of Corporate Governance, which is documented in the Council's [Constitution](#). This sets out the key documents and processes that determine the way the Council is directed and controlled to meet the seven core principles of the CIPFA/ SOLACE Framework.
11. The Constitution Working Group, which consists of the lead members of each political party, and is chaired by the Leader of the Council, proposed amendments to the [Constitution](#) during the year which were approved by the Council. Changes following the annual review of the [Constitution](#) were approved by the Council in April 2018.
12. The arrangements and rules of procedure for the Overview and Scrutiny function, including the membership, functions and scope of the Overview and Scrutiny Board and each Committee is set out in detail in the [Constitution](#). Terms of Reference for the Board and Committees are set within the context of the [Council Plan](#) and the [Sustainable Community Strategy](#).
13. The following sections demonstrate assurance that the Council has complied with each of these principles in practice, and also highlights where we have further improved our corporate governance arrangements during 2017/18.

REVIEW OF EFFECTIVENESS

14. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal

control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the annual report of the Chief Internal Auditor and Corporate Fraud Manager, and also by comments made by the external auditors and other review agencies and inspectorates.

15. Maintaining the effectiveness of the corporate governance framework involves the key member and officer roles outlined below, namely:

- The Executive
- Chief Financial Officer
- Monitoring Officer
- Overview and Scrutiny Committee
- Standards Committee
- Audit Committee

16. The Council's [Constitution](#) sets out the governance roles and responsibilities of these functions. In addition:

- The Corporate Director Resources co-ordinates and oversees the Council's corporate assurance arrangements by:
 - Preparing and maintaining the Council's Code of Corporate Governance as a formal framework for the Council's governance arrangements;
 - Reviewing the systems, processes and documentation to determine whether they meet the requirements of this Code, reporting any breaches and recommending improvements;
 - Preparing an AGS to demonstrate how far the Council complies with the principles of good governance and recommending improvements.
- Internal Audit provides independent assurance on the effectiveness of the corporate governance framework;
- External Audit provides an independent opinion on whether the AGS is materially accurate.

17. The review was also informed by a statement provided by each Corporate Director commenting on the effectiveness of the Council's governance arrangements generally and how they impacted on their service areas. These included consideration of the effectiveness of internal controls.

18. The Chief Internal Auditor and Corporate Fraud Manager provides an independent opinion on the adequacy and effectiveness of the system of internal control, risk management and governance arrangements which will be incorporated in the Annual Internal Audit Report to the Audit Committee in June 2018. This opinion is based on audit reviews undertaken during the year which found all systems reviewed to give substantial or moderate assurance, except in 22 cases where limited assurance was reported. In the main, these issues related to specific areas and did not reflect weaknesses in the underlying governance arrangements. However, the procedure for approving payments to agency workers across the Council is disclosed as an area requiring improvement. The necessary changes have been implemented however, it is essential that these are closely monitored across the coming year to ensure they are effective.

19. Aligned to the seven principles of good governance, a detailed account of how the Council's governance arrangements have operated during 2017/18 is included in **appendix A**. An update on improvements identified in the 2016/17 Annual Governance Statement is included in **appendix B**.

CONCLUSION

20. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee. In conclusion, we are satisfied that the Council's corporate governance arrangements in place during 2017/18 were fit for purpose in accordance with the governance framework. As a result of the review of governance arrangements, and the work of both internal and external audit, we have identified eight actions as part of ongoing improvements to further strengthen governance arrangements in 2018/19. These are shown in **appendix C**.

APPROVAL OF ANNUAL GOVERNANCE STATEMENT

Signed:

Simon Henig
Leader of Durham County Council

Terry Collins
Chief Executive

John Hewitt
Corporate Director, Resources

APPENDIX A: Governance Arrangements during 2017/18

A full description of the Council's governance arrangements is set out in the [Local Code of Corporate Governance](#). Aligned to the seven principles of good governance, the following paragraphs provide a detailed account of how the Council's governance arrangements have operated during 2017/18.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Behaving with integrity

1. The [register of gifts, interests and hospitality for members](#) is available online. Staff declarations are maintained and monitored by their Head of Service.
2. Updated versions of the Anti-Money Laundering Policy, the [Counter Fraud & Corruption Strategy and Fraud Response Plan](#) will be presented to Audit Committee for approval in May 2018.

Demonstrating strong commitment to ethical values

3. The [annual report of the Standards Committee](#) was presented to Council in September 2017.
4. Remuneration for heads of service was revised using the Local Government Employers Evaluation Scheme, with support from the North East Regional Employers Organisation.

Respecting the rule of law

5. Following approval by the Council, a new Head of Legal and Democratic Services, the Council's Monitoring Officer under section 5 Local Government and Housing Act 1989, was appointed by the Chief Executive Officer and the Corporate Director of Resources in consultation with the Leader of the Council.
6. In January 2018, the Council agreed to a [members' allowance scheme for 2018/19](#), taking into account the views of the independent remuneration panel, which the Council is required by law to establish and maintain.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Openness

7. The Council seeks to make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes, with a presumption for openness and, where relevant, giving reasons for keeping any decision confidential. Clear reasoning and evidence are provided for decisions, being explicit about the criteria, rationale and considerations used, to ensure that the impact and consequences of those decisions are clear. These commitments are demonstrated by decisions made by Cabinet to approve the following reports:-

- (a) Proposed changes to the [non-residential charging policy](#) for individuals who receive social care services and are assessed to determine their financial contributions towards their care costs.
- (b) Proposal, in the midst of financial challenge being experienced by schools across the county, to implement a [strategic review of educational provision](#) on a locality basis, to achieve an appropriate mix and number of high performing, financially sustainable schools.
- (c) Proposed masterplan, for [Aykley Heads strategic employment site](#) (the site currently occupied by County Hall), to attract over 6,000 jobs, including setting out the implications of the decision.

Engaging comprehensively with institutional stakeholders

- 8. The Leader of the Council is the chair of the County Durham Partnership, which is the strategic partnership covering most partnerships in County. The Council continues to engage in the North East Local Enterprise Partnership and Combined Authority, taking a regional perspective and seeking to work across broader partnerships to secure investment. Under the same programme, a review of partnerships has commenced, with the aim of moving this aspect of working from good to great through efficiencies, sharing resources and seeking to ensure that the county has a louder, stronger voice.
- 9. The [Aykley Heads redevelopment plan](#) is supported by a number of regional organisations including the North East Local Enterprise Partnership and North East England Chamber of Commerce, as well as Durham University. In the attached [video](#), organisations and key business leaders in the area explain why this development is important for the future of Durham.
- 10. Efforts are being made through collaboration on the two [NHS Sustainability and Transformation Plans \(STP\)](#), which were presented to Adults, Wellbeing and Health Overview and Scrutiny Committee in March 2017, to ensure that the benefits of health and social care integration are maximised for County Durham residents. The STPs, which form part of the five year plan for the health service, aim to bring organisations together to develop a shared plan for better health and social care.
- 11. [DurhamWorks](#) is a partnership programme between the Council and 16 other organisations, working together to support young people into education, training or employment. When funding ends in July 2018, the aim is to have supported nearly 6,000 County Durham young people. [DurhamWorks](#) also supports local employers. Business advisors are on hand to offer tailored support and advice, including financial support to small or medium sized businesses looking to take on a young person.
- 12. A report to Cabinet in November 2017 outlined the findings of the evaluation of the first year of delivering resettlement support under the Syrian Vulnerable Persons Resettlement Scheme through the [humanitarian support partnership](#) and considered future support for the programme. The partnership was shortlisted in the Municipal Journal awards in the delivering better outcomes category.

13. [Digital Durham](#), which aims to provide homes, businesses and communities with access to fast, fibre based broadband, won the [Public Sector Project of the Year](#) award at the Dynamites 17 awards. A total of more than £34million has been invested in a bid to improve broadband across the region. The Dynamites are hosted by Dynamo and are the North East's IT and Technology awards. The judging panel said, "We were impressed with the collaboration between ten of the twelve councils in the North East to transform broadband speed in the region".

Engaging with individual citizens and service users effectively

14. The Consultation Officer Group supports the Council's approach to engaging stakeholders and oversees major consultations, which help improve services and influence decision-making.
15. The new [Transformation Programme](#) was informed by consultation with members, employees, trade unions and focus groups. The Council also consulted with the public and stakeholders as part of the [Medium Term Financial Plan \(MTFP\)](#) development, and sought views on the 2018/19 approach and the individual savings proposals. In total, the council engaged over 3,300 people and received 1,175 responses. Overall, 78.1% of respondents stated the approach to making future savings is a reasonable way to go forward in 2018/19.
16. The Council uses various channels of communication and feedback mechanisms to reach out to and meet the needs of its communities. Fourteen [Area Action Partnerships \(AAPs\)](#) are fully engaged with the community in identifying and addressing local priorities, and utilising locality budgets to drive improvements to the local area.
17. A significant County Durham Partnership success highlighted in the October 2017 Cabinet report was the official opening of a [new leisure facility in Crook](#). In 2013, the county's largest participatory budget event, attracting over 1,300 participants, selected a proposal to create a new leisure by investing £500,000 of council funding. The community-led project has also attracted external funding from Sport England and the Social Investment Bureau. Membership numbers for the centre are already positive and it is anticipated that a number of jobs will also be created.
18. The Safe Durham Partnership's [Dying to be Cool](#) campaign won a national [Municipal Journal Achievement Award 2017](#) for Excellence in Community Engagement, and has now prompted the Local Government Association to call on the Government to make teaching children about cold water shock compulsory.
19. [Operation Spruce Up](#) is an environmental campaign in which Council teams work with partners, including more than 4,000 children and young people, to give one town or village centre an intensive clean up each month. The scheme won national recognition, having landed the prestigious title of 'campaign of the year' at environmental charity [Keep Britain Tidy's Network Awards 2018](#). On the back of this success, the Council has extended the programme's initial 14 month run.

20. [Durham County News](#), the Council's magazine for residents is issued to every household in the County four times a year in line with the [recommended code of practice for local authority publicity](#).
21. The Inspiring Voice pilot commenced in January 2018 for 12 weeks. Employees are invited to take part in live daily challenges, providing them with the opportunity to suggest ideas, solve problems and to help shape and transform the future of the Council.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Defining outcomes

22. The Council conducts a number of strategic assessments of need, which have been brought together into an [Integrated Needs Assessment](#) (INA). This brings together the evidence base and a wide range of strategic assessments to inform strategic planning across the council and by the county's thematic partnerships. The [INA](#) provides links to data, analysis, external frameworks, local profiles, strategies and plans relevant to life in County Durham. An online [data mapping site](#) is being developed.
23. In October 2017, Cabinet received a report informing them of progress in the Council's [Transformation Programme](#), which has been reshaped by the results of a 'deep dive' review. Price Waterhouse Cooper were engaged to seek areas for improvement and suggest areas where additional savings could be found.

Sustainable economic, social and environmental benefits

24. The Overview and Scrutiny Management Board, supported by its five committees, makes decision-making processes transparent, accountable and inclusive and seeks to improve services for people by being responsive to their needs. Where appropriate, Members have scrutinised the decisions of the Council, demonstrated by a number of key reviews which are outlined in the [Overview and Scrutiny Annual Report](#). They also contributed to a number of consultations and policy development areas, such as [Open Water Safety](#) and the [Homelessness Strategy](#).
25. Despite sustained, large-scale Government spending cuts and rising demand for services, the MTFP seeks to deliver some very positive outcomes for the people of County Durham, including:-
- (a) Significant investment in line with the Council's highest priority of regeneration in order to protect existing jobs and create new jobs;
 - (b) Significant further investment in children's and adults social care services to meet demand pressures and invest in prevention;
 - (c) Continued support to protect working age households in receipt of low incomes through the continuation of the Council Tax Reduction Scheme;
 - (d) Ongoing work with health partners to ensure health and social care funds are maximised for the benefit of vulnerable people; and

- (e) Continued work with community groups through the 'Durham Ask' initiative to transfer council assets so that they can be sustainable into the future.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining and planning interventions

26. The Council ensures that decision makers receive objective and rigorous analysis of a variety of options, indicating how intended outcomes would be achieved and highlighting associated risks, in order to secure best value regardless of the service delivery method. Two examples are:-
- (a) The Cabinet report in January 2018 on the [proposed masterplan for Aykley Heads strategic employment site](#) (the site currently occupied by County Hall), which also set out the implications of the decision; and
 - (b) The Cabinet report in September 2017 on the [tender process for drug and alcohol services](#).
27. The Council operates robust decision-making mechanisms that include an assessment of associated risks and these have enabled outcomes to be achieved in various, innovative ways. For example, Chapter Homes was created by the Council in 2015 to improve the county's housing offer by providing well-designed, quality homes that meet the needs of people wanting to buy or rent in County Durham.
28. A range of controls have been implemented for the Council's commercial companies and joint venture arrangements, appropriate to the specific entity, to ensure that effective governance arrangements are established and maintained. Examples include:-
- (a) Contributing to the attainment of the company's business objectives by providing strategic and financial guidance to ensure that the company's financial commitments are met, to ensure the sound financial management and control of the Company's business, and to support future growth of the company.
 - (b) Provision of a Finance Director or Chief Financial Officer.
 - (c) Requiring annual reports on operations and performance to be brought to the Council, as a shareholder, through Corporate Management Team and, where considered necessary, Cabinet.
 - (d) Financial management support to ensure that annual accounts are prepared and submitted appropriately with HMRC and Companies House, and that they are independently audited.
29. [Business Durham](#), the Council's economic development arm, was shortlisted in the Innovation in Finance category of the Local Government Chronicle awards for the Finance Durham project.
30. The [Medium Term Financial Plan 2018 - 2022 \(MTFP\)](#) was approved by the Council in February 2018. This provides a financial framework associated with the [Council Plan](#) that enables members and officers to ensure policy initiatives can be planned for delivery within available resources and can be aligned to

priority outcomes. It also enables the continued provision of value for money (VFM). The key risk facing the Council continues to be the challenge of managing unprecedented budget reductions in the current period of economic austerity. To meet this challenge, a comprehensive schedule of savings targets has been programmed to achieve the necessary savings to enable us to deliver a balanced budget and [MTFP](#).

Optimising achievement of intended outcomes

31. Assurance over the delivery of the [Council Plan](#) and the [MTFP](#) is gained by detailed and frequent monitoring undertaken by Corporate Management Team (CMT) and, during the eight years up to the end of March 2018, a sum of £209m of savings has been delivered. The Council's strategy for the last five years has been to protect front line services as far as possible and the 2017/18 proposals are in line with this strategy. To ensure that front line services can be protected wherever possible, the [Transformation Programme](#) seeks to ensure that all options are explored. The Council has maintained prudent levels of reserves enabling us to meet unanticipated expenditure as necessary whilst still achieving planned savings targets and meeting service level expectations.
32. The [Transformation Programme](#) reports to a Transformation Board, consisting of Cabinet members and the Corporate Management Team, chaired by the Leader of the Council. It is co-ordinated through a Steering group made up of senior officers leading on aspects of the programme and chaired by the Director of Transformation.
33. A report to Cabinet in September 2017 gave an [update on welfare reform and poverty issues](#), with a particular focus on Universal Credit and child poverty. Since 2011, there has been increased demand for welfare-related services, including advice and assistance, applications for discretionary housing payments and welfare assistance, foodbank and charity referrals and personal financial action planning. The Council has established a specific portfolio holder for welfare reform on the Cabinet, a Poverty Action Steering Group (PASG) and a Child Poverty Working Group. Through the PASG, the Council continues to develop its partnership-based approach to understanding and tackling poverty and welfare related issues.
34. The [County Durham Partnership](#) has agreed to join up a range of workstreams on the Prevention agenda to have a greater impact on health, education, employment, and work with children and young people. It was agreed to establish three workstreams: Building on Best Practice; Maximising Funding and Meeting Local Needs, and to set up a cross partnership steering group.

Principle E: Developing the Council's capacity, including the capability of its leadership and the individuals within it

Developing the Council's capacity

35. Inspire, which is part of our [Transformation Programme](#), seeks to use modern ways of working to improve the services we provide our customers, making the most of our buildings, and providing the best environment and technology for

employees. Desk-based employees have been given access to software that allows them secure, remote access to the Council's computer systems, including from home, which reduced the impact of severe weather conditions during February and March 2018.

36. Work is well underway to transform office accommodation at each of the Council's sites, leading to a more productive and creative workforce and reduced travelling times. Modern, open plan spaces allow more flexibility, with printers, recycling bins and stationery being centralised on each floor. New technology, such as video conferencing and mobile working, is increasingly being used.
37. A review of the head of service structure was undertaken, informed by work on the [Transformation Programme](#), which identified that two crucial aspects underpin the transformation agenda: cultural change linked to organisational development and the human resources service; and our digital/customer experience strategy. These areas have a significant role to play in ensuring the foundations are in place for the Council to move forward and provide key support to the [Transformation Programme](#) and the evolution of all of the Council's services over the coming years, and ensure that the Council is equipped to take advantage of the investment made into the Apprenticeships Levy.
38. The newly-created Head of People and Talent Management post leads the management and development of a responsive, modern and strategic service. This post provides effective on-going support to managers to ensure that the Council has the right people in the right place at the right time and plays a key role in supporting the Council's transformation journey and cultural development programme.
39. Aligning customer services and ICT through a newly created post of Head of Digital and Customer Services post plays a key role in leading the digital agenda and supporting the transformation journey, including responsibility for the Council wide provision and management of customer services.
40. The newly-created Head of Transformation leads the development and delivery of a comprehensive internal and external [Transformation Programme](#) as well as the cultural change programme.
41. Other proposed changes include a renewed focus on children and young people's services and council wide roles in relation to strategy, communication and information management, and partnerships and community engagement, which reflect the on-going unitisation of services.
42. The Council is also taking part in the Local Government Association's National Graduate Development Programme with four graduates starting with the Council in September 2017.

Developing the capability of the Council's leadership and other individuals

43. The [Transformation Programme](#) report to Cabinet in October 2017 confirmed that, following a restructure of the Corporate Management Team, a restructure of the Council's Extended Management Team (EMT) (heads of service) was

completed in June 2017. The new EMT gives additional focus to the digitisation of process and ICT systems management, strengthens our capacity to lead organisational change and manage our people and gives additional focus to our work to support looked after children.

44. Following the introduction of the Apprenticeship Levy, the Council has taken on 130 new apprentices. An apprenticeship audit is being undertaken across service areas to identify future needs. Guidance on Employing an Apprentice and Accessing the Apprenticeship Levy provides managers with key information about the levy, including the process for recruiting an apprentice and the regulations which govern that process.
45. The Council is committed to continually reviewing the development needs of members and officers and continues to be a member of the North East Public Service Academy, which promotes excellence in learning across the public sector.
46. Employees' needs, in terms of training, development, health and wellbeing, are delivered through the Organisational Development Strategy and the Health, Safety and Wellbeing Strategy. The Council continues to support employees through the change process with, for example, Jobcentre Plus information sessions and confidential counselling services through the Employee Assistance Programme. An intranet page has been specifically created for employees in relation to mental health and wellbeing and provides support and guidance for managers and non-management employees.
47. Officers in the Transformation and Partnerships team completed intensive refresher training in Lean business processes and worked closely with colleagues in children's services to identify improvement opportunities. This work helps support the wider programme of improvements across children's services as a whole and helps in our learning for future reviews in the council.
48. Over 3,700 people responded to the Working Well staff survey, the highest response yet. Employees were asked for their views on communications, flexible working and employee health and wellbeing. Almost three in four agreed that their working time is flexible and just over 70% said the council tries its best to help employees to agree working arrangement to meet their needs. For the first time in the survey, the Health and Safety Executive's recommended questions on work-related stress were included, enabling comparison with other organisations. Survey findings are being used to identify priority actions and inform the Inspire programme, the Council's new organisational development strategy and action plan to achieve the Health at Work Award.
49. The Great Staff, Great Staff Awards 2017 had a new look to reflect the aspirations of our Inspire [Transformation Programme](#) and recognise a broader range of people and projects. Three new categories were introduced, including an award for unsung heroes and a Special Recognition Award, which was chosen by the leader of the council from nominations made by the corporate directors and their service management teams. A Young Employee of the Year

Award now replaces the Apprentice of the Year category, allowing for the excellent work of all staff under 25 years old to be recognised.

Principle F: Managing risks and performance through robust internal control and strong public financial management

Managing risk

50. Risk management continues to be embedded in decision making and key business processes and the Risk Management Policy and Strategy, which defines key roles and responsibilities and is reviewed annually, underpins this. The Audit Committee has gained assurance that the Council's strategic risks are being effectively managed through reports issued in [July 2017](#), [November 2017](#) and [March 2018](#).
51. The Council is also jointly responsible for responding to civil emergencies (such as severe weather events, network power losses and flu epidemics) through the County Durham and Darlington Local Resilience Forum. The arrangements for managing the risk of such events are explained, and a copy of the latest Community Risk Register can be found, on the [Local Resilience Forum](#) web page. One of the intended outcomes of the Council's [Transformation Programme](#) is to help make communities become more self-reliant and resilient, so the Council's website includes advice for [business and care services on planning for emergency situations](#).
52. Several challenges and uncertainties lie ahead and these are being monitored through the Council's strategic risk management reporting arrangements:-
- (a) The implications of from the UK leaving the European Union, including the position of EU citizens living in the UK and UK nationals living in the EU.
 - (b) Capacity issues caused by nationwide hard-to-recruit posts in children's social care.
 - (c) Funding pressures in adult social care.

Managing performance

53. The [County Durham Partnership](#), which is the strategic partnership for the County, is made up of key public, private and voluntary sector partners, driven forward by thematic partnerships set around the five priority themes. Its' role includes monitoring performance towards implementing the [Sustainable Community Strategy](#) (SCS), and considering strategically how plans align and where efficiencies and value can be maximised through integration, shared services and joint commissioning. In October 2017, Cabinet received an [update from the County Durham Partnership Board](#). Overall performance for the Partnership and Council for 2016/17 showed that whilst, there are positives such as employment and education rates increasing and lower than national crime figures per 1,000 population, there are still significant demand pressures. These include the poverty and deprivation gap, a significant increase in numbers of looked after children and an aging population.

54. The Council's Cabinet is responsible for monitoring performance and ensures that effective arrangements are put in place to deal with any failures in service delivery. Assurance is gained through [quarterly performance reporting](#) and through performance clinics between the Chief Executive, individual Corporate Directors and the Director of Transformation and Partnerships during the year. A number of reviews have also been carried out by Overview and Scrutiny Committees including cybercrime and the [role of the social worker from a child's perspective](#).
55. To manage and measure service improvement, the Council has a locally led planning and performance management framework that links to the [SCS](#) and the [Council Plan](#). To ensure that attention remains focused on Council priorities, a review of these arrangements was initiated under the [Transformation Programme](#). This seeks to reduce the number and size of plans and strategies and develop an approach to performance management that answers key performance questions rather than rely on performance indicators. Quarterly reports are more concise, using a dashboard style with shorter narrative, and attention is moving towards analysing and developing insights from the performance data.
56. The Quality Improvement Board is chaired by the Corporate Director of Children and Young People's Services and meets monthly to provide strategic oversight and lead improvements in quality. The Board oversees the implementation of the Ofsted improvement plan and, in September 2017, provided Cabinet with an [update on progress](#) since the inspection in 2016. In July 2017, Cabinet was informed of the outcome of a [self-evaluation](#) of local area special education needs and disability reforms.
57. The Police and Crime Panel, which includes councillors from Durham County Council and from Darlington Borough Council, scrutinises the [annual report](#), decisions and actions of the Police and Crime Commissioner. An update on activity from the Panel is presented to each meeting of the Council's [Safer and Stronger Communities Overview and Scrutiny Committee](#).

Robust internal control

58. Risk management and internal control are acknowledged as integral parts of the Council's performance management framework and crucial to the achievement of objectives. To reflect this, internal audit continuously reviews risks with reference to strategic objectives, and a register of strategic risks is compiled linking each item to the relevant strategic objective. Internal audit progress updates were provided to Audit Committee in [June](#), [September](#) and [November 2017](#), and in [March 2018](#).

Managing data

59. The council has an Information Governance Group, with representatives from all services, which meets regularly and formulates regulatory responses to the Information Commissioner's Office and handles day-to-day management issues around information governance. A cross-service working group of around 20 officers has been set up to oversee the introduction of the General Data

Protection Regulation (GDPR) working on privacy notices, policies and procedures, staff guidance and the development of an e-learning training package in advance of the introduction of GDPR in May 2018. In January 2018, the Head of Communications and Information Management was formally designated the Data Protection Officer under the General Data Protection Regulation.

Strong public financial management

60. The Council has appointed the Corporate Director Resources as Chief Financial Officer and Section 151 Officer (Local Government Act 1972) to fulfil the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The Chief Financial Officer, who is a member of the Corporate Management Team (CMT) and reports directly to the Chief Executive, has been involved in all CMT discussions, and has reviewed all reports to Cabinet which have financial implications.

61. In March 2018, an update was given to Audit Committee on the Council's [accounting policies](#) to be applied in the preparation of the 2017/18 Statement of Accounts. The following reports provide assurance that the Council's financial management supports both long-term achievement of outcomes and short-term financial and operational performance:-

- (a) [Treasury Management Outturn 2016/2017](#)
- (b) [Final Outturn for the General Fund and Collection Fund 2016/17](#)
- (c) [Update on the delivery of the Medium Term Financial Plan 6](#)
- (d) [Update on the delivery of the Medium Term Financial Plan 7](#)
- (e) [Report under Section 25 of Local Government Act 2003 - Reserves](#)

62. The closure process of the 2016/17 accounts was utilised as a practice run for the new, earlier statutory account closure deadlines being implemented for the 2017/18 accounts. The target deadline of 31 July 2017 was not achieved because the External Auditor reported one significant issue, which delayed their opinion. After further testing, the necessary assurances were provided and the accounts were signed off by the statutory deadline of 30 September 2017.

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Implementing good practice in transparency

63. The council has an approach to open data and has been publishing open datasets through the [Data Mill North](#) website. In response to the Local Government Transparency Code, a [transparency and accountability web page](#) was set up and the Council's Asset Register is now publicly available on the Council's website. As required by law, the sum paid to each county councillor is also published.

64. Reports about complaints against members are now included in part A of the Standards Committee agenda rather than part B (consideration of exempt or confidential information).

Implementing good practices in reporting

65. The [Local Code of Corporate Governance](#) was reviewed and updated in line with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016, before being approved by Audit Committee and Full Council.

66. The [Statement of Accounts 2016/17](#), incorporating the Annual Governance Statement, was approved by the Audit Committee in September 2017, taking account of the views of the External Auditor, in line with the Accounts and Audit Regulations 2015. External Audit also provides an independent opinion on whether the Annual Governance Statement is materially accurate.

67. The Council's commitment to regular reporting to stakeholders on performance, value for money and stewardship of resources is evidenced throughout this statement. Other examples include:-

- (a) [Annual report of the Director of Public Health 2016/17](#)
- (b) [Safeguarding Adults Board Annual Report 2016-17](#)
- (c) [Health and Wellbeing Board Annual Report 2016/17](#)
- (d) [Children and Young People's Services Annual Reports and Plans](#)

Assurance and effective accountability

68. A [review of the effectiveness of Internal Audit](#), incorporating the Internal Audit Service and the Audit Committee, has been undertaken and was reported to the Audit Committee in June 2018. This review concluded that the Council's system of internal audit is considered to be effective, which in turn allows the opinion of the Chief Internal Auditor and Corporate Fraud Manager to be relied upon.

69. Revised versions of the [Internal Audit Strategy, Charter and Plan for 2017/2018](#) were approved by Audit Committee in June 2017.

70. Assurance can also be taken from the following external independent sources that, through good governance, the Council continues to maintain and improve the quality of services:-

- (a) [External Audit, Annual Audit Letter 2016/17](#)
- (b) [External Audit, Audit Completion Report Year Ended 31 March 2017](#)
- (c) [External Audit, Audit Strategy Memorandum, February 2018](#)
- (d) Chartered Institute of Payroll Professionals, who awarded our HR Operations and Data Team the Payroll Assurance Scheme accreditation.

APPENDIX B: Update on improvements identified in the 2016/17 Annual Governance Statement

Following the production of the Annual Governance Statement for 2016/17, five improvement actions were identified for 2017/18.

No.	Actions to be taken	Lead Officer	Update
1	Assurance on the delivery of the Children's Services improvement plan will be provided through regular progress updates on the work of the Quality Improvement Board (QIB) and the status of the tasks. Reports will be submitted to Corporate Management Team, Cabinet, the Local Safeguarding Children's Board, and relevant Council Committees and partners.	Corporate Director, Children and Young People Services	The QIB, led by the Corporate Director, Children and Young People's Services, was established to lead, oversee and monitor progress of the improvement plan, following the Ofsted inspection in 2016. The Lead Member received regular reports on the progress of the QIB through briefings from the Corporate Director and at the Transformation Board. A report entitled 'Quality Improvement Board One Year On' was presented to Cabinet in September 2017 and provided an analysis of progress to date. This report was also discussed at the Local Children's Safeguarding Board on 12 th October 2017.
2	Implement an action plan to enable approval of the County Durham Plan (CDP) within the statutory requirements and the anticipated National Planning Policy Framework.	Corporate Director, Regeneration and Local Services	The timetable for the continued preparation of the CDP was agreed by Cabinet in November 2017. The next step in the process, the Preferred Options, is going to Cabinet for approval for consultation by July 2018. The draft National Planning Policy Framework was published in March 2018 and is being taken into account in the policies and proposals in the CDP. Following the consultation on the Preferred Options, the comments received are being taken into account, with the publication of the submission due towards the end of the year.
3	Implement revised governance monitoring arrangements for companies in which the Council has a legal interest to ensure that they are fit for purpose.	Corporate Director, Resources	The revised governance monitoring arrangements are described in paragraph 29 of this statement.
4	Implement arrangements to ensure that the Council complies with the General Data Protection Regulations 2018.	Director, Transformation and Partnerships	A cross-service working group of around 20 officers has been set up to oversee the introduction of General Data Protection Regulation (GDPR) working on privacy notices, policies and procedures, staff guidance and the development of an e-learning training package in advance of the introduction of GDPR in May 2018.

5	Monitor the arrangements for payments to agency workers across the Council to ensure that they are effective.	Corporate Director, Resources	<p>Various controls have been implemented to strengthen the arrangements for payments to agency workers. These include:-</p> <ul style="list-style-type: none"> (a) Quarterly analysis reports to each Service Management Team and Corporate Management Team, including recommended actions to address non-compliance with agreed processes. (b) Enhancements to the Agency workers computer system in relation to approvals and mandatory training for all users. (c) Automated email to the hiring manager/timesheet approvers once a timesheet is ready for approval and improved access to the timesheet to approve through a link embedded in the email. (d) Extended deadlines for managers to approve timesheets. (e) Facility to delegate approvals to an alternative manager in the event of absences. <p>There are still some concerns over the level of auto-approval of agency worker timesheets, which is attributed to non-compliance issues within some service management areas.</p>
---	---	-------------------------------	---

APPENDIX C: Proposed Governance Improvements required during 2018/19

As a result of the review of governance arrangements, and the work of both internal and external audit, eight improvement actions have been identified to further strengthen governance arrangements in 2018/19. These are shown in the table below.

No.	Actions to be taken (cross-reference)	Links to the Local Code of Corporate Governance (ref)	Lead Officer
1	Implement an action plan to enable approval of the County Durham Plan (CDP) within the statutory requirements and the anticipated National Planning Policy Framework (brought forward).	The Council endeavours to ensure that members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations. It also seeks to create the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements (4.14).	Corporate Director, Regeneration and Local Services
2	Develop a new council vision and a new Council Plan to replace the Council Plan 2016-19 (paragraph 22 & 23).	Defining outcomes in terms of sustainable economic, social, and environmental benefits (4.24 – 4.29).	Head of Strategy
3	Develop a corporate approach to the Prevention agenda to have a greater impact on health, education, employment, and work with children and young people (paragraph 34).	Optimising the achievement of intended outcomes (4.34)	Head of Partnerships and Community Engagement
4	Review the Council's asset management arrangements with a view to adopting the Corporate Landlord model, which is seen as best practice in local government (paragraphs 35 & 36).	Ensuring the continuing effectiveness of operations, performance and use of assets (4.37).	Head of Planning and Assets
5	Establish a combined and integrated management board with direct service delivery of NHS community and adult social care services being overseen by a Chief Officer on behalf of all partners (paragraphs 10, 53 to 55).	Ensuring that service delivery is effectively monitored (4.52).	Director of Public Health & Head of Adult Care
6	Monitor the arrangements for payments to agency workers across the Council to ensure that they are effective (paragraph 58).	Aligning the risk management strategy & policies on internal control with achieving objectives, as well as regularly evaluating and monitoring risk management and internal control (4.55).	Corporate Director, Resources

No.	Actions to be taken (cross-reference)	Links to the Local Code of Corporate Governance (ref)	Lead Officer
7	Ensure data protection changes including GDPR compliance are implemented (paragraph 59).	Ensuring that effective arrangements are in place for the safe collection, storage, use and sharing of data, including decision making and processes to safeguard personal data (4.57).	Head of Communications and Information Management
8	MTFP and Financial Strategy Group for Education will monitor progress on the implementation of the strategic review of educational provision to ensure that the intended outcomes are achieved (paragraph 7b).	Optimising the achievement of intended outcomes with robust mechanisms for making decisions, which are reviewed continually (4.34).	Corporate Director, Children and Young People Services

This page is intentionally left blank

Audit Committee

01 June 2018



Internal Audit Strategy, Charter and Plan for 2018/2019

Report of Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager

Purpose of the Report

- 1 To submit the revised Internal Audit Strategy, Charter and Plan for 2018/2019 which are attached as Appendices 2, 3 and 4, for approval.

Background

- 2 The Public Sector Internal Audit Standards (PSIAS), that came into effect from April 2013 and were further revised in April 2017, define internal audit as,
'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.'
- 3 The standards are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), they are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 4 The Internal Audit Charter is set out at Appendix 3.
- 5 The Internal Audit Strategy which has informed the development of the 2018/2019 audit plan has also been reviewed and is included at Appendix 2.

Internal Audit Charter

- 6 The Internal Audit Charter 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.

- 7 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:
- Demonstrates integrity;
 - Demonstrates competence and due professional care;
 - Is objective and free from undue influence (independent);
 - Aligns with the strategies, objectives and risks of the organisation;
 - Is appropriately positioned and adequately resourced;
 - Communicates effectively;
 - Provides risk-based assurance;
 - Is insightful, proactive and future-focused;
 - Promotes organisational improvement.
- 8 The Internal Audit Charter remains largely the same as that approved by the Audit Committee in June 2017 however there have been two changes:
- The definitions of the priority of actions (Appendix A page 22 of the Charter).
 - The definitions of the overall assurance opinions (Appendix A page 22 of the Charter).

Preparation of 2018 / 2019 Audit Plan

- 9 The Emergent Internal Audit Plan was presented at the Audit Committee's meeting on 13 March 2018. As discussed in that paper, the plan has now had further refinement and discussions have taken place with Corporate Management Team prior to presenting the final version to the Committee. The Audit Plan has been prepared for the twelve months from 1 April 2018 to 31 March 2019.
- 10 The proposed Audit Plan for 2018/2019, attached at Appendix 4, includes provision for:
- Work started in 2017/2018 which was not complete by 31 March 2018;
 - Work that was approved in the 2016/2017 audit plan but has been deferred and carried forward into 2017/2018 as previously agreed;
 - Planned assurance work scheduled from the 5 year strategic audit plan;
 - Annual due diligence on key systems and compliance with key corporate policies;
 - Service requests identified through the consultation process with senior management;
 - Grant certification work;
 - Work by the Corporate Fraud Team to complete proactive counter fraud reviews aimed at detecting and preventing fraud in high risk areas;
 - Corporate provision for reactive advice and consultancy work and new emerging risks, including any reactive fraud investigations and irregularities;
 - Corporate provision for planning, quality assurance and reporting;

- Follow up of agreed audit recommendations.
- 11 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.
- 12 Operational risks are those that arise directly from the core activities of delivering services and include:
- Financial Management Risks;
 - Project Risks;
 - Performance Management Risks;
 - Partnership Risks;
 - Human Resources Risks;
 - IT and Information Governance Risks;
 - Procurement and Contract Risks;
 - Legal Risks;
 - Service Specific Risks.
- 13 In evaluating the management of these risks, Internal Audit aims to help the achievement of corporate priorities and objectives by providing assurance on:
- The adequacy of risk identification, assessment and mitigation – including the adequacy and effectiveness of the strategic risk management process;
 - 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 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;
 - The quality and integrity of financial and other management information utilised within the Council.
- 14 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:
- Inform the scope for audit;
 - Identify and agree key service/system operational objectives;
 - Assess and agree key risks;
 - Identify and agree expected/existing key controls;

- Identify other key sources of assurance and what assurance they provide that risks are effectively managed;
 - Identify key stakeholders/contacts and circulation list for report;
 - Provide a mechanism for ongoing self-assessment post audit.
- 15 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.
- 16 Given the continuous extent of the transformation and 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 specific time has been allocated to support the Transformation Programme and 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.
- 17 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.
- 18 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.
- 19 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 2018 / 2019 Audit Plan

- 20 The productive audit days required to deliver the proposed audit plan, which includes provision for a contingency provision for any new and emerging risks, has been estimated to be 4,366 days.

- 21 The audit days available to deliver the Council's Internal Audit Plan for 2018/19, based on actual staff in post, is illustrated in the following table:

Audit Days required to complete and close audit reports relating to 2017/18	440
<u>Audit Plan 2018 / 2019</u>	
Adult and Health Services (AHS)	118
Children and Young People's Service (CYPS)	182
Regeneration and Local Services (REAL)	293
Resources (RES)	595
Transformation and Partnerships (TAP)	61
Durham Police, Crime & Victims Commissioner / Durham Constabulary	169
Durham and Darlington Fire and Rescue Authority	71
Durham County Council Pension Fund	47
Peterlee Town Council	26
Durham City Charter	6
Durham City Parish Council	2
Durham City Crematorium	19
Mountsett Crematorium – Joint committee	19
Schools (Service Level Agreements)	358
Productive Time – not directly allocable to services e.g. Audit Planning, Quality Assurance Reviews, Performance Management, Fraud Investigation: Proactive and Reactive (including service level agreements), Service Improvement and Follow Up of Recommendations etc.	1,960
TOTAL DAYS REQUIRED	4,366

- 22 Monitoring of the plan will continue during the year, through quarterly progress reporting, to provide feedback on delivery and to discuss any new or emerging risks.

Recommendations

- 23 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 Internal Audit Plan for 2018/2019, as detailed in Appendix 4.

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

Appendix 1: Implications

Finance – No direct implications as a result of this report.

Staffing – None.

Risk – The Internal Audit Plan considers the risks set out in the Strategic Risk Register, amendments to the plan could be made as emergent risks are identified.

Equality and Diversity / Public Sector Equality Duty – None.

Accommodation– None.

Crime and Disorder– None.

Human Rights– None.

Consultation– All Corporate Directors, the Director of Transformation and Partnerships and Heads of Service have been consulted.

Procurement– None.

Disability Issues– None.

Legal Implications– Compliance with the Accounts and Audit Regulations 2015 and revised Public Sector Internal Audit Standards (PSIAS) 2017.

DURHAM COUNTY COUNCIL



Internal Audit Strategy

1. Introduction

- 1.1 The Internal Audit Strategy for 2018/2019 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 current 'Altogether' 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 chair of the Local Authority Chief Internal Auditor Network (LACAN), is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA) Internal Audit Special Interest Group, CIPFA Audit Groups both North East and North West and the North East Heads of Internal Audit 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 Annual Internal Audit Plan and Internal Audit Charter.



INTERNAL AUDIT CHARTER

June 2018

CONTENTS

	Page
1. Introduction	3
2. Statutory Basis	3
3. Definition	4
4. Mission	4
5. Code of Ethics	4
6. Strategic Aims	4 – 5
7. Objectives of Internal Audit	5 – 6
8. Outcomes of Internal Audit	6
9. Independence, Objectivity and Authority	7
10. Scope of Audit Work	8
11. Strategic Audit Planning	9 – 10
12. Annual Audit Plans	10 – 11
13. Audit Approach	11 – 12
14. Audit Reporting	12 – 15
15. Responsibilities of Managers	15 – 16
16. Relationship with the Audit Committee	17
17. Audit Resources, Skills and Service Quality	17 – 19
18. Approval and Review	19
19. Key Contact	19
20. Other Related Documents	20
Appendix A	
Assessment of Audit Findings, Recommendations and Opinions	21 – 22
Appendix B	
Performance Indicators	23
Appendix C	
Definitions under PSIAS	24 – 27

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 The CRA will be updated with any further expected controls identified through the audit process and details of actual controls in place, and issued to key contacts as part of the reporting process. If controls are considered to be inadequate, recommended action to improve controls will also be entered to provide services managers with a form of operational risk register that, in the absence of a more formal approach to operational risk management, can then be used by service managers to regularly review identified risks and the control framework put in place to mitigate those risks, i.e. provide a basis for regular Control Risk Self-Assessment (CRSA). It is recommended that the CRSA is reviewed by service managers at least annually.
- 14.12 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.
- 14.13 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.

- 14.14 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.
- 14.15 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.
- 14.16 Audit and Fraud Managers 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.
- 14.17 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.
- 14.18 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 revised assurance opinion will then be given.

14.19 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:

Tel:

Mobile:

Email:

Address

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)

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

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 Average time taken is also reported for information	100% (Monthly)
Timeliness of Final Reports	% of final reports issued within 10 working days of receipt of management response Average time taken is also reported for information	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 		<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

		<ul style="list-style-type: none"> • Receiving communications for the CAE on the internal audit activity’s performance relative to its plan and other matters • *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)	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 :		The Audit Committee
		<ul style="list-style-type: none"> • The form of external assessments 		

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	<p>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.</p>	CMT	The Audit Committee
2600	Communicating the Acceptance of Risk	<p>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.</p>	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.

Page 72 **DURHAM COUNTY COUNCIL - INTERNAL AUDIT PLAN 2018 / 2019**

Service Grouping	Audit Activity	Audit Type	Days
Adult and Health Services	Integration of Health and Care Plan for County Durham	Advice and Consultancy	10
Adult and Health Services	Social Care Direct	Assurance	10
Adult and Health Services	Direct Payments	Assurance	15
Adult and Health Services	Review of Section 117 Process	Assurance	15
Adult and Health Services	SSID Replacement	Advice and Consultancy	8
Adult and Health Services	Supported Housing - Household A/Cs	Assurance	6
Adult and Health Services	County Durham Care and Support	Advice and Consultancy	5
Adult and Health Services	Commissioning of Learning Disability Services	Assurance	15
Adult and Health Services	Commissioning of Learning Disability Services - Advice	Advice and Consultancy	5
Adult and Health Services	Personalisation – Delivery of Services via the use of virtual budgets and through traditionally commissioning services	Assurance	10
Adult and Health Services	0-19 Health Visitor and School Nursing Service	Assurance	10
Adult and Health Services	Support to the DPH - Health Protection	Advice and Consultancy	4
Adult and Health Services	Pharmoutcomes	Advice and Consultancy	5
Children and Young People's Services	Adult Learning Service	Assurance	10
Children and Young People's Services	Children Safeguarding Governance Arrangements	Assurance (DAS)	5
Children and Young People's Services	Special Guardianship and Child Arrangement Orders (Deferred 17/18)	Assurance	10
Children and Young People's Services	Think Family Programme	Grant Claims	10
Children and Young People's Services	Section 17 Payments Follow Up	Assurance	4
Children and Young People's Services	Section 17 Payments	Assurance	15
Children and Young People's Services	Childrens Centres and Hubs Establishment Review	Assurance	10
Children and Young People's Services	Petty Cash across CYPS locality offices, One Point Hubs and Children Centres (Follow Up)	Assurance	5
Children and Young People's Services	Youth Employment Initiative - Durham Works Advice	Advice and Consultancy	5
Children and Young People's Services	Youth Employment Initiative - Durham Works Assurance	Assurance	10
Children and Young People's Services	SIMS	Advice and Consultancy	10
Children and Young People's Services	Arrangements for the allocation of SEN funding and its application in schools	Assurance	15
Children and Young People's Services	Arrangements for the allocation of Pupil Premium Funding and its application in schools	Assurance	15
Children and Young People's Services	Children's Homes	Assurance	5
Children and Young People's Services	SSID Replacement: SSID Board	Advice and Consultancy	20
Children and Young People's Services	SSID Replacement: Finance Workstream - processes linked to parallel run of data	Assurance	15
Children and Young People's Services	Aycliffe Secure Services Centre - Follow Up	Assurance	5
Children and Young People's Services	Caldicott Compliance	Assurance	10
Children and Young People's Services	Caldicott Group	Advice & Consultancy	3
Regeneration and Local Services	Carbon Reduction Commitment	Grant	4

Service Grouping	Audit Activity	Audit Type	Days
Regeneration and Local Services	LoCarbo 4	Grant	5
Regeneration and Local Services	LoCarbo 5	Grant	5
Regeneration and Local Services	Rebus 4	Grant	5
Regeneration and Local Services	Rebus 5	Grant	5
Regeneration and Local Services	Atlantic Geoparks 2	Grant	5
Regeneration and Local Services	Safety at Sports Grounds	Assurance	10
Regeneration and Local Services	Asset Valuation	Assurance	15
Regeneration and Local Services	Accommodation - Contract Management	Assurance	15
Regeneration and Local Services	Business Durham	Assurance	10
Regeneration and Local Services	Stephanie 3	Grant	5
Regeneration and Local Services	Stephanie 4	Grant	5
Regeneration and Local Services	Financial Assistance Policy and Private Sector Housing	Assurance	10
Regeneration and Local Services	Disabled Facilities Grant	Grant	6
Regeneration and Local Services	Premises Requiring Alcohol License	Assurance	5
Regeneration and Local Services	Local Transport Capital Block Funding	Grant	5
Regeneration and Local Services	Bus Subsidy Ring Fenced Grant	Grant	4
Regeneration and Local Services	Road Safety Capital Grant	Grant	5
Regeneration and Local Services	Transport - Safeguarding Arrangements	Assurance	10
Regeneration and Local Services	Facilities Management - Repairs and Maintenance	Advice & Consultancy	10
Regeneration and Local Services	Asbestos Management	Assurance	15
Regeneration and Local Services	Allotments - Follow Up (Deferred from 2017/18))	Assurance	4
Regeneration and Local Services	Single Use Plastics - Process Review	Advice & Consultancy	2
Regeneration and Local Services	Leisure Management System - Online Booking	Assurance	6
Regeneration and Local Services	Rolling Programme of Leisure Centres - Louisa Centre	Assurance	15
Regeneration and Local Services	Rolling Programme of Leisure Centres - Consett	Assurance	15
Regeneration and Local Services	Leisure Centre Timesheets - Follow Up (Deferred from 2017/18)	Assurance	3
Regeneration and Local Services	Leisure Centre Timesheets	Assurance	10
Regeneration and Local Services	Management of Gym Memberships	Assurance	15
Regeneration and Local Services	Library System (Deferred from 2017/18)	Advice & Consultancy	5
Regeneration and Local Services	Consett Empire Theatre	Assurance	10
Regeneration and Local Services	Competition Line UK Income Share Agreement	Assurance	5
Regeneration and Local Services	Stanley Bowls	Advice & Consultancy	1
Regeneration and Local Services	Events Management	Assurance	10
Regeneration and Local Services	Car Parking (Riverside, Wharton Park and Hardwick Park)	Assurance	10
Regeneration and Local Services	Local Highways Maintenance Funding - Incentive Element	Grant	8
Regeneration and Local Services	Local Transport Capital Block Funding for NECA	Grant	5
Regeneration and Local Services	Stores Management	Assurance	10
Resources	RIPA Group	Advice & Consultancy	2
Resources	iKAN System Review	Assurance	6
Resources	Coroner (Deferred from 2017/18)	Assurance	10
Resources	Bank Reconciliation	Key System	5
Resources	Treasury Management - Short Term Investments	Key System	10
Resources	Collection Fund	Assurance	10
Resources	Review of Commercial Services	Assurance	10
Resources	Procurement - Variations	Assurance	10

Service Grouping	Audit Activity	Audit Type	Days
Resources	Contract Management	Assurance	15
Resources	Off Contract Spend	Assurance	15
Resources	Contract Procedure Rules	Assurance	15
Resources	Procurement Cards (Follow Up)	Assurance	2
Resources	Oracle Programme Board	Advice & Consultancy	2
Resources	Workstream on Petty Cash and Payment Cards	Advice & Consultancy	15
Resources	Attendance Management	Assurance	10
Resources	Apprentices	Assurance	10
Resources	Budgetary Control and Financial Reporting	Assurance	10
Resources	Section 256 Agreements	Advice & Consultancy	5
Resources	Caspar (Deferred from 2017/18)	Assurance	10
Resources	Financial Assessments (scope to include self funders and deferred payments)	Assurance	20
Resources	FST Debit Card Cash Accounts and Shared Lives (Follow Up)	Assurance	3
Resources	Financial Deputies	Assurance	10
Resources	Supporting People with Oxford Computer Consultants (SPOCC) - Deferred from 2017/18	Assurance	7
Resources	Deputy and Appointee Team	Advice & Consultancy	20
Resources	Revenues and Benefits Reconciliations	Assurance	5
Resources	Creditors	Key System	1
Resources	Creditors - Invoices paid with no PO as an exception	Key System	15
Resources	Creditors - Supplier Masterfile	Key System	5
Resources	Creditors - System Access	Key System	5
Resources	P2P Performance and Improvement Project	Advice & Consultancy	5
Resources	Better Care Fund and Improved Better Care Fund (Sn 75)	Assurance	5
Resources	Payroll	Key System	1
Resources	Payroll Implementation	Advice & Consultancy	20
Resources	Payroll - Taxation/PAYE	Key System	8
Resources	Payroll - Access to Data and Records	Key System	8
Resources	Payroll - Preparation/Corrections	Key System	8
Resources	Payroll - Processing	Key System	8
Resources	Agency	Assurance	10
Resources	Business Rates	Key System	1
Resources	Business Rates - Liability	Key System	7
Resources	Business Rates - Recovery	Key System	10
Resources	Business Rates - Quality Assurance and Appeals	Key System	5
Resources	Housing Benefit and Council Tax Reduction (HB and CTR)	Key System	1
Resources	HB and CTR - Overpayment Recovery	Key System	10
Resources	HB and CTR - New Claims and Change in Circumstance	Key System	15
Resources	HB and CTR - Payments	Key System	5
Resources	HB and CTR - Quality Assurance and Appeals	Key System	5
Resources	Post Opening and Scanning	Assurance	10
Resources	Welfare Rights (Deferred from 2017/18)	Assurance	10
Resources	Council Tax	Key System	1
Resources	Council Tax - Valuation	Key System	10
Resources	Council Tax - Liability	Key System	10
Resources	Council Tax - Recovery	Key System	10

Service Grouping	Audit Activity	Audit Type	Days
Resources	Council Tax - Quality Assurance and Appeals	Key System	5
Resources	Cash Management	Key System	40
Resources	Debtors	Key System	20
Resources	Debtors - Customer Masterfile (Deferred from 2017/18)	Key system	10
Resources	Debtors - Standing Charges (Deferred from 2017/18)	Key system	10
Resources	Debtors Working Group	Advice & Consultancy	3
Resources	UNIX / LINUX Security	Assurance	10
Resources	Oracle Licencing	Assurance	5
Resources	Vulnerability Management	Assurance	10
Resources	Network Folders Identity and Access Management	Assurance	8
Resources	SharePoint Identity and Access Management	Assurance	8
Resources	Third Party Identity and Access management	Assurance	8
Resources	Digital Durham	Advice & Consultancy	2
Resources	Insurance	Assurance	10
Transformation and Partnerships	Data Protection - GDPR (including Use of Privacy Notices)	Assurance	20
Transformation and Partnerships	GDPR Working Group	Advice & Consultancy	3
Transformation and Partnerships	Information Governance Group	Advice & Consultancy	3
Transformation and Partnerships	Business Continuity Planning	Key System	10
Transformation and Partnerships	Data Quality	Assurance	10
Transformation and Partnerships	Community Grants Sample	Assurance	10
Transformation and Partnerships	Transformation	Advice & Consultancy	5

This page is intentionally left blank

Audit Committee

01 June 2018



**Internal Audit Progress Report
Period Ended 31 March 2018**

**Report of Paul Bradley, Chief Internal Auditor and Corporate Fraud
Manager**

Purpose of the Report

- 1 To inform Members of the work that has been carried out by Internal Audit during the period 1 April 2017 to 31 March 2018 as part of the 2017/2018 Internal Audit Plan.
- 2 The report 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 issues where controls need to be improved in order to effectively manage risks;
 - (c) Advise of other types of audit work carried out such as grant certification or consultancy reviews where an assurance opinion on the control environment may not be applicable;
 - (d) Advise of amendments to the Internal Audit Plan;
 - (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;
 - (g) Provide an update on the performance indicators comparing actual performance against planned.

- 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 – Progress against the Internal Audit Plan;
 - (b) Appendix 3 – Final reports issued in the quarter ended 30 June 2017;
 - (c) Appendix 4 – The number of high and medium priority actions raised and implemented;
 - (d) Appendix 5 – Internal Audit performance indicators;
 - (e) Appendix 6* – Overdue Actions;
 - (f) Appendix 7* – Limited Assurance Audit Opinions.

Background

- 4 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.
- 5 The Internal Audit Strategy and Annual Internal Audit Plan, covering the period 1 April 2017 to 31 March 2018, was approved by the Audit Committee on 28 June 2017.

Progress against the Internal Audit Plan

- 6 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 2018 and, where applicable, also gives the resultant assurance opinion.
- 7 A summary of the status of audits in 2017/18 is illustrated in the table below:

Service Grouping	Not Started	Planning and Preparation	In Progress	Draft Report	Final Report / Complete
Adult and Health Services (AHS)	2	1	6	0	9
Children and Young People's Services (CYPS) *Excluding Schools	1	2	6	2	22
Regeneration and Local Services (REAL)	3	7	6	4	29
Resources (RES)	0	20	23	4	69
Schools	0	0	16	9	70
Transformation and Partnerships (TAP)	0	0	1	2	7
TOTAL	6	30	58	21	206

- 8 A summary of the final internal audit reports issued in this quarter is presented in Appendix 3.
- 9 The total number of productive Internal Audit days required to deliver the plan was 4,301. As at 31 March 2018, the service had delivered 4,271 productive days, representing 99% of the total plan. The target at the end of the year was for 90% to be delivered, therefore performance has achieved the target.

Internal Audit activity in the quarter

Amendments to the Approved 2017/2018 Internal Audit Plan

- 10 The following 21 reviews were removed from the approved Internal Audit Plan in the quarter, following agreement between Corporate Directors and the Chief Internal Auditor and Corporate Fraud Manager.

Service Grouping	Audit	Audit Type	Reason
Adult and Health Services (AHS)	Accumulations Protocol	Assurance	Further to discussion with the service, it was agreed that this review should be cancelled as it would be progressed via the Service's own Quality Team.
Adult and Health Services (AHS)	Information Security - Caldicott Compliance	Assurance	Agreed with key contact that review be cancelled as two specific reviews within CYPS had already been undertaken.
Adult and Health Services (AHS)	Transition Arrangements between Children and Adult Services	Assurance	Further to discussion with the service, it was agreed that this review be cancelled in current year awaiting outcome of external review and further discussion to confirm timing of when best time for review to be undertaken.
Adult and Health Services (AHS)	Payments to Independent Residential Homes (Quality Band Assessment etc)	Assurance	Further to discussion with key contact, it was agreed that this review be deferred to 2018/19.
Adult and Health Services (AHS)	Creditors - Supplier Masterfile Commissioning - SSID Independent Sector Suppliers (RES)	Assurance	Further to discussion with key contact and in light of some additional advice and consultancy being undertaken in this area, it was agreed that this review be deferred to 2018/19.
Adult and Health Services (AHS)	Medical Examiners Service – Transition Arrangements	Assurance	Further to discussion with the service, it was agreed that this review be cancelled in current year awaiting confirmation at a national level as to whether the transfer of responsibilities would take place.

Service Grouping	Audit	Audit Type	Reason
Adult and Health Services (AHS)	Approval and Payment of Commissioned Services	.Assurance	The scope of this activity, and another review from within CYPS, have been combined and are to be carried out as part of a new review to be carried out as part of the CYPS plan, i.e. Approval and Payment of Commissioned Services within Special Educational Needs (SEND).
Children and Young People's Services (CYPS)	Youth Employment Initiative - Durham Works	Advice & Consultancy	Further to discussion with key contact it was agreed that the review be deferred until late April / early May.
Children and Young People's Services (CYPS)	Schools - Safe Recruitment and Selection	Assurance	Reviews have been deferred to 2018/19 further to available Audit staff resources being prioritised to deliver other School based activities.
Children and Young People's Services (CYPS)	Schools Organisation and Capital Programme	Assurance	Reviews have been deferred to 2018/19 further to available Audit staff resources being prioritised to deliver other School based activities.
Children and Young People's Services (CYPS)	Award of additional pay in Schools	Assurance	Reviews have been deferred to 2018/19 further to available Audit staff resources being prioritised to deliver other School based activities.
Children and Young People's Services (CYPS)	Arrangements for the allocation of SEN funding and its application in schools	Assurance	Reviews have been deferred to 2018/19 further to available Audit staff resources being prioritised to deliver other School based activities.
Children and Young People's Services (CYPS)	Arrangements for the allocation of Pupil Premium Funding and its application in schools	Assurance	Reviews have been deferred to 2018/19 further to available Audit staff resources being prioritised to deliver other School based activities.
Children and Young People's Services (CYPS)	School Business Manager Training	Advice & Consultancy	Activity cancelled as there were no requests for support received in relation to this area.
Children and Young People's Services (CYPS)	National College for Teaching and Leadership Direct Salaried Grant	Grant	Activity cancelled as no grant claims were submitted for review in relation to this area
Children and Young People's Services (CYPS)	Scheme of Delegation for both Professional and Financial Decision Making	Assurance	The scope of this activity, and another review from within AHS, have been combined and are to be carried out as part of a new review to be carried out as part of the CYPS plan, i.e. Approval and Payment of Commissioned Services within Special Educational Needs (SEND).
Regeneration and Local Services (REAL)	Library System	Advice & Consultancy	Service request to defer to 2018/19.

Service Grouping	Audit	Audit Type	Reason
Resources (RES)	Creditors: Invoices with no purchase order.	Assurance	Review removed, at the request of service, and replaced by Creditors: Transparency Agenda – Interest on Late payments.
Resources (RES)	Financial Deputies	Advice & Consultancy	Review cancelled, at the request of service, and scope of review included within Deputee and Appointee Working Group in 2018/19.
Resources (RES)	Financial Assessments and Reassessments	Advice & Consultancy	Review cancelled, at the request of service, and scope of review included within Deputee and Appointee Working Group in 2018/19.
Transformation and Partnerships (TAP)	Business Continuity Planning	Assurance	Review was cancelled at the request of the service, and is to be included as part of the 2018/19 plan.

- 11 Five unplanned reviews were added to the Internal Audit Plan in the quarter. These reviews, which are detailed below, were sourced from the service contingency provision within the Internal Audit Plan.

Service Grouping	Audit	Audit Type	Reason
Children and Young People's Services (CYPS)	Youth Employment Initiative - Review of DurhamWorks Participants Claim	Assurance	New activity created for delivery as part of the 2017/18 plan.
Children and Young People's Services (CYPS)	Approval and Payment of Commissioned Services within Special Educational Needs (SEND)	Assurance	New activity created to include the scope of two cancelled reviews, one from AHS and the other from CYPS.
Regeneration and Local Services (REAL)	Disabled Facilities Grant – VFM review	Advice & Consultancy	At the request of a Member, a value for money exercise was added to the plan.
Resources (RES)	Creditors: Transparency Agenda – Interest on Late Payments	Assurance	Review added, at the request of service, to replace a review of Creditors: Invoices with no purchase order.
Resources (RES)	Digital Durham	Grant	Further certification required.

Outstanding Management Responses to Draft Internal Audit Reports

- 12 There are no draft internal audit reports overdue at the time of writing.

Survey Response Rate

- 13 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 December 2017.

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Adult and Health Services (AHS)	7	5	71	4.4
Children and Young People's Services (CYPS) *Excluding Schools	9	6	67	4.7
Regeneration and Local Services (REAL)	15	13	87	4.7
Resources (RES)	58	51	88	4.6
Schools	72	39	54	4.7
Transformation and Partnerships (TAP)	4	4	100	4.4
TOTAL	165	118	72	4.6

Responses to Internal Audit Findings and Recommendations

- 14 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.
- 15 A summary of progress on the actions due, implemented and overdue, as at 31 March 2018, 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)	82	**73	9 (11%)	9	0
Children and Young People's Services (CYPS) [Excluding Schools]	123	*119	4 (3%)	4	0
Regeneration and Local Services (REAL)	364	*354	10 (3%)	10	0
Resources (RES)	506	**494	12 (2%)	12	0
Transformation and Partnerships (TAP)	32	30	2 (6%)	2	0
TOTAL	1,107	1,070	37 (3%)	37	0

- * Includes one high priority action, which needs to be confirmed as implemented.
- ** Includes two high priority actions, which needs to be confirmed as implemented.

- 16 It is encouraging to note that, of the 1,107 actions due to be implemented, 1,070 (97%) have been implemented.
- 17 Details of the actions that are overdue, following their agreed original target dates, are included at Appendix 6.

Limited Assurance Audit Opinions

- 18 There have been four audits, finalised in this quarter, that have been issued with a 'limited assurance' opinion. These are summarised in the table below.

Service Grouping	Service Area	Audit
Children and Young People's Services (CYPS)	Education Services	Two Primary Schools
Resources (RES)	Finance & Transactional Services	Agency (Follow Up)
Resources (RES)	Finance & Transactional Services	Debit Card Cash Accounts and Shared Lives (Follow Up)

- 19 Further details of the findings from these audits are included within Appendix 7.

Performance Indicators

- 20 A summary of actual performance, as at the end of March 2018, compared with our agreed targets is detailed in Appendix 5.

Recommendations

- 21 Members are asked to note:
- (a) The amendments made to the 2017/18 Annual Internal Audit Plan;
 - (b) The work undertaken by Internal Audit during the period ending 31 March 2018;
 - (c) The performance of the Internal Audit Service during the period;
 - (d) The progress made by service managers in responding to the work of Internal Audit.

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

Appendix 1: Implications

Finance – None.

Staffing – None.

Risk – None.

Equality and Diversity / Public Sector Equality Duty – None.

Accommodation – None.

Crime and Disorder – None.

Human Rights – None.

Consultation – All Corporate Directors, the Director of Transformation and Partnerships and all Heads of Service.

Procurement – None.

Disability Issues – None.

Legal Implications – None.

INTERNAL AUDIT PLAN PROGRESS AS AT 31 MARCH 2018

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
2016 / 2017 Internal Audit Plan - Audits Brought Forward					
Adult and Health Services	Adult Care	Section 117 Process	Advice & Consultancy	Final Report	N/A
Adult and Health Services	Adult Care	Continuing Health Care	Assurance	Not Yet Started	
Adult and Health Services	Adult Care	Shared Lives - Follow Up	Assurance	Final Report	Substantial
Adult and Health Services	Adult Care	Direct Payments - Direct Payment Cards	Advice & Consultancy	In Progress	
Adult and Health Services	Adult Care	Pathways - Establishment Audit	Advice & Consultancy	In Progress	
Adult and Health Services	Adult Care	Holiday Averages Calculation and Payment Arrangements for Part Time Adult Care	Advice & Consultancy	In Progress	
Adult and Health Services	EHCP	Pollution Control - Planning Consultation Arrangements	Assurance	Final Report	Substantial
Adult and Health Services	EHCP	Contaminated Land - Planning Consultation	Assurance	Cancelled	
Adult and Health Services	EHCP	Accumulations Protocol	Assurance	Cancelled	
Adult and Health Services	Public Health	Public Health Claims Processed via Pharmoutcomes	Assurance	Final Report	Moderate
Children and Young People's Services	Children's Services	Supervised Spend - Leaving Care Service: Follow Up	Assurance	Final Report	Moderate
Children and Young People's Services	Children's Services	Aycliffe Secure Services Centre (Follow Up)	Assurance	Final Report	Limited
Children and Young People's Services	Children's Services	9 Cedar Drive Children's Home (Follow Up)	Assurance	Final Report	Substantial
Children and Young People's Services	Children's Services	Foster Carer Payments (Follow Up)	Assurance	Not Yet Started	
Children and Young People's Services	Children's Services	Approval and Payment of Commissioned Services within SEND	Assurance	Planning and Preparation	
Children and Young People's Services	Children's Services	Review of Locality Offices Petty Cash	Assurance	Draft Report	
Children and Young People's Services	Children's Services	Section 17 Payments	Assurance	Final Report	Limited
Children and Young People's Services	Children's Services	Caldicott Compliance: Data Sharing Procedures - Foster Carers	Assurance	Final Report	Moderate
Children and Young People's Services	Education Services	Youth Employment Initiative - YEI Procurement	Assurance	Final Report	Substantial
Children and Young People's Services	Education Services	Schools - Safe Recruitment and Selection (Sacriston Primary)	Assurance	Final Report	Limited
Children and Young People's Services	Education Services	Schools - Safe Recruitment and Selection	Assurance	Defer to 2018/19	
Children and Young People's Services	Education Services	The Woodlands Pupil Referral Unit - (Finance and Governance)	Assurance	Final Report	Moderate
Regeneration and Local Services	Planning and Assets	Land Sales - Quality/Price	Advice & Consultancy	Draft Report	
Regeneration and Local Services	Transport and Contract Services	Public Rights of Way	Assurance	Final Report	Moderate
Regeneration and Local Services	Direct Services	Play Areas	Assurance	Final Report	Moderate
Regeneration and Local Services	Direct Services	Facilities Management	Assurance	Final Report	Substantial
Regeneration and Local Services	Direct Services	Environmental Compliance	Advice & Consultancy	Cancelled	
Regeneration and Local Services	Technical Services	Stores Budgetary Control	Advice & Consultancy	Final Report	N/A
Resources	Legal and Democratic Services	Newco Trading Arrangements - Follow Up	Assurance	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Capital Accounting	Key System	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Teachers Pension Fund: Process Review	Advice & Consultancy	Cancelled	
Resources	Corporate Finance and Commercial Services	Treasury Management - Short Term Investments	Key System	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Bank reconciliation	Key System	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	General Ledger	Key System	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Medium Term Financial Plan	Key System	Planning and Preparation	
Resources	Corporate Finance and Commercial Services	Banking Arrangements	Assurance	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Potentially Violent Person Register	Assurance	Final Report	Moderate
Resources	Corporate Finance and Commercial Services	Off Contract Spend	Assurance	Final Report	Moderate
Resources	Corporate Finance and Commercial Services	Procurement - Schools Commercial Focus	Advice & Consultancy	Planning and Preparation	
Resources	Finance and Transactional Services	Council Tax: Recovery	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Council Tax: Maintenance of Debt, Annual Updates and Pls	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Council Tax: Discounts and Exemptions	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Business Rates: Recovery	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Business Rates: Maintenance of Debt, Annual Update and Pls	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Business Rates: Discounts and Exemptions	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	HB & CTR New Claims and Change of Circumstances	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	HB & CTR Annual Updates & Pls	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	HB, Council Tax and Business Rates: System Access & Declarations of Interest	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Prepaid Cards	Advice & Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	Creditor Payments	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Payroll: Establishment & Core Data	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Payroll: Adjustments & System Access	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Payroll: Processing, Payments and System Parameters	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Debtors	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Cash Collection: 02 - Annand House	Key System	Final Report	Moderate

INTERNAL AUDIT PLAN PROGRESS AS AT 31 MARCH 2018

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Finance and Transactional Services	Cash Collection: 03 - Music Service	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Cash Collection: 04 Revenues	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Cash Collection: 06 - County Hall Canteen	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Chapter Homes Arrangements	Advice & Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	FST: Petty cash and Imprests	Advice & Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	FST: Monitoring Visits	Advice & Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	FST: Procurement, Payment and Collections Team Process Mapping	Advice & Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	FST: Debtors	Advice & Consultancy	Final Report	N/A
Resources	Digital and Customer Services	ICT Purchasing	Assurance	Final Report	Moderate
Resources	Digital and Customer Services	ISP - Security Incident Management	Assurance	Final Report	Moderate
Resources	Digital and Customer Services	PSN Remedial Action Plan	Assurance	Final Report	Substantial
Resources	Digital and Customer Services	ISP - Backup Procedures	Assurance	Final Report	Moderate
Resources	Digital and Customer Services	ICT Service Level Agreements	Assurance	Final Report	Moderate
Transformation and Partnerships	Communications and Information Management	Data Breach Arrangements - Quality Review Team	Assurance	Final Report	Substantial
Transformation and Partnerships	Communications and Information Management	Data Protection - Accessing External Databases	Assurance	In Progress	
Transformation and Partnerships	Strategy	Data Quality	Assurance	Final Report	Moderate
2017 / 2018 Internal Audit Plan					
Adult and Health Services	Adult Care	Notification of Service – Impact of Financial Assessment on Income Collection (RES)	Advice & Consultancy	Not Yet Started	
Adult and Health Services	Adult Care	Debt Management - Collection of Social Care Fees for Domiciliary and Residential Care	Assurance	Complete	N/A
Adult and Health Services	Adult Care	County Durham Care & Support Review	Advice & Consultancy	In Progress	
Adult and Health Services	Adult Care	Information Security - Caldicott Compliance (TaP)	Assurance	Cancelled	
Adult and Health Services	Adult Care	SSID Replacement	Advice & Consultancy	In Progress	
Adult and Health Services	Adult Care / Commissioning	Transition Arrangements between Childrens and Adult Services	Assurance	Cancelled	
Adult and Health Services	Adult Care / Commissioning	Commissioning of Learning Disability Services	Advice & Consultancy	Final Report	N/A
Adult and Health Services	Commissioning	Payments to Independent Residential Homes (Quality Band Assessment etc)	Assurance	Cancelled	
Adult and Health Services	Commissioning	Approval and Payment of Commissioned Services - Panel arrangements for payments to providers	Assurance	Cancelled	
Adult and Health Services	Commissioning	Creditors - Supplier Masterfile Commissioning - SSID Independent Sector Suppliers	Assurance	Defer to 2018/19	
Adult and Health Services	EHCP	Licensing Arrangements for Houses in Multiple Occupation	Advice & Consultancy	Planning and Preparation	
Adult and Health Services	EHCP	Intelligence Handling within Trading Standards and Licensing	Assurance	Final Report	Moderate
Adult and Health Services	EHCP	Trading Standards Grant	Grant Certification	Final Report	N/A
Adult and Health Services	Public Health	Medical Examiners Service	Assurance	Cancelled	
Adult and Health Services	Commissioning	Payments to Independent Residential Homes - Calculation and Payment of Care Home	Advice & Consultancy	Complete	N/A
Adult and Health Services	Commissioning	Creditors - Supplier Masterfile Commissioning - SSID Independent Sector Suppliers	Advice & Consultancy	In Progress	
Children and Young People's Services	Children's Services	West Rainton Children's Home (Establishment Audit)	Assurance	In Progress	
Children and Young People's Services	Children's Services	Park House (Establishment Audit)	Assurance	In Progress	
Children and Young People's Services	Children's Services	One Point Hubs - Ferryhill One Point Service (Establishment Audit)	Assurance	Draft Report	
Children and Young People's Services	Children's Services	Troubled Families Programme - Milestone 1 of 5	Grant Certification	Complete	N/A
Children and Young People's Services	Children's Services	Troubled Families Programme - Milestone 2 of 5	Grant Certification	Complete	N/A
Children and Young People's Services	Children's Services	Troubled Families Programme - Milestone 3 of 5	Grant Certification	Complete	N/A
Children and Young People's Services	Children's Services	Troubled Families Programme - Milestone 4 of 5	Grant Certification	Complete	N/A
Children and Young People's Services	Children's Services	Troubled Families Programme - Milestone 5 of 5	Grant Certification	Complete	N/A
Children and Young People's Services	Children's Services	Adoption Services	Assurance	Planning and Preparation	
Children and Young People's Services	Children's Services	Special Guardianship and Child Arrangement Orders	Assurance	Defer to 2018/19	
Children and Young People's Services	Education Services	Youth Employment Initiative - Durham Works	Advice & Consultancy	Defer to 2018/19	
Children and Young People's Services	Education Services	Youth Employment Initiative	Advice & Consultancy	Cancelled	
Children and Young People's Services	Education Services	Arrangements for the allocation of SEN funding and its application in schools	Assurance	Defer to 2018/19	
Children and Young People's Services	Education Services	Schools Organisations and Capital Programme	Assurance	Defer to 2018/19	
Children and Young People's Services	Education Services	Children Missing from Education	Assurance	Final Report	Substantial
Children and Young People's Services	Education Services	Arrangements for the allocation of Pupil Premium Funding and its application in schools	Assurance	Defer to 2018/19	
Children and Young People's Services	Education Services	Award of additional pay in Schools	Assurance	Defer to 2018/19	
Children and Young People's Services	Education Services	Schools Financial Value Standard (SFVS)	Advice & Consultancy	In Progress	
Children and Young People's Services	Education Services	Governor Training:	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Education Services	School Business Manager Training	Advice & Consultancy	Cancelled	N/A
Children and Young People's Services	Education Services	Head Teacher induction to Finance and Budgeting	Advice & Consultancy	Complete	N/A

INTERNAL AUDIT PLAN PROGRESS AS AT 31 MARCH 2018

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Children and Young People's Services	Education Services	Schools User Provider Group	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Children's Services	SSID Replacement	Advice & Consultancy	In Progress	
Children and Young People's Services	Education Services	School Programme (governance and financial management)	Assurance	13 Substantial 41 Moderate 16 Limited	
Children and Young People's Services	Education Services	Audit of School Voluntary Funds	Fund Certification	47 Complete	
Children and Young People's Services	Education Services	National College for Teaching and Leadership (NCTL) - Direct Salaried Grant	Grant Certification	Cancelled	
Children and Young People's Services	Education Services	National College for Teaching and Leadership (NCTL) - Collaborative Fund Grant	Grant Certification	Complete (2 claims)	N/A
Children and Young People's Services	Education Services	The Woodlands - Data Security Arrangements	Advice & Consultancy	Final Report	N/A
Children and Young People's Services	Children's Services	Looked After Placement Referral Process and Placement and Resource Panel (PRP)	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Children's Services	Information Security in Adoption and Fostering Service	Assurance	Final Report	Moderate
Children and Young People's Services	Children's Services	Special Guardianship and Child Arrangement Orders	Advice & Consultancy	Complete	
Children and Young People's Services	Children's Services	Section 17 Payments - Support to Service Workstream in Response to	Advice & Consultancy	In Progress	
Children and Young People's Services	Children's Services	Aycliffe Secure Services Centre - Support in Service Response to Recommendations	Advice & Consultancy	In Progress	
Regeneration and Local Services	Direct Services	Bulky Goods Collections Service	Advice & Consultancy	Draft Report	
Regeneration and Local Services	Direct Services	Allotments (Follow Up)	Assurance	Defer to 2018/19	
Regeneration and Local Services	Direct Services	Flytipping	Assurance	Planning and Preparation	
Regeneration and Local Services	Direct Services	Effectiveness of MAIS and CSE arrangements - to be renamed as Vulnerability	Assurance	Defer to 2019/20	
Regeneration and Local Services	Planning and Assets	Low Carbo 1	Grant	Final Report	N/A
Regeneration and Local Services	Planning and Assets	Low Carbo 2	Grant	Final Report	N/A
Regeneration and Local Services	Planning and Assets	Rebus 1	Grant	Final Report	N/A
Regeneration and Local Services	Planning and Assets	Rebus 2	Grant	Final Report	N/A
Regeneration and Local Services	Planning and Assets	Planning Applications	Assurance	In Progress	
Regeneration and Local Services	Economic Development and Housing	Accommodation	Advice & Consultancy	Complete for 2017/18	
Regeneration and Local Services	Economic Development and Housing	Stephanie	Grant	Final Report	N/A
Regeneration and Local Services	Economic Development and Housing	Choice Based Letting Scheme	Assurance	Planning and Preparation	
Regeneration and Local Services	Economic Development and Housing	Disabled Facilities Grant	Grant	Final Report	N/A
Regeneration and Local Services	Transport and Contract Services	Local Transport Capital Block Funding	Grant	Final Report	N/A
Regeneration and Local Services	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	Grant	Final Report	N/A
Regeneration and Local Services	Transport and Contract Services	Local Growth Fund - Station Cycle Links	Grant	Final Report	N/A
Regeneration and Local Services	Transport and Contract Services	Local Growth Fund - Forest Park	Grant	Planning and Preparation	
Regeneration and Local Services	Transport and Contract Services	Local Growth Fund - Bishop Auckland Market Place	Grant	Planning and Preparation	
Regeneration and Local Services	Transport and Contract Services	Wheels to Work	Grant	Final Report	N/A
Regeneration and Local Services	Transport and Contract Services	Transport (Follow Up)	Assurance	In Progress	
Regeneration and Local Services	Transport and Contract Services	On Street and Off Street Parking (Follow Up)	Assurance	Final Report	Moderate
Regeneration and Local Services	Direct Services	Bereavement Services	Assurance	Final Report	Substantial
Regeneration and Local Services	Direct Services	Durham Crematorium	Assurance (Joint Ctte)	In Progress	
Regeneration and Local Services	Direct Services	Mounsett Crematorium	Assurance (Joint Ctte)	In Progress	
Regeneration and Local Services	Direct Services	ASB Powers / Training in relation to Crime Policing Bil	Assurance	Cancelled	
Regeneration and Local Services	Direct Services	Fleet Management	Assurance	Planning and Preparation	
Regeneration and Local Services	Direct Services	Hire of Vehicles and Skips	Assurance	Final Report	Substantial
Regeneration and Local Services	Direct Services	QMS Quarterly Visit	Advice & Consultancy	Cancelled	
Regeneration and Local Services	Direct Services	Waste Transfer Station (Thornley) - Financial Procedures	Advice & Consultancy	Planning and Preparation	
Regeneration and Local Services	Culture and Sport	Rolling Programme of Leisure Centres - Chester le Street	Assurance	Final Report	Moderate
Regeneration and Local Services	Culture and Sport	Rolling Programme of Leisure Centres - Woodhouse Close	Assurance	Final Report	Moderate
Regeneration and Local Services	Culture and Sport	Leisure Centres Timesheets (Follow Up)	Assurance	Defer to 2018/19	
Regeneration and Local Services	Culture and Sport	Leisureworks	Advice & Consultancy	In Progress	
Regeneration and Local Services	Culture and Sport	CLUK Income Share Agreement	Assurance	Final Report	Substantial
Regeneration and Local Services	Culture and Sport	Stanley Bowls	Advice & Consultancy	Planning and Preparation	
Regeneration and Local Services	Culture and Sport	Library System	Advice & Consultancy	Defer to 2018/19	
Regeneration and Local Services	Culture and Sport	Locomotion	Assurance	Not yet started	
Regeneration and Local Services	Culture and Sport	Gala - Box Office	Assurance	Final Report	Substantial
Regeneration and Local Services	Culture and Sport	Gala - Cinema and Catering	Assurance	Final Report	Moderate
Regeneration and Local Services	Culture and Sport	Catering	Advice & Consultancy	Not yet started	
Regeneration and Local Services	Technical Services	Local Highways Maintenance Funding - Incentive Element	Grant	Final Report	N/A
Regeneration and Local Services	Technical Services	Local Transport Capital Block Funding for NECA	Grant	Final Report	N/A
Regeneration and Local Services	Planning and Assets	Carbon Reduction Commitment	Advice & Consultancy	Final Report	N/A

INTERNAL AUDIT PLAN PROGRESS AS AT 31 MARCH 2018

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Regeneration and Local Services	Economic Development and Housing	New Homes Bonus - Affordable Homes	Advice & Consultancy	Draft Report	
Regeneration and Local Services	Direct Services	Woodland Burial Site	Advice & Consultancy	Final Report	N/A
Regeneration and Local Services	Direct Services	Asbestos Management	Advice & Consultancy	Final Report	N/A
Regeneration and Local Services	Planning and Assets	Asset Management - Final Accounts	Assurance	Draft Report	
Regeneration and Local Services	Planning and Assets	North Pennines AONB Partnership - Atlantic Geoparks	Grant	Not yet started	
Regeneration and Local Services	Economic Development and Housing	Stephanie 2	Grant	Final Report	N/A
Regeneration and Local Services	Economic Development and Housing	Disabled Facilities Grant - VFM review	Advice & Consultancy	In Progress	
Resources	People and Talent Management	Flexible Working - Variations to Contracts	Assurance	Planning and Preparation	
Resources	Finance and Transactional Services	Enforcement, including bailiff arrangements	Assurance	Planning and Preparation	
Resources	Digital and Customer Services	Active Directory	Advice & Consultancy	Planning and Preparation	
Resources	Digital and Customer Services	CRM System	Assurance	Cancelled	
Resources	All	Transformation Assurance	Assurance	Complete for 2017/18	
Resources	Legal and Democratic Services	Electoral Services	Assurance	In Progress	
Resources	Legal and Democratic Services	Registrars	Assurance	Final Report	Moderate
Resources	Legal and Democratic Services	RIPA Officers Group	Advice & Consultancy	Complete for 2017/18	
Resources	People and Talent Management	ER/VR arrangements	Assurance	Final Report	Moderate
Resources	Corporate Finance and Commercial Services	General Ledger	Key System	In Progress	
Resources	Corporate Finance and Commercial Services	VAT	Key System	Planning and Preparation	
Resources	Corporate Finance and Commercial Services	Bank Reconciliation	Key System	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Apprenticeship Levy Implementation Group	Advice & Consultancy	Complete for 2017/18	
Resources	Corporate Finance and Commercial Services	Treasury Management	Key System	In Progress	
Resources	Corporate Finance and Commercial Services	Contract Register	Assurance	Draft Report	
Resources	Corporate Finance and Commercial Services	Contract Management	Assurance	In Progress	
Resources	Corporate Finance and Commercial Services	Specifications	Assurance	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Off Contract Spend	Assurance	In Progress	
Resources	Corporate Finance and Commercial Services	Procurement Cards (Follow Up)	Assurance	Draft Report	
Resources	Corporate Finance and Commercial Services	Oracle Programme Board	Advice & Consultancy	Complete for 2017/18	
Resources	Corporate Finance and Commercial Services	Transactional Purchasing Improvement Group	Advice & Consultancy	Complete for 2017/18	
Resources	Corporate Finance and Commercial Services	Petty Cash and Payment Cards	Advice & Consultancy	Complete for 2017/18	
Resources	Corporate Finance and Commercial Services	Health and Safety Training Requirments (Follow Up)	Assurance	Draft Report	
Resources	Finance and Transactional Services	SLAs	Assurance	Planning and Preparation	
Resources	Finance and Transactional Services	Section 256	Grant	In Progress	
Resources	Finance and Transactional Services	Shared Lives Service - Financial Inspections (Follow Up)	Assurance	Final Report	Limited
Resources	Finance and Transactional Services	Financial Assessments and Reassessments	Advice & Consultancy	Cancelled	
Resources	Finance and Transactional Services	FST Debit Card Account (Follow Up)	Assurance	Final Report	Limited
Resources	Finance and Transactional Services	Financial Deputies	Advice & Consultancy	Cancelled	
Resources	Finance and Transactional Services	Supporting People with Oxford Computer Consultants (SPOCC)	Assurance	Defer to 2018/19	
Resources	Finance and Transactional Services	Creditor Payments	Key System	In Progress	
Resources	Finance and Transactional Services	Creditor Payments - NFI	Advice & Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	Creditor Payments - Transparency	Advice & Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	Creditor Payments - Transactional Purchasing Team	Advice & Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	Creditor Payments - No Purchase Order	Key System	Cancelled	
Resources	Finance and Transactional Services	IPIG	Advice & Consultancy	Complete for 2017/18	
Resources	Finance and Transactional Services	Better Care Fund (Sn 75)	Assurance	Final Report	Substantial
Resources	Finance and Transactional Services	Payroll	Key System	In Progress	
Resources	Finance and Transactional Services	Payroll - Implementation/Upgrade	Advice & Consultancy	Complete for 2017/18	
Resources	Finance and Transactional Services	Payroll - Starters and Leavers	Key System	In Progress	
Resources	Finance and Transactional Services	Payroll - Temporary Input	Key System	Planning and Preparation	
Resources	Finance and Transactional Services	Payroll - Permanent Input	Key System	Planning and Preparation	
Resources	Finance and Transactional Services	Agency (Follow Up)	Assurance	Final Report	Limited
Resources	Finance and Transactional Services	Business Rates	Key System	In Progress	
Resources	Finance and Transactional Services	Business Rates - Valuation	Key System	In Progress	
Resources	Finance and Transactional Services	Business Rates - Liability	Key System	Draft Report	
Resources	Finance and Transactional Services	Business Rates - Refunds	Key System	Planning and Preparation	
Resources	Finance and Transactional Services	Business Rates - System Access	Key System	Planning and Preparation	
Resources	Finance and Transactional Services	Housing Benefit and Council Tax Reduction	Key System	In Progress	
Resources	Finance and Transactional Services	Housing Benefit - New Claims and Change of Circumstance	Key System	In Progress	

INTERNAL AUDIT PLAN PROGRESS AS AT 31 MARCH 2018

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Finance and Transactional Services	Housing Benefit - Assessment and Review of Claims	Key System	In Progress	
Resources	Finance and Transactional Services	Housing Benefit - System Access	Key System	Planning and Preparation	
Resources	Finance and Transactional Services	Housing Benefit - Supported Accommodation	Key System	Planning and Preparation	
Resources	Finance and Transactional Services	Welfare Assistance Scheme	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Discretionary Housing Payments	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Welfare Rights	Key System	Defer to 2018/19	
Resources	Finance and Transactional Services	Council Tax	Key System	In Progress	
Resources	Finance and Transactional Services	Council Tax - Liability	Key System	In Progress	
Resources	Finance and Transactional Services	Council Tax - Refunds	Key System	Planning and Preparation	
Resources	Finance and Transactional Services	Council Tax - System Access	Key System	Planning and Preparation	
Resources	Finance and Transactional Services	Cash Management	Key System	In Progress	
Resources	Finance and Transactional Services	Cash Management - County Hall	Key System	Planning and Preparation	
Resources	Finance and Transactional Services	Cash Management - Dales Centre	Key System	In Progress	
Resources	Finance and Transactional Services	Debtors	Key System	In Progress	
Resources	Finance and Transactional Services	Debtors - Supporting Documents	Key System	In Progress	
Resources	Finance and Transactional Services	Debtors - Credit Notes and Write Offs	Key System	Planning and Preparation	
Resources	Finance and Transactional Services	Debtors - Refunds	Key System	Planning and Preparation	
Resources	Finance and Transactional Services	Debtors - Customer Masterfile	Key System	Defer to 2018/19	
Resources	Finance and Transactional Services	Debtors - Standing Charges	Key System	Defer to 2018/19	
Resources	Finance and Transactional Services	Debtors - Write Off Relief	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Debtors Working Group	Advice & Consultancy	Complete for 2017/18	
Resources	Finance and Transactional Services	Caspar System	Assurance	Defer to 2018/19	
Resources	Digital and Customer Services	Mobile Computing (Follow Up)	Assurance	Planning and Preparation	
Resources	Digital and Customer Services	Information Security - PSN	Assurance	Cancelled	
Resources	Digital and Customer Services	Information Security - Procurement	Assurance	In Progress	
Resources	Digital and Customer Services	Business Continuity for ICT	Assurance	In Progress	
Resources	Digital and Customer Services	Software Licenses	Assurance	Final Report	Moderate
Resources	Digital and Customer Services	Asset Register (Follow Up)	Assurance	Final Report	Moderate
Resources	Digital and Customer Services	Business Travel and Accommodation	Assurance	Final Report	Moderate
Resources	Digital and Customer Services	Coroner	Assurance	Defer to 2018/19	
Resources	Internal Audit, Risk and Fraud	Risk Management	Assurance	Final Report	Substantial
Resources	Digital and Customer Services	Digital Durham	Grant	Final Report	N/A
Resources	Finance and Transactional Services	Teaching Assistants	Advice & Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	Deputy and Appointee Working Group	Advice & Consultancy	Complete for 2017/18	
Resources	Legal and Democratic Services	Use of Social Media in Covert Investigations	Assurance	In Progress	
Resources	Finance and Transactional Services	Teaching Assistants - Final Review	Advice & Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	Transparency Agenda - Interest on Late payments	Advice & Consultancy	Planning and Preparation	
Resources	Digital and Customer Services	Digital Durham	Grant	Final Report	N/A
Transformation and Partnerships	Transformation	Project Management	Advice & Consultancy	Cancelled	
Transformation and Partnerships	Transformation	Transformation Programme	Advice & Consultancy	Complete for 2017/18	
Transformation and Partnerships	Communications and Information Management	Business Continuity	Key System	Cancelled	
Transformation and Partnerships	Communications and Information Management	Data Protection - General Data Protection Regulation (GDPR)	Advice & Consultancy	Complete for 2017/18	
Transformation and Partnerships	Communications and Information Management	Data Protection - EDMS	Assurance	Cancelled	
Transformation and Partnerships	Communications and Information Management	Data Protection - Use of privacy notices	Assurance	Defer to 2018/19	
Transformation and Partnerships	Communications and Information Management	Environmental Information Requests	Assurance	Final Report	Moderate
Transformation and Partnerships	Communications and Information Management	Information Governance Group	Advice & Consultancy	Complete for 2017/18	
Transformation and Partnerships	Strategy	Data Quality Framework	Assurance	Final Report	Substantial
Transformation and Partnerships	Partnerships and Community Engagement	Community Buildings - Health & Safety Compliance	Assurance	Draft Report	
Transformation and Partnerships	Partnerships and Community Engagement	Community Grants Sample	Assurance	Draft Report	

FINAL REPORTS ISSUED IN PERIOD ENDING 31 MARCH 2018

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
ADULT AND HEALTH SERVICES (AHS)		
Intelligence Handling within Trading Standards and Licensing	An Assurance review that considered the effectiveness of the control framework in place for the management of the following risks: <ul style="list-style-type: none"> - Non-compliance with the Data Protection Act; - Service objectives are not met; - Service performance is not monitored. 	Moderate
Commissioning of Learning Disability Services	An Advice and Consultancy review to evaluate arrangements for the Commissioning of Learning Disability Services considering the risks of whether: <ul style="list-style-type: none"> - Clients do not receive services that meet their needs; - Commissioned services do not achieve value for money; - The commissioning process is not effective and efficient. 	N/A
CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)		
The Woodlands Pupil Referral Unit	Assurance review that considered the effectiveness of the Finance and Governance control framework.	Moderate
Information Security in Adoption and Fostering Service	Assurance review requested, following a serious data breach in another Local Authority's Adoption Service, to consider the effectiveness of the control framework in place for the management of the following risk of sensitive data being released into the public domain.	Moderate
Troubled Families Programme	Advice and Support provided during claim submission window and certification of claims in January 2018 and March 2018.	N/A
National College for Teaching and Leadership Collaborative Fund Grant	Certification of two school Collaborative Fund Grants.	N/A
REGENERATION AND LOCAL SERVICES (ReaL)		
Gala - Catering	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - The catering function operates at a loss; - Income is recorded or processed inaccurately; - Cash is held or transported insecurely; - Stock is lost/stolen; - Stock/Services purchased are inappropriate. 	Moderate
Local Highways Maintenance Fund – Incentive Element	Advice and consultancy review to enable the Section 151 Officer to certify the questionnaire on behalf of DCC.	N/A

Real (Contd.)		
Asbestos Management	Advice and consultancy review to determine whether all appropriate controls are in place for construction, repairs and maintenance, and minor repairs works to protect operatives, staff, and buildings users from the threat of asbestos exposure.	N/A
Woodland Burial Site	Advice and consultancy review to review the revised records, including burials, reserved plots, and membership information, and provide comment on their accuracy and completeness.	N/A
Mutual Assistance Agreement	Investigation into potential overpayments made to another Council through the Mutual Assistance Agreement.	N/A
Low Carbo 2 – Supporting a low carbon economy	Grant certification	N/A
Rebus 2 – Renovation for Energy efficient Buildings	Grant certification	N/A
Space technology with photonics for market and societal challenges (2)	Grant certification	N/A

RESOURCES		
Registrars	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> - Births, still-births and deaths are not registered within the statutory timescales; - A registrar fails to attend marriage/civil partnership/naming/and renewal of vows ceremony or arrives late; - Illegal marriages or civil partnerships are performed; - Illegal citizenship ceremonies performed; - Individuals who are entitled to become a British citizen are not done so within agreed timescales; - Loss of income; - Non-compliance with financial regulations; - Theft / Misappropriation of income; - Lack of corporate understanding of PCI requirements; - Certificates are lost or stolen; - Inaccurate data, loss or theft of information (Breach of Data Protection Act 1998); - Performance is not monitored or managed. 	Moderate
Agency (Follow up)	Assurance review to determine whether actions raised in previous audit had been implemented.	Limited
Debit Card Cash Accounts and Shared Lives (Follow up)	Assurance review to determine whether actions raised in previous audits had been implemented.	Limited
Creditors - Transactional Purchasing Team (TPT)	Advice and consultancy review to document and review the processes undertaken within TPT and provide feedback to the team.	N/A
Digital Durham	Grant Certification	N/A

TRANSFORMATION AND PARTNERSHIPS (TaP)

Data Quality Framework	Assurance review of the arrangements in place to mitigate against the risk of failure to report accurate and relevant performance indicators. The following performance indicators were reviewed: <ul style="list-style-type: none">- CYPS1 16-18 year olds in an apprenticeship;- CYPS2 16-18 year olds Not in Employment Education or Training (NEET);- CYPS26 Children in Early Years Foundation Stage achieving good level of development;- CYPS35 First Time Entrants to Youth Justice system.	Substantial
------------------------	---	-------------

Progress on the Implementation of Audit Recommendations Appendix 4

	Number of Actions Raised	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	Total Revised Actions Due	Revised Total Recommendations Overdue
			Due	Not Yet Due	Total					
ADULT AND HEALTH SERVICES (AHS)										
2016/17										
High	7	7	7	0	7	0	0	0	7	0
Medium	47	47	46	0	46	1	1	0	46	0
Total	54	54	53	0	53	1	1	0	53	0
2017/18										
High	10	6	3	0	3	3	3	0	3	0
Medium	22	22	17	0	17	5	5	0	17	0
Total	32	28	20	0	20	8	8	0	20	0
Overall Total	86	82	73	0	73	9	9	0	73	0
CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)										
2016/17										
High	1	1	1	0	1	0	0	0	1	0
Medium	47	47	46	0	46	1	1	0	46	0
Total	48	48	47	0	47	1	1	0	47	0
2017/18										
High	2	2	2	0	2	0	0	0	2	0
Medium	75	73	70	0	70	3	3	0	70	0
Total	77	75	72	0	72	3	3	0	72	0
Overall Total	125	123	119	0	119	4	4	0	119	0
REGENERATION AND LOCAL SERVICES (REAL)										
2015/2016										
High	7	7	6	0	6	1	1	0	6	0
Medium	115	115	115	0	115	0	0	0	115	0
Total	122	122	121	0	121	1	1	0	121	0
2016/17										
High	11	10	10	0	10	0	0	0	10	0
Medium	189	187	182	0	182	5	5	0	182	0
Total	200	197	192	0	192	5	5	0	192	0
2017/18										
High	3	3	3	0	3	0	0	0	3	0
Medium	53	42	38	0	38	4	4	0	38	0
Total	56	45	41	0	41	4	4	0	41	0
Overall Total	378	364	354	0	354	10	10	0	354	0
RESOURCES (RES)										
2014 / 2015										
High	7	7	7	0	7	0	0	0	7	0
Medium	134	134	133	0	133	1	1	0	133	0
Total	141	141	140	0	140	1	1	0	140	0
2015/2016										
High	3	3	3	0	3	0	0	0	3	0
Medium	124	124	123	0	123	1	1	0	123	0
Total	127	127	126	0	126	1	1	0	126	0
2016/17										
High	14	12	12	0	12	0	0	0	12	0
Medium	109	106	104	0	104	2	2	0	104	0
Total	123	118	116	0	116	2	2	0	116	0
2017/18										
High	9	8	7	0	7	1	1	0	7	0
Medium	119	112	105	0	105	7	7	0	105	0
Total	128	120	112	0	112	8	8	0	112	0
Overall Total	519	506	494	0	494	12	12	0	494	0
TRANSFORMATION AND PARTNERSHIPS (TAP)										
2016 / 2017										
High	0	0	0	0	0	0	0	0	0	0
Medium	26	26	25	0	25	1	1	0	25	0
Total	26	26	25	0	25	1	1	0	25	0
2017 / 2018										
High	0	0	0	0	0	0	0	0	0	0
Medium	8	6	5	0	5	1	1	0	5	0
Total	8	6	5	0	5	1	1	0	5	0
Overall Total	34	32	30	0	30	2	2	0	30	0
TOTAL COUNCIL										
2014 / 2015										
High	7	7	7	0	7	0	0	0	7	0
Medium	134	134	133	0	133	1	1	0	133	0
Total	141	141	140	0	140	1	1	0	140	0
2015 / 2016										
High	10	10	9	0	9	1	1	0	9	0
Medium	239	239	238	0	238	1	1	0	238	0
Total	249	249	247	0	247	2	2	0	247	0
2016 / 2017										
High	33	30	30	0	30	0	0	0	30	0
Medium	418	413	403	0	403	10	10	0	403	0
Total	451	443	433	0	433	10	10	0	433	0
2017 / 2018										
High	24	19	15	0	15	4	4	0	15	0
Medium	277	255	235	0	235	20	20	0	235	0
Total	301	274	250	0	250	24	24	0	250	0
OVERALL TOTAL	1142	1107	1070	0	1070	37	37	0	1070	0

Performance Indicators as at 31 March 2018

Efficiency			
Objective: To provide maximum assurance to inform the annual audit opinion			
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Actual
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage	90% (Annually)	99% at 31 December 2018
Timeliness of Draft Reports	% of draft reports issued within 30 calendar days of end of fieldwork/closure interview	90% (Quarterly)	92% (152 out of 165)
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response	95% (Quarterly)	96% (173 out of 180)
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)	99% - Av score 4.6
Customers providing feedback Response	% of customers returning satisfaction returns	70% (Quarterly)	72%
Cost			
Objective: To ensure that the service is cost effective			
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Cost per chargeable audit day	CIPFA Benchmarking Club – Comparator Group (Unitary)	Lower than average (Annually)	Yes (2015/16 exercise) £226 cost per chargeable audit day

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank