



## **Audit Committee**

**Date**      **Friday 31 May 2019**  
**Time**      **10.00 am**  
**Venue**     **Committee Room 1A - County Hall, Durham**

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### **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 26 February 2019 (Pages 3 - 12)
3. Declarations of interest, if any
4. Draft Annual Governance Statement for the year April 2018 to March 2019 - Report of the Corporate Director of Resources (Pages 13 - 36)
5. Internal Audit, Plan, Strategy and Charter 2019/2020 - Report of the Chief Internal Auditor and Corporate Fraud Manager (Pages 37 - 80)
6. Audit Committee Terms of Reference and Self-Assessment - Report of the Chief Internal Auditor and Corporate Fraud Manager (Pages 81 - 108)
7. Internal Audit Progress Report Quarter Ended 31 March 2019 - Report of the Chief Internal Auditor and Corporate Fraud Manager (Pages 109 - 128)
8. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
9. 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)**

10. Internal Audit Progress Report Quarter Ended 31 March 2019 - Report of the Chief Internal Auditor and Corporate Fraud Manager (Pages 129 - 146)
11. 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 2019

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

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

Councillors C Carr, J Clark, B Kellett, J Nicholson, J Robinson,  
J Shuttleworth and O Temple

**Co-opted Members:**

Mr C Robinson and Mr I Rudd

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**Contact: Jackie Graham**

**Tel: 03000269704**

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**DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A - County Hall, Durham on **Tuesday 26 February 2019 at 10.00 am**

**Present:**

**Councillor E Bell (Chairman)**

**Members of the Committee:**

Councillors J Rowlandson (Vice-Chairman), C Carr, J Carr, J Clark, J Nicholson and J Shuttleworth

**Co-opted Members:**

Mr C Robinson and Mr I Rudd

**1 Apologies for absence**

Apologies for absence were received from Councillors J Robinson and O Temple

**2 Minutes**

The Minutes of the meeting held on 29 November 2018 were confirmed as a correct record and were signed by the Chairman, with the following amendment:-

Page 2 – Following a query from Mr Rudd, the Officer advised that the new standard did not require previous year balances to be **restated**.

**3 Declarations of interest**

Declarations of interest were provided by Members. 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.

**4 Quarter 3 2018/19 Health, Safety and Wellbeing Performance Report**

The Committee received a report from the Resources Health, Safety and Wellbeing Strategic Group that provided an update on health, safety and

wellbeing performance for quarter three of 2018/19 (for copy see file of Minutes).

The Corporate Director of Resources introduced the report and informed the Members that this was previously reported to the former Human Resources Committee and that following the constitutional changes agreed by full Council would be presented to the Audit Committee going forward.

The Occupational Health and Safety Manager reported on two significant incidents following visits to Citizens House at Consett and Framwellgate Moor Primary School by the Health and Safety Executive and assured members that the issues were resolved at both sites. He went on to highlight the key areas of the report including:

- Fire Safety Audits
- Fire Incidents
- Fire Inspections
- Occupational Health Service online referrals
- Health and Safety Team Audit
- Open Water Safety Review
- Employee Mental Health and Wellbeing
- Flu Immunisation programme
- Potentially Violent Persons Register

The statistical information within the report showed a reduction in the number of serious injuries reported.

With regards to the employees who did not turn up for Occupational Health appointments, Councillor Carr queried what the process would be. He was advised that management would be informed but that there could be a number of operational or personal reasons for this, however, it was followed up.

Councillor Carr asked how many defibrillators were in council buildings and stressed the importance of having them available. The Occupational Health and Safety Manager reported that further to a review of the policy three years ago the number of defibrillators had increased from 7 to approximately 23, with 2 being available at County Hall. The Chairman asked that sufficient staff were trained and that information was updated as and when staff left the authority.

Councillor Shuttleworth queried the report coming to Audit Committee and suggested that all members should be sent this information.

Referring to the new online referrals for Occupational Health appointments, Councillor Clark was informed that this was still completed by the manager

and the appointment was sent to the employee. Councillor Clark was also informed that the external counselling service was still available for all employees. She applauded the work carried out in relation to health and safety and agreed that the report should come to Audit Committee from a governance perspective.

Mr Rudd asked if any benchmarking was carried out with similar authorities. The Occupational Health and Safety Manager said that this was carried out approximately every two years however it was noted that this was difficult for those services that were not 'in house'. He added that the comparable data was favourable.

Mr Rudd went on to ask for an explanation of the word 'treat' within the corporate risk table within the report. The Risk, Insurance and Governance Manager explained that this was when work was still to be done to ensure the risks were at an acceptable level with controls in place.

Mr Robinson accepted the rationale for the report coming to Audit Committee but asked that the quarterly report to be more focused on the reasons why issues were being reported and to perhaps have bullet points about maintaining the existing controls and what the authority were doing to address the risks.

Following a comment from Councillor C Carr about ensuring the Committee were appraised on any serious concerns, the Chairman suggested that more detailed discussions could take place in the closed part of the agenda going forward.

**Resolved:**

That the report be noted.

**5 Changes to the Code of Practice for Local Authority Accounting in the UK 2018-19**

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 2018/19 accounts (for copy see file of Minutes).

The Principal Accountant, Resources highlighted the two key changes – adoption of IFRS 15 Revenue from Contracts with Customers and adoption of IFRS 9 Financial Instrument.

**Resolved:**

That the report be noted.

**6 Agreement of Accounting Policies for Application in the 2018-19 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 2018/19 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.

**7 Final Accounts Timetable for the Year Ended 31 March 2019**

The Committee considered a report of the Corporate Director of Resources that provided Members with the Final Accounts Timetable for 2018/19 detailing the deadlines for key actions to complete the Statement of Accounts in line with statutory deadlines (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 2019**

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 J Collins, Mazars advised of the significant risks, value for money and the fees charged and the approach taken to materiality setting.

With regards to the reduction in fees Councillor Shuttleworth asked if this was in connection to the office rental by Mazars at Salvus House. Mr Kirkham, Mazars explained that the reduction in fees followed an extensive competitive procurement exercise when Public Sector Audit Appointments replaced the Audit Commission. Mr Kirkham explained that in relation to the renting of office space, Mazars been open and honest about Durham County Council being their landlord and assured members that this did not affect their independency and that appropriate arrangements were in place.

Mr Robinson queried the likelihood of any of the significant risks occurring and what the authority was doing to bring these risks down. Mr Kirkham assured the Committee that any gaps or defects would be reported but that some of the risks were inherent.

Following on from this point Mr Rudd asked if the reduction in fees would also mean a reduction in the services provided and more reliance on the Internal Audit Service. Mr Kirkham said that they were still providing the same level of service but were more streamlined in their approach. He added that their work was regulated and therefore there was very limited opportunity to carry out less work unless there was a risk assessed rationale for this.

**Resolved:**

That the report be noted.

**9 External Audit - Durham Pension Fund Audit Strategy Memorandum Year Ended 31 March 2019**

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).

Councillor Shuttleworth was assured that the same level of service was provided despite the lower audit fees, however, Mr Kirkham, Mazars said that he was responsible for ensuring the appropriate resources were made available for the audit.

**Resolved:**

That the report be noted.

**10 External Audit Progress Report - February 2019**

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).

Mr Collins, Mazars informed the Committee that some minor errors had been identified on the certification work regarding Housing Benefit Subsidy. In response to a question from Mr Rudd, Mr Collins advised that these were clerical errors. Mr Kirkham, Mazars added that the number of errors compared to the overall number of transactions was very low.

**Resolved:**

That the report be noted.

## **11 Corporate Governance Review 2018/2019 - 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 2018/19 financial year (for copy see file of Minutes).

### **Resolved:**

That the report be noted.

## **12 Strategic Risk Management Progress Report for the Quarter Ended 31 December 2018**

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 between October and December 2018 (for copy see file of Minutes).

The Risk, Insurance and Governance Manager informed the Committee that there was one new risk in relation to Equal Value Claim, there were 26 strategic risks, one risk had been removed on Major Disruption to Service Delivery. He added that there were four key risks and one emerging risk in relation to No Deal Brexit.

Councillor Shuttleworth referred to the 26 strategic risks, the same number as at 30 September 2018, and asked if this was expected to stay the same. The Risk, Insurance and Governance Manager explained that one risk had been added and one had been removed from the register and that a lot of work was done to reduce the number of risks. However, he explained that there were a number of long term corporate risks that would potentially at some point come to conclusion but which needed to continue to be managed at this time.

Councillor Bell asked for information on the progress being made with the Task and Finish Group and what their thoughts were on potential risks. The Corporate Director of Resources assured the Committee that there was a lot of work ongoing and that any discussions around the work were potentially sensitive at this time.

Councillor C Carr asked about the substantive risk to food waste collections should additional work need to be carried out as had been announced by Government. The Corporate Director of Resources explained that the announcement had been made after the report had been circulated and informed Members that further discussions would be held as there could be significant cost implications. Councillor Carr asked that the Planning and Highways teams were involved in discussions as this would potentially affect their workloads.

**Resolved:**

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

**13 Audit Committees: Practical Guidance for Local Authorities and Police 2018**

The Committee received a report of the Chief Internal Auditor and Corporate Fraud Manager that advised of the publication of the Chartered Institute of Public Finance and Accountancy's (CIPFA) guidance on the function and operation of audit committees in local authorities in England and Wales. The guidance also set out CIPFA's view on the role and function of audit committees (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager highlighted the key changes and the updated terms of reference for the Committee. He advised that the checklist would be completed and brought back to Committee in May 2019.

Councillor Shuttleworth requested that a full and concise report be presented to full Council from the Audit Committee.

**Resolved:**

The recommendations contained within the report be agreed.

**14 Emergent Internal Audit Plan 2019/2020**

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 2019/20 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 2019. He assured Members that he speaks to all Heads of Service before the final document was produced.

**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 2019 for formal approval.

## **15 Internal Audit Progress Report for the quarter ended 31 December 2018**

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 the survey response rate, progress on actions due, implemented and overdue, and the finalised audit that had been issued with a limited assurance opinion.

With regards to the removal of the 'Licensing Arrangements for House in Multiple Occupations' entry in the amendments to the internal plan table, Mr Robinson asked why this was no longer required. The Chief Internal Auditor and Corporate Fraud Manager explained that new procedures had been introduced. He added that when there had been main changes to the control environment time was given to allow these changes to bed in before an audit was undertaken.

### **Resolved:**

- (i) That the amendments made to the 2018/2019 Annual Internal Audit Plan be noted;
- (ii) That the work undertaken by Internal Audit during the period ending 31 December 2018 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 2018**

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 was one audit finalised in the quarter that had been issued with a limited assurance opinion.

The Committee received assurances on outstanding actions from the Head of Commissioning, Adult and Health 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.

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**Audit Committee**

**31 May 2019**

**Draft Annual Governance Statement for  
the year April 2018 – March 2019**



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**Report of Corporate Management Team**

**John Hewitt, Corporate Director Resources**

**Councillor Alan Napier, Deputy Leader and Portfolio Holder for  
Finance**

**Electoral division(s) affected:**

None

**Purpose of the Report**

- 1 To seek approval of the draft Annual Governance Statement (AGS) for 2018/19, attached in appendix 2. Audit Committee will be asked to approve the Final AGS on 31 July 2019.

**Executive summary**

- 2 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 2018/19 were fit for purpose in accordance with the governance framework.
- 3 The review also concluded that nine actions, listed in appendix C of the AGS, should be included in the plan of improvements to strengthen governance arrangements during 2019/20.

**Recommendation(s)**

- 4 Audit Committee is requested to:
  - (a) Approve that actions 1 to 9 in appendix C are included in the plan of improvements to strengthen governance arrangements during 2019/20; and
  - (b) Approve the draft Annual Governance Statement.

## **Background**

- 5 The Accounts and Audit (England) Regulations 2015 require the Council to prepare an Annual Governance Statement, which must accompany the Statement of Accounts.
- 6 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**

- 7 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 2018/19 were fit for purpose in accordance with the governance framework.

## **Issues for consideration**

- 8 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. Regarding the latter, there are 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 an 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.

9 The review also concluded that nine actions, listed in appendix C of the AGS, should be included in the plan of improvements to strengthen governance arrangements during 2019/20.

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<b>Contact:</b>	David Marshall	Tel: 03000 269648
	Kevin Roberts	Tel: 03000 269657

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## **Appendix 1: Implications**

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### **Legal Implications**

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

### **Finance**

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

### **Consultation**

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

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

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

### **Human Rights**

None

### **Crime and Disorder**

None

### **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.

### **Accommodation**

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

### **Risk**

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

### **Procurement**

None

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## **Appendix 2: Annual Governance Statement 2018/19**

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### **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 2019.

### **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 May 2019, 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 2019 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. 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 May 2019.
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](#). The Head of Strategy is the designated scrutiny officer to discharge the functions required under the Localism Act 2011.
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 2018/19.

## 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 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 2019. This opinion is based on audit reviews undertaken during the year which found all systems reviewed to give substantial or moderate assurance, except in 10 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.

19. Aligned to the seven principles of good governance, a detailed account of how the Council's governance arrangements have operated during 2018/19 is included in **appendix A**. An update on improvements identified in the 2017/18 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 2018/19 were fit for purpose in accordance with the governance framework. Through the review of governance arrangements, and the work of both internal and external audit, we have identified nine actions as part of ongoing improvements to further strengthen governance arrangements in 2019/20. 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 2018/19**

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 2018/19.

### **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. 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.

#### **Demonstrating strong commitment to ethical values**

3. The annual report of the [Standards Committee](#) was presented to Council in October 2018.
4. To promote a positive culture and environment in which people work, new [core values and behaviours](#) have been developed, setting out responsibilities and expected standards of behaviour. Leaders and managers have undertaken awareness training and will work with other employees to put them into action.
5. A quarterly customer feedback report is presented to the Overview and Scrutiny Management Board, summarising performance in dealing with corporate and statutory complaints, and identifying actions to improve service provision.

#### **Respecting the rule of law**

6. The [Environment, Health & Consumer Protection enforcement policy](#) sets out the standards and guidance applied by officers authorised to act on behalf of the Council in its role as regulator and enforcement agency. Officers must have regard to codes of conduct, legislation and other statutory provisions, and adhere to the 'principles of good regulation' when exercising regulatory functions to improve outcomes without imposing unnecessary burdens on individuals and businesses.
7. Through the [Counter Fraud & Corruption Strategy](#), the Council is committed to a zero-tolerance approach to fraud and corruption against the Council and its partners. The Counter Fraud team vigorously pursues all reports of fraud, for example, council tax reduction scheme fraud, false insurance claims and blue badge misuse, with successful prosecutions featuring in the [news pages](#) of the Council's website. Their achievements were recognised at the Fighting Fraud and Crime Locally conference in London in March 2019 where they won the Acknowledge Award. The award recognised their zero-tolerance approach to

fraud, and the collaborative work with internal and external stakeholders under the 'Durham Partnerships', with innovative projects and promoting best practice with the use of technology, to proactively target fraud risk areas. Since 2015, the team has uncovered or intercepted over £3.5m of fraud, investigating over 1,800 cases across the authority, handling a diverse range of investigations.

## **Principle B: Ensuring openness and comprehensive stakeholder engagement**

### **Openness**

8. 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) The [Adult Social Care Residential Care Charging Policy and Deferred Payment Agreement Policy](#) for individuals who receive social care services and are assessed to determine their financial contributions towards their care costs.
  - (b) 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**

9. 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.
10. 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.
11. 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.
12. [DurhamWorks](#) is a partnership programme between the Council and 16 other organisations, working together to support young people into education, training

or employment. The programme has been granted a further £12 million of EU funding and extended to 2021 having so far signed up 5,000 young people, 3,100 of those having progressed into some form of employment or training. [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.

### **Engaging with individual citizens and service users effectively**

13. The Consultation Officer Group supports the Council's approach to engaging stakeholders and oversees major consultations, which help improve services and influence decision-making.
14. The [Medium Term Financial Plan](#) budget consultation process engaged with partner agencies and the public on the approach to proposed savings. Views were sought on the strategic priorities for the County, to inform the new vision and corporate plan. Responses were supportive of the approach the Council is taking whilst recognising the significant challenge faced from reductions in funding and increasing demand for statutory services.
15. Public consultation exercises were undertaken during the year on a range of issues, including the County Durham Plan, the draft new vision, the Homelessness Strategy and the Digital Strategy. The full list can be found on the [2018 consultations](#) and [2019 consultations](#) pages of the website.
16. The Council uses various channels of communication and feedback mechanisms, including social media (Twitter, Facebook, Instagram and YouTube) 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. The Council is continuing to build on progress in attracting inward investment and Development in the County through the new [durham powered by people](#) campaign, which engaged with a range of stakeholders across the business community to support economic growth across the county.
18. [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](#).

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

#### **Defining outcomes**

19. 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.

20. Following a significant public consultation exercise, a new draft vision document for the county is being developed for consultation during the Summer 2019, before final approval in September. A council plan and statutory plans like the Safe Durham Plan and the Joint Health and Wellbeing Strategy are being developed in parallel to our vision.

### **Sustainable economic, social and environmental benefits**

21. 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) Continued support to protect working age households in receipt of low incomes through the continuation of the existing Council Tax Reduction Scheme where they will continue to be entitled to up to 100% relief against their Council Tax payments;
  - (b) Ongoing work with health partners to ensure health and social care funds are maximised for the benefit of vulnerable people through the services we provide; and
  - (c) Significant investment in capital expenditure in line with the council's highest priority of regeneration to protect existing jobs and create as many new jobs as possible including investing in our town centres and infrastructure, new transport schemes and maintenance of our highways and pavements.
22. In February 2019, Cabinet reviewed action by the Council and its partners to significantly reduce single-use plastics and agreed that the Council sign up to the County Durham pledge to further reduce unnecessary single-use plastics.
23. The Council was the first local authority in the North East to trial the use of waste plastics in road surfacing, this new technology being used on three schemes.

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

#### **Determining and planning interventions**

24. 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, to secure best value regardless of the service delivery method. Two examples are the [Cabinet reports](#) in January 2019 on: -
- (a) The County Durham Plan Pre-Submission Draft; and
  - (b) Durham History Centre – Next Steps.
25. 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.

26. The [Medium Term Financial Plan 2019 - 2023 \(MTFP\)](#) was approved by the Council in February 2019. 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**

27. 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 nine years up to the end of March 2019, a sum of £224m of savings has been delivered. The Council's strategy has been to protect front line services as far as possible and the 2019/20 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.
28. To ensure that attention remains focused on Council priorities, an approach to performance management was developed that answers key performance questions rather than rely on performance indicators. [Quarterly reports](#) are concise, using a dashboard style with shorter narrative, and attention is moving towards analysing and developing insights from the performance data.
29. 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.

30. In September 2018, Cabinet approved a report, which considered the next steps in delivering the Aykley Heads Strategic Employment site to ensure the proposed 6,000 jobs are secured for the benefit of County Durham's economy. The report also proposed a strategy for the development of the site in a flexible manner, enabling a responsive approach to opportunities and changes within the marketplace.
31. In December 2018, Cabinet approved the principle of forming a regional adoption agency (RAA) comprising the areas of County Durham, Sunderland and Cumbria, and five voluntary adoption agencies in accordance with statutory requirements. The outline business case for the RAA was approved as well as a recommendation that Durham County Council should bid to become the host authority. The changes will result in fewer organisations operating at much greater scale in the recruitment of adopters.

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

#### **Developing the Council's capacity**

32. Inspiring Places, which is part of our [Transformation Programme](#), seeks to provide different types of flexible work spaces. Work areas will be paper-lite, which means digital records will replace paper records, where appropriate. Desk-based employees have access to software that allows them secure, remote access to the Council's computer systems, including from home.
33. 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.
34. The Council's Inspire Programme seeks to enable flexible working through digital and mobile technology, make our work spaces more cost effective and productive, and support collaboration between teams across the organisation. Several projects supporting these aims are either nearing completion or are well underway: -
- (a) A reform of business support services seeks to increase the use of digital solutions to create a more consistent service, improved management information and less labour-intensive administrative processes.
  - (b) A major upgrade to the email, calendar and related systems will deliver numerous benefits, including increased storage capacity, online collaborative working, reduced paper usage and improved data security.
  - (c) A comprehensive development plan for the Resourcelink computer system sets out priorities for streamlining and digitising transactional HR and payroll processes, leading to a reduction in back office administrative tasks. Employees have improved access to personal information, reducing the need for printing and posting documents.

- (d) The Council has commenced a programme examining how we can use business intelligence technologies and invest in skills to further automate processes, make more strategic use of our data and improve our analytical capacity.
35. 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.
36. The Head of People and Talent Management 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.
37. The Head of Digital and Customer Services plays a key role in leading the digital agenda and supporting the transformation journey, including Council wide provision and management of customer services.
38. The Head of Transformation leads the development and delivery of a comprehensive internal and external [Transformation Programme](#) as well as the cultural change programme.
39. 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](#). Members also participated in a visioning workshop to contribute to and shape the emerging vision.

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

40. 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.
41. The Council's Apprenticeship Strategy 2019 to 2022 is being delivered through the People and Talent Management service, which is working with service managers and maintained schools to identify opportunities for new and existing

employees to support workforce development and planning. By March 2019, there were 223 apprentices across a range of occupational areas and levels, and 160 employees were upskilling through an apprenticeship.

42. 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.
43. 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.
44. In consultation with leaders, managers and several employee focus groups, a Valuing Employees Framework has been developed for consideration and approval by CMT in April 2019. It will be communicated to all employees and aims to enhance the supportive working culture with the introduction of engagement and recognition initiatives, including long service awards.
45. The Council successfully achieved the bronze and silver National Better Health at Work award for its work on improving employee health and wellbeing, including awareness training for managers and training for approximately 160 mental health first aiders.
46. The Inspiring People Awards (formerly Great Staff, Great Stuff) reflect the aspirations of our Inspire [Transformation Programme](#). The scheme culminates in a celebration of the very best of our employees, teams and projects – those who are making a massive difference to residents and communities or who are delivering innovative projects and solutions to help both the council and our customers.

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

### **Managing risk**

47. 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 2018](#), [November 2018](#) and [February 2019](#). In September 2018, the Council received a [report from the Chairman of the Audit Committee](#) on its work between September 2017 and August 2018, and how the Committee continues to provide for good governance across the Council.

48. 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](#).
49. The referendum result in June 2016, in which the United Kingdom (UK) voted to leave the European Union (EU), created national uncertainty for the economy, safety and welfare and was compounded by protracted negotiations to secure a withdrawal agreement. An EU Exit Working Task & Finish Group was established, chaired by the Director of Transformation and Partnerships with representatives from all service groupings, reporting to Corporate Management Team. Taking account of a range of guidance from the government and professional bodies, the Group worked with key partners including the Local Resilience Forum, as well as key suppliers and service providers, to identify and minimise the impacts on council services and service users.
50. Several challenges and uncertainties lie ahead, and these are being monitored through the Council's strategic risk management reporting arrangements: -
- (a) The financial outlook for the council and the whole of local government remains extremely challenging.
  - (b) The implications of the UK leaving the European Union, including the position of EU citizens living in the UK and UK nationals living in the EU.
  - (c) Capacity issues caused by nationwide hard-to-recruit posts in children's social care.
  - (d) Funding pressures in adult social care.

## **Managing performance**

51. 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.
52. 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.

53. 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](#).
54. 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.
55. 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**

56. 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 2018](#), and in [February 2019](#).
57. Updated versions of the [Counter Fraud & Corruption Strategy and Fraud Response Plan](#), and the [Anti-Money Laundering Policy](#) were presented to Audit Committee in June and July 2018.

### **Managing data**

58. The designated Senior Information Risk Officer is the Director Transformation and Partnerships, and the designated Data Protection Officer is the Strategic Manager, Executive Support. 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 managed 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.

### **Strong public financial management**

59. 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.

60. In February 2019, an update was given to Audit Committee on the Council's [accounting policies](#) to be applied in the preparation of the 2018/19 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 2017/18](#)
- (b) [Final Outturn for the General Fund and Collection Fund 2017/18](#)
- (c) [Update on the delivery of Medium Term Financial Plan 7](#)
- (d) [Update on the delivery of the Medium Term Financial Plan 8](#)
- (e) [Report under Section 25 of Local Government Act 2003 - Reserves](#)

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

### **Implementing good practice in transparency**

61. The Council is committed to being open and transparent about how it works and how decisions are made. In line with the Local Government Transparency Code, information is published on a [transparency and accountability web page](#) about how money is spent, how services are purchased, land and assets owned, structures and salaries, and fraud. As required by law, the sum paid to each county councillor is also published. The Council has also been publishing open datasets through the [Data Mill North](#) website.

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

### **Implementing good practices in reporting**

63. 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 [the County Council](#).

64. The [Statement of Accounts 2017/18](#), incorporating the Annual Governance Statement, was approved by the Audit Committee in July 2018, 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.

65. 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 2018](#)
- (b) [Health and Wellbeing Board and Local Safeguarding Adults Board Annual Report 2017/18](#)
- (c) [Children and Young People's Services Annual Reports and Plans](#)

## **Assurance and effective accountability**

66. 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 2019. 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.
67. Revised versions of the [Internal Audit Strategy, Charter and Plan for 2019/20](#) were approved by Audit Committee in May 2019.
68. 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 Letter 2017/18](#)
  - (b) [External Audit, Audit Completion Report Year Ended 31 March 2018](#)
  - (c) [External Audit, Audit Strategy Memorandum, February 2019](#)

## **APPENDIX B: Update on improvements identified in the 2017/18 Annual Governance Statement**

Following the production of the Annual Governance Statement for 2017/18, eight improvement actions were identified for 2018/19.

<b>No.</b>	<b>Actions to be taken</b>	<b>Lead Officer</b>	<b>Update</b>
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).	Corporate Director, Regeneration and Local Services	Status: Ongoing, carried forward. The implementation of the action plan is progressing in an effective and timely manner in accordance with the timescales set out in the adopted Local Development Scheme. The next stage will be Submission of the Plan for examination by an independent inspector, which is on track for June 2019.
2	Develop a new council vision and a new Council Plan to replace the Council Plan 2016-19 (paragraph 22 & 23 – defining outcomes).	Head of Strategy	Status: Ongoing, carried forward. Following a significant public consultation exercise, a new draft vision document for the county is being developed for consultation during the Summer 2019, before final approval in September. A council plan and statutory plans like the Safe Durham Plan and the Joint Health and Wellbeing Strategy are being developed in parallel to our vision.
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).	Head of Partnerships and Community Engagement	Status: Complete. The Prevention Steering Group meets bi-monthly and its work is based around four key themes. The Mental Health Strategic Partnership Board action plan also incorporates much of the prevention agenda related to mental health.
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 – developing the Council's capacity through asset management).	Head of Planning and Assets	Status: Complete. Agreement as to the nature of the Corporate Landlord model for Durham has now been reached with CMT and members. Full Council have agreed the appointment of a new Head of Service to take forward the new Corporate Property and Land Service. Recruitment is due to complete by the end of March with implementation of the new service due to start once a Head of Service is in place.

No.	Actions to be taken	Lead Officer	Update
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 – managing performance).	Director of Public Health & Head of Adult Care	Status: Complete. The County Durham Integrated Care Board meets regularly and is a well-established group.
6	Monitor the arrangements for payments to agency workers across the Council to ensure that they are effective (paragraph 58 - robust internal control).	Corporate Director, Resources	Status: Complete. Quarterly reports are presented to individual senior management teams and to Corporate Management Team. Compliance is monitored weekly (performance and chase up auto-approved expenditure, which has reduced as a consequence).
7	Ensure data protection changes including GDPR compliance are implemented (paragraph 59).	Head of Communications and Information Management	Status: Complete A cross-service working group of around 20 officers managed 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.
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).	Corporate Director, Children and Young People Services	Status; Ongoing, carried forward. The analysis of educational provision across the county was substantially complete by March 2019. A range of services, including Finance, Communications, Partnerships & Community Engagement, HR and Legal, supported and influenced the process. Several actions that feature in the strategic review are already in hand, with progress monitored by senior officers. Implementation of the remaining actions will be monitored by the MTFP and Financial Strategy Group for Education during 2019/20.

## **APPENDIX C: Proposed Governance Improvements required during 2019/20**

As a result of the review of governance arrangements, and the work of both internal and external audit, nine improvement actions have been identified to further strengthen governance arrangements in 2019/20. These are shown in the table below.

<b>No.</b>	<b>Actions to be taken</b>	<b>Links to the Local Code of Corporate Governance (ref)</b>	<b>Lead Officer</b>	<b>Timescale</b>
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).	Ensuring that members and staff demonstrate a strong commitment to the rule of the law and adhering to relevant laws and regulations. Ensuring fulfilment of responsibilities in accordance with legislative and regulatory requirements (4.14).	Corporate Director, Regeneration and Local Services	March 2020
2	Develop a new council vision and a new Council Plan to replace the Council Plan 2016-19 (brought forward).	Defining outcomes in terms of sustainable economic, social, and environmental benefits (4.26 – 4.29).	Head of Strategy	October 2019
3	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 (brought forward).	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	March 2020
4	Develop revised Children's Performance Management Framework.	Ensuring that service delivery is effectively monitored (4.52).	Head of Strategy/ Strategic Manager Safeguarding Professional Practice (CYPS)	June 2019
5	Implement and embed the new Corporate Property and Land Service, as approved by CMT and members, adopting the corporate landlord model.	Developing the Council's capacity through effective use of assets and improving the use of resources (4.37 – 4.38).	Head of Planning and Assets (ReaL)	March 2020

6	Prepare evidence base around major economic challenges that will influence the NE Local Industrial Strategy with a view to supporting the implementation of corporate priorities and the development of County Durham Industrial Strategy.	Decision makers receive objective and rigorous analysis of options, outcomes and risks, to secure best value (4.32).	Business Durham (ReaL)	March 2020
7	Undertake a review of governance arrangements of the County Durham Partnership.	Engaging effectively with institutional stakeholders and developing formal and informal partnerships (4.21).	Head of Partnerships and Community Engagement	December 2019
8	Review High Needs Special Educational Needs Provision (HN SEND), including development of a HN SEND Sustainability Plan, to bring this expenditure within Dedicated Schools Grant funding levels.	Improving the use of its resources to ensure that they are allocated in a way that realises outcomes effectively and efficiently (4.38)	Head of Education and Skills	March 2020
9	Review the arrangements in place to ensure the Council is discharging its sufficiency duty in relation to Looked After Children and responding to gaps in provision.	Ensuring that members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations (4.14).	Corporate Director, Children and Young People Services	April 2020

**Audit Committee**

**31 May 2019**

**Internal Audit Strategy, Charter and Plan 2019/2020**



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

**Electoral division(s) affected:**

Countywide.

**Purpose of the Report**

- 1 To submit the revised Internal Audit Strategy, Charter and Plan for 2019/2020 which are attached as Appendices 2, 3 and 4, for approval.

**Executive Summary**

- 2 Following the presentation of the first formal iteration of the Internal Audit Plan to the Audit Committee on 26 February 2019, this report sets out the proposed final version of the Internal Audit Plan for 2019/2020 and includes:
  - (a) The Internal Audit Strategy (Appendix 2);
  - (b) The Internal Audit Charter (Appendix 3);
  - (c) The Internal Audit Plan for 2019/20 (Appendix 4).

**Recommendation**

- 3 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 2019/20, as detailed in Appendix 4.

## **Background**

- 4 From April 2013, CIPFA and the Chartered Institute of Internal Auditors launched a common set of Public Sector Internal Audit Standards (PSIAS) to be adopted across the public sector. The PSIAS set out the standards for Internal Audit and have been adopted by the service in Durham.
- 5 The principles in the PSIAS are consistent with the previous CIPFA Code for Internal Audit that applied across Local Government. They include the need for 'risk based plans' to be developed for Internal Audit and for plans to receive input from management.
- 6 The Internal Audit Strategy, which has informed the development of the 2019/20 audit plan, has been reviewed and is included at Appendix 2.

## **Internal Audit Charter**

- 7 The Internal Audit Charter, as set out in Appendix 3, defines the Internal Audit Service's purpose, authority and responsibility. It establishes Internal Audit's position within the organisation, including the nature of the Chief Internal Auditor and Corporate Fraud Manager's functional reporting relationship with the Audit Committee; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the Internal Audit Charter resides with the Audit Committee.
- 8 A set of Core Principles are set out for the service, taken as a whole these articulate internal audit effectiveness. In order to be considered effective all of the principles should be present and operating:
  - (a) Demonstrates integrity;
  - (b) Demonstrates competence and due professional care;
  - (c) Is objective and free from undue influence (independent);
  - (d) Aligns with the strategies, objectives and risks of the organisation;
  - (e) Is appropriately positioned and adequately resourced;
  - (f) Communicates effectively;
  - (g) Provides risk-based assurance;
  - (h) Is insightful, proactive and future-focused;
  - (i) Promotes organisational improvement.

## **Preparation of the 2019 / 2020 Audit Plan**

- 9 The Emergent Internal Audit Plan was presented at the Audit Committee's meeting on 26 February 2019. 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 2019 to 31 March 2020.
- 10 The proposed Audit Plan for 2019/2020, attached at Appendix 4, includes provision for:
  - (a) Work started in 2018/2019 which was not complete by 31 March 2019;
  - (b) Work that was approved in the 2018/2019 audit plan but has been deferred and carried forward into 2019/2020 as previously agreed;
  - (c) Planned assurance work scheduled from the 5 year strategic audit plan;
  - (d) Annual due diligence on key systems and compliance with key corporate policies;
  - (e) Service requests identified through the consultation process with senior management;
  - (f) Grant certification work;
  - (g) Work by the Corporate Fraud Team to complete proactive counter fraud reviews aimed at detecting and preventing fraud in high risk areas;
  - (h) Corporate provision for reactive advice and consultancy work and new emerging risks, including any reactive fraud investigations and irregularities;
  - (i) Corporate provision for planning, quality assurance and reporting;
  - (j) 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:
  - (a) Financial Management Risks;
  - (b) Project Risks;
  - (c) Performance Management Risks;
  - (d) Partnership Risks;
  - (e) Human Resources Risks;
  - (f) IT and Information Governance Risks;
  - (g) Procurement and Contract Risks;
  - (h) Legal Risks;
  - (i) Service Specific Risks.
  
- 13 In evaluating the management of these risks, Internal Audit aims to help the achievement of corporate priorities and objectives by providing assurance on:
  - (a) The adequacy of risk identification, assessment and mitigation – including the adequacy and effectiveness of the strategic risk management process;
  - (b) The adequacy and application of controls to mitigate identified risk;
  - (c) The adequacy and extent of compliance with the Council's corporate governance framework;
  - (d) The extent of compliance with relevant legislation;

- (e) The extent to which the Council's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money;
  - (f) The quality and integrity of financial and other management information utilised within the Council.
- 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:
- (a) Inform the scope for audit;
  - (b) Identify and agree key service/system operational objectives;
  - (c) Assess and agree key risks;
  - (d) Identify and agree expected/existing key controls;
  - (e) Identify other key sources of assurance and what assurance they provide that risks are effectively managed;
  - (f) Identify key stakeholders/contacts and circulation list for report;
  - (g) Provide a mechanism for ongoing self-assessment post audit.
- 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 proactive 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 undertaken 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 the 2019 / 2020 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 4,631 days.
- 21 The audit days available to deliver the Council's Internal Audit Plan for 2019/20, based on actual staff in post, is illustrated in the following table:

Audit days required to complete and close audit reports relating to 2018/19	481
<b>Audit Plan 2019/2020</b>	
Adult and Health Services (AHS)	216
Children and Young People Service (CYPS)	208
Regeneration and Local Services (REAL)	291
Resources (RES)	306
Transformation and Partnerships (TAP)	63
Schools	340
Durham Police and Crime Commissioner / Durham Constabulary	158
Durham and Darlington Fire & Rescue Authority	71
Pension Fund	45
Durham Joint Crematorium	19
Mountsett Joint Crematorium	19
Peterlee Town Council	26
Spennymoor Town Council	23
Monk Hesledon Parish Council	2
Shotton Parish Council	1.5
Horden Parish Council	15
Trimdon Parish Council	2.5
Durham City Charter	6
Association of North East Councils	20
Livin – Counter Fraud	39
Karbon Homes – Counter Fraud	20
County Durham Housing Group – Counter Fraud	39
Gentoo – Counter Fraud	20
Fraud Investigations / Counter Fraud work	894
Productive Time – not allocable to services, e.g. Audit and Fraud Planning, Quality Assurance, Performance Management and Contingency	1,306
<b>TOTAL DAYS REQUIRED</b>	<b>4,631</b>

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.

### **Background papers**

- Public Sector Internal Audit Standards
- Strategic Internal Audit Plan

### **Other useful documents**

- None

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## **Appendix 1: Implications**

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### **Legal Implications**

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

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

### **Finance**

There are no direct financial implications associated with this report.

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

### **Consultation**

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

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

None.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

None.

### **Accommodation**

None.

## **Risk**

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

## **Procurement**

None.

## DURHAM COUNTY COUNCIL



### Internal Audit Strategy

#### 1. Introduction

- 1.1 The Internal Audit Strategy for 2019/2020 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 a core group member 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**

**May 2019**

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## 1. Introduction

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

## 2. Statutory Basis

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

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

- 2.2 The Public Sector Internal Audit Standards (PSIAS) and CIPFA’s Local Government Application Note (LGAN), which came into effect April 2013, constitute proper practices to satisfy the requirements for larger relevant local government bodies as set out in the Accounts and Audit Regulations 2015. The PSIAS were updated on 1 April 2017 and the charter has been updated to reflect these changes.
- 2.3 Section 151 of the Local Government Act 1972 states that every local authority should make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs (The Chief Financial Officer (CFO)). CIPFA has defined proper administration in that it should include, ‘compliance with the statutory requirements for accounts and internal audit’.
- 2.4 The CIPFA Statement on the Role of the Chief Financial Officer states that the CFO must:
- Ensure an effective internal audit function is resourced and maintained
  - Ensure that the authority has but in place effective arrangements for internal audit of the control environment
  - Support internal audit arrangements and
  - Ensure the audit committee receives the necessary advice and information so that both functions can operate effectively
- 2.4 This Internal Audit Charter recognises the mandatory nature of the PSIAS including the definition of Internal Auditing, the Mission of Internal Audit, the Code of Ethics and the Standards themselves.
- 2.5 As required by the PSIAS, this Charter defines the group or body determined to fulfil the roles and responsibilities of the ‘board ‘and ‘senior management’ for the purpose of internal audit activity, as referred to in the individual standards. These definitions are set out in Appendix C.

### **3. Definition**

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

### **4. Mission**

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

### **5. Code of Ethics**

- 5.1 Internal Auditors in the UK public sector organisations must conform to the Code of Ethics (the Code) as set out in the PSIAS. The Code applies to both individuals and entities that provide internal auditing services.

- 5.2 The Code consists of 4 principles that are relevant to the profession and practice of internal auditing and set out the rules of conduct that describe behaviour norms expected of internal auditors to guide their ethical conduct. The 4 principles are integrity, objectivity, confidentiality and competency.

- 5.3 Internal auditors must also have regard to the Committee on Standards in Public Life, "Seven Principles of Public Life", those being:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

### **6. Strategic Aims**

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

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

## 7. Objectives of Internal Audit

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

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

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

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

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

- Disclose any qualification to that opinion, together with the reasons for that qualification
- Present a summary of the audit work undertaken from which the opinion is derived, including reliance placed on the work of others
- Draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken to the work that was planned and summarise the performance of the internal audit service
- Present a statement on conformance with the PSIAS and the results of a Quality Assurance and Improvement Programme (QAIP) required by the PSIAS.

#### 7.5 Other objectives include:

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

## 8. Outcomes of Internal Audit

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

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

## 9. Independence, Objectivity and Authority

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

## 10. Scope of Audit Work

- 10.1 Internal Audit's role applies to all functions and services for which the Council is responsible, including those delivered by its partners where appropriate.
- 10.2 In addition to the regular review of all key systems of internal control which forms the majority of assurance work, Internal Audit will:
- Respond to requests for support, advice and guidance on implementing and/or improving best practice control procedures for current and new systems.
  - Promote the development and effective implementation of Control and Risk Self Assessments (CRSA) as outlined within the Audit Approach Section of this Charter.
  - Provide support, advice and guidance on risk and controls to staff involved in the design and implementation of new systems and processes.
  - Provide assistance on key projects, including attendance on project boards, and conduct specialist consultancy and value for money reviews. The scope of this work is agreed with management and is subject to having the necessary resources, skills and ensuring suitable assurance over Internal Audit's independence and objectivity. Any significant advice and consultancy work that may be considered to impact on the independence of the Internal Audit Service will be reported to the Audit Committee for approval.
  - Be alert in all its work to risks and exposure that could allow fraud or corruption to occur and to any indications that a fraudulent or corrupt practice may have been occurring
  - Review controls where a potential fraud has been detected/reported to provide assurance that the alleged fraudulent activity is unable to continue and to prevent a reoccurrence.
  - Determine the most appropriate course of action by which fraud and irregularities should be investigated in accordance with the Council's Counter Fraud and Corruption Policy.
- 10.3 It must be noted that whilst Internal Audit will promote the Council's Counter Fraud Policy to deter and prevent fraud, for example participating in the National Fraud Initiative, it does not have responsibility for the prevention and detection of fraud and corruption. Internal Audit cannot guarantee that fraud or corruption will be detected in its work. Managing the risk of fraud and corruption is the responsibility of all service managers.

## 11. Strategic Audit Planning

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

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

## **12. Annual Audit Plans**

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

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

## **13. Audit Approach**

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

### **Strategic Risk**

- 13.2 Reviews of strategic risks will provide assurance that:

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

### **Operational Risk**

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

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

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

## **14. Audit Reporting**

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

- 14.6 To assist managers in their response, the importance of findings/recommendations are categorised as High, Medium or Best Practice. Details of how the importance of audit findings is assessed leading to these recommendation rankings are given in Appendix A.
- 14.7 It is the responsibility of managers to address audit findings and implement audit recommendations or other agreed appropriate action, or accept the risk resulting from not taking action.
- 14.8 An overall opinion will be provided on each assurance audit review to help inform the overall opinion required to support the Council's Annual Governance Statement.
- 14.9 The determination of the audit assurance opinion is derived from the overall level of assurance on the effectiveness of controls operating in each specific area reviewed and is informed by the risk identified through recommendation rankings. Where a Limited Assurance opinion is given the control framework in place is considered to be ineffective and requires improvement to maintain an acceptable level of control. Further details of how assurance opinions are derived are given in Appendix A.
- 14.10 Management responses to recommendations made in draft reports will be incorporated into audit reports that will then be reissued as finals. Copies of all final reports are shared with the Council's External Auditor on request.
- 14.11 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:

Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager

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Mobile:

07900 701 932

Email:

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Address

Internal Audit and Risk Division  
Resources Directorate  
Durham County Council  
County Hall  
Durham  
DH1 5UE

## 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
<b>Critical</b>	<b>A finding that could have a:</b>
	<b>Critical</b> impact on operational performance (Significant disruption to service delivery)
	<b>Critical</b> monetary or financial statement impact (In excess of 5% of service income or expenditure budget )
	<b>Critical</b> 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)
	<b>Critical</b> impact on the reputation of the Council (Significant reputational damage with partners/central government and/or significant number of complaints from service users)
	<b>Critical</b> impact on the wellbeing of employees or the public (Loss of life/serious injury to employees or the public)
<b>Major</b>	<b>A finding that could have a:</b>
	<b>Major</b> impact on operational performance (Disruption to service delivery)
	<b>Major</b> monetary or financial statement impact (1-5% of service income or expenditure budget )
	<b>Major</b> 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)
	<b>Major</b> impact on the reputation of the service within the Council and/or complaints from service users
<b>Minor</b>	<b>A finding that could have a:</b>
	<b>Minor</b> impact on operational performance (Very little or no disruption to service delivery)
	<b>Minor</b> monetary or financial statement impact (less than 1% of service income or expenditure budget )
	<b>Minor</b> breach in internal policies and procedures (non compliance will have very little or no impact on operational performance, monetary of financial statement impact or reputation of the service)

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

**Overall Finding Rating**

This grid is used to determine the overall finding rating.

<b>LIKELIHOOD</b>			
Probable	M	H	H
Possible	L	M	H
Unlikely	L	L	M
	Minor	Major	Critical
	<b>IMPACT</b>		

**Priority of recommendations**

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

<b>High</b>	Action required, that is considered <b>imperative</b> , to improve the control environment so that objectives are not exposed to unacceptable risks through lack of or weaknesses in critical or key controls.
<b>Medium</b>	Action required to improve the control environment so that objectives are not exposed to risks through weaknesses in controls.
<b>Best Practice</b>	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:

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

**PERFORMANCE INDICATORS**

**APPENDIX B**

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<b>Efficiency</b>		
<b>Objective: To provide maximum assurance to inform the annual audit opinion</b>		
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>
Productive audit time achieved	% of planned productive time from original approved plan completed as at 31 <sup>st</sup> 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)
<b>Quality</b>		
<b>Objective: To ensure that the service is effective and adding value</b>		
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>
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	<b>Senior Management</b> and the <b>board</b> 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 <b>board</b> at least annually the organisational independence of the Internal Audit activity.</p> <p>The CAE must report functionality to the <b>board</b>. 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"> <li>• Approving the Internal Audit Charter</li> <li>• Approving the Risk Based Internal Audit Plan</li> <li>• *Approving the internal audit budget and resource plan</li> </ul>		<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><b>Note</b></p>

## DEFINITIONS UNDER PSIAS

## APPENDIX C

		<ul style="list-style-type: none"> <li>Receiving communications for the CAE on the internal audit activity's performance relative to its plan and other matters</li> <li>*Approving decisions regarding the appointment and removal of the CAE</li> <li>*Approving the remuneration of the CAE and</li> <li>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</li> </ul>		<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 <b>board</b> 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 <b>board</b> :		The Audit Committee
		<ul style="list-style-type: none"> <li>The form of external assessments</li> </ul>		

**DEFINITIONS UNDER PSIAS**

**APPENDIX C**

		<ul style="list-style-type: none"> <li>• The qualifications and independence of the external assessor or assessment, including any potential conflict of interests</li> </ul> <p>NB The Public Sector requirement of this standard states,</p> <p><b>“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”</b></p>		
1320	Reporting the results of QAIP	The CAE must communicate the results of the quality assurance and improvement programme to <b>senior management</b> and the <b>board</b> .	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 <b>board</b> 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 <b>senior management</b> and the <b>board</b> 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 <b>board</b>.</p>	CMT	The Audit Committee
2060	Reporting to Senior Management and the Board	The CAE must report periodically to <b>senior management</b> and the <b>board</b> on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must include significant risk exposures and control issues, including fraud risks governance issues and other matters needed or requested by senior management and the board.	CMT	The Audit Committee
2600	Communicating the Acceptance of Risk	When the CAE concludes that management has accepted a low level of risk that may be unacceptable to the organisation, the CAE must discuss the matter with <b>senior management</b> . If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the <b>board</b> .	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.**

## DURHAM COUNTY COUNCIL - INTERNAL AUDIT PLAN 2019 / 2020

Service Grouping	Audit Activity	Audit Type	Days
Adult and Health Services	Integration of Health and Care Plan for County Durham	Advice & Consultancy	4
Adult and Health Services	SSID Replacement - Project Board	Advice & Consultancy	5
Adult and Health Services	SSID Replacement - Workstream / Process Mapping	Advice & Consultancy	80
Adult and Health Services	Personalisation – Delivery of Services via the use of virtual budgets and through traditionally commissioning services	Assurance	15
Adult and Health Services	Commissioning of Learning Disability Services	Assurance	20
Adult and Health Services	Commissioning of Learning Disability Services - Advice	Advice & Consultancy	5
Adult and Health Services	Post Contract Arrangements	Assurance	20
Adult and Health Services	Commissioning of Mental Health Services	Assurance	20
Adult and Health Services	Commissioning of Residential & Domiciliary Care	Assurance	20
Adult and Health Services	Support to the DPH - Health Protection	Advice & Consultancy	5
Adult and Health Services	Stop Smoking Service	Advice & Consultancy	5
Adult and Health Services	Pharmoutcomes - Data Matching	Advice & Consultancy	2
Adult and Health Services	Suicide Early Alert	Advice & Consultancy	15
Children and Young People's Services	MTFP Arrangements	Assurance	10
Children and Young People's Services	Liquidlogic - Board Meetings	Advice & Consultancy	2
Children and Young People's Services	Liquidlogic: Phase 1 Implementation	Assurance	20
Children and Young People's Services	Liquidlogic: Phase 2 Implementation	Advice & Consultancy	20
Children and Young People's Services	Contract Monitoring Arrangements - External Foster Carer Payments	Assurance	20
Children and Young People's Services	Supervised Spend - Leaving Care Service	Advice & Consultancy	5
Children and Young People's Services	First Contact Service - Data Protection Issues	Assurance	15
Children and Young People's Services	Home to School Transport Arrangements	Assurance	20
Children and Young People's Services	Special Guardianships and Child Arrangement Orders	Assurance	10
Children and Young People's Services	Children's Homes	Assurance	8
Children and Young People's Services	Children's Centres and Hubs	Assurance	8
Children and Young People's Services	Troubled Families Programme	Grant Certification	8
Children and Young People's Services	School Attendance Enforcement	Assurance	5
Children and Young People's Services	Durham Works	Advice & Consultancy	10
Children and Young People's Services	Adult Learning Services	Assurance	10
Children and Young People's Services	SFVS	Assurance	10
Children and Young People's Services	Governor Training • Internal Audit Role in Supporting Schools • Schools Financial Value Standard – The Governors Role	Advice & Consultancy	6
Children and Young People's Services	SBM Training	Advice & Consultancy	3
Children and Young People's Services	Headteacher Group	Advice & Consultancy	1
Children and Young People's Services	School User Provider Group	Advice & Consultancy	1
Children and Young People's Services	Developing Financial Management Standards in Durham Schools	Advice & Consultancy	3
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	Capital Programme Management	Assurance	15
Regeneration and Local Services	Carbon Reduction Commitment	Grant	4

Service Grouping	Audit Activity	Audit Type	Days
Regeneration and Local Services	Utility Bills - Contract Management	Assurance	10
Regeneration and Local Services	LoCarbo	Grant	5
Regeneration and Local Services	Rebus	Grant	5
Regeneration and Local Services	Atlantic Geoparks	Grant	5
Regeneration and Local Services	Carbon Connects	Grant	10
Regeneration and Local Services	SMEPower	Grant	5
Regeneration and Local Services	Stephanie	Grant	10
Regeneration and Local Services	Housing Solutions	Assurance	10
Regeneration and Local Services	Disabled Facilities Grant	Grant	6
Regeneration and Local Services	Bishop Auckland Heritage Action Zone	Grant	2
Regeneration and Local Services	Online Licence Applications	Assurance	7
Regeneration and Local Services	Fair Trading - Consumer Complaints	Assurance	7
Regeneration and Local Services	Fees and Charges	Advice and Consultancy	7
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	Park and Ride	Assurance	10
Regeneration and Local Services	Concessionary Fares	Assurance	10
Regeneration and Local Services	Public Health Funerals	Assurance	10
Regeneration and Local Services	Neighbourhood Wardens - Enforcement and Education	Assurance	10
Regeneration and Local Services	Driver Checks	Assurance	7
Regeneration and Local Services	Fuel Stocks and Stores	Assurance	20
Regeneration and Local Services	Rolling Programme of Leisure Centres (Abbey, Meadowfield and Riverside)	Assurance	35
Regeneration and Local Services	Compliance with new Leisure Centre procedures on holidays and TOIL	Assurance	8
Regeneration and Local Services	New system for 'Learn to Swim'	Advice and Consultancy	5
Regeneration and Local Services	Competition Line UK Income Share Agreement	Assurance	5
Regeneration and Local Services	Stanley Bowls	Advice and Consultancy	1
Regeneration and Local Services	CDM Compliance - Review of Self Assessment	Assurance	5
Regeneration and Local Services	Charging Arrangements	Advice and Consultancy	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
Regeneration and Local Services	Highways Capital Maintenance Programme	Advice and Consultancy	10
Resources	Members Expenses	Assurance	10
Resources	RIPA Officers Group (Steven's time is in the Fraud Plan)	Advice and Consultancy	1
Resources	Scheme of Delegation	Assurance	10
Resources	Tender Opening Arrangements	Assurance	5
Resources	Capital Accounting	Assurance	10
Resources	Property Investment Fund	Advice and Consultancy	5
Resources	Contract Management	Assurance	15
Resources	Off Contract Spend	Assurance	15
Resources	Electrical Components Contract	Assurance	7
Resources	Oracle Programme Board	Advice and Consultancy	2

Service Grouping	Audit Activity	Audit Type	Days
Resources	Disciplinary Policy	Assurance	5
Resources	Service Level Agreements Board (SLAB)	Advice and Consultancy	2
Resources	Service Level Agreements Board (SLAB) - Tendering Workstream	Advice and Consultancy	1
Resources	Section 256 Agreements	Advice and Consultancy	10
Resources	Creditors	Key System	1
Resources	Creditors - National Fraud Initiative	Key System	10
Resources	Creditors - Supplier Masterfile	Key System	6
Resources	Creditors - Invoice and PO authorisation	Key System	10
Resources	Creditors - Receipting of Goods	Key System	10
Resources	Procurement Cards	Assurance	10
Resources	Work Stream on Petty Cash and Payment Cards	Advice and Consultancy	10
Resources	P2P Performance and Improvement Project	Advice and Consultancy	4
Resources	Better Care Fund and Improved Better Care Fund (Section 75)	Assurance	5
Resources	Payroll	Key System	1
Resources	Payroll - Access to Data and Records	Key System	10
Resources	Payroll - Preparation and Corrections	Key System	10
Resources	Payroll - System Implementation	Advice and Consultancy	10
Resources	Cash Management	Key System	10
Resources	Debtors	Key System	20
Resources	Debtors Working Group	Advice and Consultancy	2
Resources	Financial Deputies	Assurance	10
Resources	Deputy and Appointee Team - Working Group	Advice and Consultancy	5
Resources	Deputy and Appointee Team - Personal Allowance Payments	Assurance	15
Resources	Change Management	Assurance	8
Resources	Problem Management	Assurance	8
Resources	Office 365	Assurance	10
Resources	IT Governance	Assurance	8
Resources	ICT Purchasing	Assurance	8
Resources	Resources Digital Group	Advice and Consultancy	5
Resources	Digital Durham	Grant	2
Transformation and Partnerships	Policy on Advertising and Sponsorship	Advice and Consultancy	3
Transformation and Partnerships	Social Media Strategy	Advice and Consultancy	3
Transformation and Partnerships	Data Quality - System Process Review	Assurance	15
Transformation and Partnerships	Community Grants Sample	Assurance	6
Transformation and Partnerships	Community Grants - Monitoring Arrangements	Advice and Consultancy	8
Transformation and Partnerships	Transformation	Advice and Consultancy	5
Transformation and Partnerships	Business Support Process Reviews	Advice and Consultancy	3
Transformation and Partnerships	GDPR compliance	Assurance	10
Transformation and Partnerships	Freedom of Information (FOI)	Assurance	7
Transformation and Partnerships	Information Governance Group	Advice and Consultancy	3

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**Audit Committee****31 May 2019****Review of the Audit Committee Terms of Reference and Self-Assessment of Effectiveness****Report of Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager****Electoral division(s) affected:**

Countywide.

**Purpose of the Report**

- 1 To present to members the with the amended Terms of Reference for the Audit Committee for approval.
- 2 Members are also presented with the completed self-assessment of good practice checklist and the Evaluation of Effectiveness of the Audit Committee as prescribed by CIPFA in their document Audit Committees: Practical Guidance for Local Authorities and Police.

**Executive Summary**

- 3 The CIPFA Publication – Practical Guidance for Local Authorities and Police 2018 Edition sets out its guidance on the function and operation of audit committees in local authorities and police bodies and represents CIPFA’s view of best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales.
- 4 Audit Committees are a key component of an authority’s governance framework and provide an independent and high-level resource to support governance and strong public financial management.
- 5 The Committee at its meeting on 26 February 2019 were furnished with a copy of the publication and agreed that the Committees terms of refence would be update in line with the new guidance.
- 6 In addition the guidance required that the Committee complete a self-assessment against the good practice guidance which has been completed in Appendix 3 of this report and evaluate its effectiveness which has been completed in draft at Appendix 4.

- 7 As a result of the self-assessment and evaluation of effectiveness, no significant gaps have been identified however each member of the committee is requested to complete an assessment of core knowledge and skills to ensure the Committee is as effective as possible and identify any future training needs. The assessment is attached at Appendix 5.

## **Recommendation**

- 8 Members are asked to:
- a) Agree the changes to the Committee's Terms of Reference incorporating CIPFA's model Terms of Reference defined in the Practical Guidance for Local Authorities 2018 set out at Appendix 2;
  - b) Recommend that the Council adopt the amended Terms of Reference and delegates authority to the Head of Legal and Democratic Services to make the consequent amendments to the Constitution;
  - c) Note and comment on the Self-assessment of good practice for Audit Committees in Local Authorities illustrated in Appendix 3;
  - d) Note and comment on the evaluation of the effectiveness of the Audit Committee as provided in Appendix 4.
  - e) Complete the core knowledge and skills assessment at Appendix 5 and return it to the Chief Internal Auditor and Corporate Fraud Manager prior to the June meeting.

## **Background**

- 9 The Audit Committee has reviewed its arrangements against previous iterations of CIPFA audit committee guidance, with the most recent assessment taking place in 2013 (at the last release of CIPFA guidance). It is therefore timely that a further self-assessment against the 2018 edition is undertaken.

## **Background papers**

- Audit Committee Report (26 February 2019): Audit Committees: Practical Guidance for Local Authorities and Police 2018
- CIPFA Publication: Audit Committees Practical Guidance for Local Authorities and Police 2018

## **Other useful documents**

- None

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**Contact:** Paul Bradley

Tel: 03000 269645

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## **Appendix 1: Implications**

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### **Legal Implications**

There are no specific legal implications associated with this report. The Audit Committee contributes to the effective governance of the Council and provide relevant and appropriate challenge and oversight where necessary.

### **Finance**

There are no specific financial implications associated with this report. The Audit Committee has a clear terms of reference and directly effects and assists in improving value for money obtained, the probity and propriety of financial administration, and / or the management of operational and strategic risks.

### **Consultation**

Chair of the Audit Committee and Corporate Director of Resources

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

None.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

None.

### **Accommodation**

None.

### **Risk**

The key risk is that the Audit Committee does not continue to comply with relevant and up to date guidance and that its Terms of Reference are inappropriate in order to fulfil its role. To mitigate this risk, relevant updates are presented to the Committee as appropriate.

### **Procurement**

None.

## DURHAM COUNTY COUNCIL – AUDIT COMMITTEE

### TERMS OF REFERENCE

#### 1. Statement of Purpose

- 1.1 The Audit Committee is a key component of Durham County Council's corporate governance. It provides an independent and high-level focus on audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 1.2 The purpose of our Audit Committee is to provide independent assurance to Cabinet and Full Council over the;
  - a) Adequacy and effectiveness of the Council's governance arrangements, including the effectiveness of the risk management framework and the associated control environment.
  - b) Effective stewardship of public money and safeguarding the Council against losses due to fraud and corruption.
  - c) Financial reporting of the Council's Statement of Accounts ensuring that any issues arising from the process of drafting, auditing and certifying the Councils' annual accounts are dealt with properly.
- 1.3 It provides independent review of Durham County Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
- 1.4 It oversees Internal Audit and External Audit, helping to ensure efficient and effective assurance arrangements are in place.

#### 2. Authority and Governance

- 2.1 The Audit Committee reports to Full Council on audit and governance issues. It has delegated authority to approve the Annual Governance Statement and the Annual Audited Statement of Accounts. The Committee has access to other Committees e.g. Overview and Scrutiny, from which it can gain assurance on the adequacy and effectiveness of the Council's governance arrangements.

- 2.2 The Audit Committee has a reporting line to Cabinet and the Constitution Working Group and makes recommendations on improvements required to the Council's Corporate Governance arrangements. The Chair of the Audit Committee reports on the work undertaken by the Committee to Full Council.
- 2.3 To help maintain its independence, the Audit Committee has the right to meet privately with the External Auditor and the Chief Internal Auditor and Corporate Fraud Manager as considered necessary.
- 2.4 The Audit Committee can request employees, elected members, partners, contractors and the public to attend meetings in order to seek information and explanations as is considered necessary to fulfil its role.

### **3. Composition**

- 3.1 The membership of the Audit Committee shall comprise of nine Members of the Council and two co-opted non-voting members.
- 3.2 A quorum of three elected members (including the Chair or Vice Chair) is required for decisions of the Committee to be ratified.
- 3.3 The Chair of the Audit Committee will be independent of the Executive and will not be the chair of a Scrutiny Committee or the Standards Committee.

### **4. Terms of Reference**

#### **Governance, Risk and Control**

- 4.1. To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of corporate governance.
- 4.2 To review and endorse the Council's Local Code of Corporate Governance prior to consideration by the Constitutional Working Group and approval by Full Council.
- 4.3 To review and approve the Annual Governance Statement (AGS) and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk, management and control.

- 4.4 To consider the Council's arrangements to secure Value for Money and review assurances and assessments on the effectiveness of these arrangements.
- 4.5 To consider the Council's framework of assurance and ensure it adequately addresses the risks and priorities of the Council.
- 4.6 To monitor the effective development and operation of risk management in the Council.
- 4.7 To monitor progress in addressing risk-related issues reported to the Committee.
- 4.8 To consider reports on the Council's Health, Safety and Wellbeing performance and receiving assurance from management that the Council is not exposed to significant risk.
- 4.9 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 4.10 To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- 4.11 To monitor the counter-fraud strategy, actions and resources.
- 4.12 To review the governance and assurance arrangements for significant partnerships or collaborations.

### **Internal Audit**

- 4.13 To approve the Internal Audit Strategy and Charter.
- 4.14 To approve the risk-based Internal Audit Plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 4.15 To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements.
- 4.16 To make appropriate enquiries of both management and the Chief Internal Auditor and Corporate Fraud Manager to determine if there are any inappropriate scope or resource limitations.

- 4.17 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of Internal Auditing of the Chief Internal Auditor and Corporate Fraud Manager. To approve and periodically review safeguards to limit such impairments.
- 4.18 To consider reports from the Chief Internal Auditor and Corporate Fraud Manager on Internal Audit's performance during the year. These will include;
- a) Updates on the work of Internal Audit including key findings, issues of concern and action in hand as a result of Internal Audit work.
  - b) Regular reports on the results of the Quality Assurance and Improvement Programme (QAIP).
  - c) Reports on instances where the Internal Audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough that it must be included in the AGS.
- 4.19 To consider the Chief Internal Auditor and Corporate Fraud Manger's annual report;
- a) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of Internal Audit.
  - b) The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion.
- 4.20 To consider summaries of specific Internal Audit reports as requested.
- 4.21 To receive reports outlining the action taken where the Chief Internal Auditor and Corporate Fraud Manager has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 4.22 To contribute to the QAIP and in particular, to the external quality assessment of Internal Audit that takes place at least once every five years.
- 4.23 To consider a report on the effectiveness of Internal Audit to support the AGS, where required to do so by the Accounts and Audit Regulations.

- 4.24 To provide free and unfettered access to the Audit Committee Chair for the Chief Internal Auditor and Corporate Fraud Manager, including the opportunity for a private meeting with the committee.

### **Counter Fraud and Corruption**

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

### **External Audit**

- 4.33 To support the independence of External Audit through consideration of the External Auditor's annual assessment of its independence and review any issues raised by Public Sector Audit Appointments (PSAA).
- 4.34 To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
- 4.35 To consider specific reports as agreed with the External Auditor.
- 4.36 To comment on the scope and depth of External Audit work and to ensure it gives value for money.
- 4.37 To commission work from Internal and External Audit.
- 4.38 To advise and recommend on the effectiveness of relationships between External and Internal Audit and other inspection agencies or relevant bodies.

## **Financial Reporting**

- 4.39 To approve accounting policies, the approach to accounting estimates and the 'going concern' assertion.
- 4.40 To review the Annual Outturn Report and Treasury Management Outturn Report to consider how they might impact on the statement of accounts.
- 4.41 To review and approve the annual statement of accounts. Specifically, to consider whether appropriate policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 4.42 To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

## **Accountability Arrangements**

- 4.43 To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- 4.44 To report to Full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purposes.
- 4.45 To publish an annual report on the work of the committee.

## **5. Meetings**

- 5.1 The Audit Committee will meet at least four times a year. Meetings will be open to the public, but they may be excluded where information of an exempt or confidential nature is being discussed.
- 5.2 In order to maintain independence, the Chief Internal Auditor and Corporate Fraud Manager is the nominated lead officer for the Committee and will hold pre-agenda meetings with the Chair and Vice-Chair and will attend every meeting (or arrange a deputy).
- 5.3 The Corporate Director of Resources (Section 151 Officer) and the Head of Legal and Democratic Services (Monitoring Officer) as statutory officers are key to the Council's corporate governance and either they or a nominated deputy will attend each meeting.

- 5.4 A standard item will be added to each committee agenda for the Committee to be given the opportunity to discuss any exceptional items in private at the end of the meeting with Internal and External Audit.

# Page 92 Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Good practice questions		Yes	Partly	No	Comments
<b>Audit committee purpose and governance</b>					
1	Does the authority have a dedicated audit committee?	X			
2	Does the audit committee report directly to full council?	X			
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's position statement?	X			
4	Is the role and purpose of the audit committee understood and accepted across the authority?	X			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	X			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	X			
<b>Functions of the committee</b>					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
	■ good governance	X			
	■ assurance framework, including partnerships and collaboration arrangements	X			

Good practice questions		Yes	Partly	No	Comments
	■ internal audit	X			
	■ external audit	X			
	■ financial reporting	X			
	■ risk management	X			
	■ value for money or best value	X			
	■ counter fraud and corruption	X			
	■ supporting the ethical framework	X			
8	Is an evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	X			
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	X			
10	Where coverage of core areas has been found to be limited, are plans in place to address this?			X	No issues with coverage of core areas
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	X			
12	Has an effective audit committee structure and composition of the committee been selected? This should include ■ seperation from the executive ■ an appropriate mix of knowledge and skills among the membership ■ a size of committee that is not unwieldy ■ consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)	X X X X			

Good practice questions	Yes	Partly	No	Comments
13 Have independent members appointment to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?	X			
14 Does the chair of the committee have appropriate knowledge and skills?	X			
15 Are arrangements in place to support the committee with briefings and training?	X			
16 Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			X	Members requested to complete skills framework document
17 Does the committee have good working relationships with key people and organisations, including external audit, internal audit and the CFO?	X			
18 Is adequate secretariat and administrative support to the committee provided?	X			
<b>Effectiveness of the committee</b>				
19 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		X		Report issued to Council annually. Verbal feedback is received. Comments minuted in Council meeting records.
20 Are meetings effective with a good level of discussion and engagement from all the members?	X			
21 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	X			
22 Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	X			
23 Has the committee evaluated whether and how it is adding value to the organisation?	X			Evaluation of effectiveness also attached to this report.

Good practice questions		Yes	Partly	No	Comments
24	Does the committee have an action plan to improve any areas of weakness?		X		
25	Does the committee publish an annual report to account for its performance and explain its work?	X			

# Evaluating the effectiveness of the the audit committee

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## Assessment key

- |   |  |
|---|--|
| 5 | Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable. |
| 4 | Clear evidence from some sources that the committee is actively and effectively supporting improvements across some aspects of this area.  |
| 3 | The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.                    |
| 2 | There is some evidence that the committee has supported improvements, but the impact of this support is limited.   |
| 1 | No evidence can be found that the audit committee has supported improvements in this area.   |

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 - 1 See key above
Promoting the principles of good governance and their application to decision making	<ul style="list-style-type: none"> <li>■ Supporting the development of a local code of governance</li> <li>■ Providing robust review of the AGS and the assurances underpinning it</li> <li>■ Working with key members to improve their understanding of the AGS and their contribution to it</li> <li>■ Supporting reviews/audits of governance arrangements</li> <li>■ Participating in self-assessments of governance arrangements</li> <li>■ Working with partner audit committees to review governance arrangements in partnerships</li> </ul>	The local code of governance is reviewed at Audit Committee. The AGS is also reviewed in draft prior to its inclusion in the Statement of Accounts. Internal Audit reviews of governance arrangements are completed regularly as part of the risk based plan. No formal work with partner audit committees takes place.	4
Contributing to the development of an effective control environment	<ul style="list-style-type: none"> <li>■ Actively monitoring the implementation of recommendations from auditors</li> <li>■ Encouraging ownership of the internal control framework by appropriate managers</li> <li>■ Raising significant concerns over controls with appropriate senior managers</li> </ul>	Recommendations from auditors are monitored regularly. Managers are called as appropriate to discuss findings and recommendations with the Committee and significant concerns are raised with managers accordingly.	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 - 1 See key above
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<ul style="list-style-type: none"> <li>■ Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking</li> <li>■ Monitoring improvements</li> <li>■ Holding risk owners to account for major/strategic risks</li> </ul>	Risk management arrangements are reviewed regularly and improvements in reporting have been made over the past 24 months in terms of transparency e.g. Emergent Risks and the timeliness of reporting.	4
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<ul style="list-style-type: none"> <li>■ Specifying its assurance needs, identifying gaps or overlaps in assurance</li> <li>■ Seeking to streamline assurance gathering and reporting</li> <li>■ Reviewing the effectiveness of assurance providers e.g. internal audit, risk management, external audit</li> </ul>	The local code of governance sets out where the committee will gather its assurance in terms of developing the Annual Governance Statement. Any gaps are identified at this stage. Wherever possible assurance is streamlined. The committee then review the effectiveness of assurance when reviewing the draft Annual Governance Statement prior to inclusion within the Statement of Accounts	5
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<ul style="list-style-type: none"> <li>■ Reviewing the audit charter and functional reporting arrangements</li> <li>■ Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements</li> <li>■ Actively supporting the quality assurance and improvement programme of internal audit</li> </ul>	The committee review the audit charter and strategy annually. The assessment of internal audit arrangements are reviewed annually and the last external assessment was completed in 2016 which was reported to the committee. The committee provide constructive challenge and support improvements, the quality assurance and improvement plan targets are reported quarterly in progress reports and in Internal Audit's annual report.	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 - 1 See key above
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance risk, control and assurance arrangements	<ul style="list-style-type: none"> <li>■ Reviewing how the governance arrangements support the achievement of sustainable outcomes</li> <li>■ Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place</li> <li>■ Reviewing the effectiveness of performance management arrangements</li> </ul>	<p>Governance arrangements are reviewed via the Annual Governance Statement Process. Sources of assurance include directors assurance statements and Internal Audit reviews. Major Projects are included in these areas and Internal Audit provide advice and consultancy by sitting on relevant project boards it is essential therefore that managers include Internal Audit on all major projects. Any governance issues would be picked up as part of their 'continuous audit' process. Performance Management is reviewed across the Internal Audit plan and reported on an annual basis. The audit is called Data Quality however testing exists in most audits to ensure performance management across the authority is robust.</p>	5
Supporting the development of robust arrangements for ensuring value for money	<ul style="list-style-type: none"> <li>■ Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee</li> <li>■ Considering how performance in value for money is evaluated as part of the AGS</li> </ul>	<p>Value for money is assessed by both Internal and External Audit. External Audit specifically deliver an assurance opinion on value for money as part of the annual audit process. This and Internal Audit's work throughout the year form part of the assurance for the AGS</p>	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 - 1 See key above
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	<ul style="list-style-type: none"> <li>■ Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)</li> <li>■ Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks</li> <li>■ Assessing the effectiveness of ethical governance arrangements for staff</li> </ul>	<p>The Council's Corporate Fraud team is seen as an exemplar nationally and the standards set out in the Code of Practice are fulfilled. The corporate fraud team report bi-annually and the effectiveness of the strategy is reviewed. The Corporate Fraud Team work closely with Internal Audit and any issues of ethical governance are promptly reported. The Chief Internal Auditor sees all customer complaints, HR reports (Grievance and Disciplinary) and whistleblowing referrals. In addition Internal Audit carry out periodic reviews of the Council's Gifts and Hospitality arrangement and complete the National Fraud Initiative checks on employees acting as directors of companies etc.</p>	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 - 1 See key above
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	<ul style="list-style-type: none"> <li>■ Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English</li> <li>■ Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency</li> <li>■ Publishing an annual report from the committee</li> </ul>	<p>The committee meets in public with only reports exempt from public discussion that are presented in private. Plain English is used throughout reports with jargon kept to a minimum. An annual report from the committee is published and presented at Full Council. Any decision made through partner organisations where there is an impact on the committee's business will be brought to the committee however at present there has not been a need for this to happen therefore can not be evidenced.</p>	4

# Audit Committee Members - knowledge and skills framework

## CORE AREAS OF KNOWLEDGE

Knowledge Area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Yes	No	Partly	Comments
Organisational knowledge	<ul style="list-style-type: none"> <li>■ An overview of the governance structures of the authority and decision-making processes</li> <li>■ Knowledge of the organisational objectives and major functions of the authority</li> </ul>	<ul style="list-style-type: none"> <li>■ This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers</li> </ul>				
Audit Committee role and functions	<ul style="list-style-type: none"> <li>■ An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements</li> <li>■ Knowledge of the purpose and role of the audit committee</li> </ul>	<ul style="list-style-type: none"> <li>■ This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others</li> </ul>				
Governance	<ul style="list-style-type: none"> <li>■ Knowledge of the seven principles of the CIPFA / SOLACE Framework and the requirements of the AGS</li> <li>■ Knowledge of the local code of governance</li> </ul>	<ul style="list-style-type: none"> <li>■ The committee will review the local code of governance and consider how governance arrangements align to the principles in the framework</li> <li>■ The committee will plan the assurances it is to receive in order to adequately support the AGS</li> <li>■ The committee will review the AGS and consider how the authority is meeting the principles of good governance</li> </ul>				

Knowledge Area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Yes	No	Partly	Comments
Internal Audit	<ul style="list-style-type: none"> <li>■ An awareness of the key principles of the PSAIA and the LGAN</li> <li>■ Knowledge of the arrangements for delivery of the Internal Audit service in the authority and how the role of the head of internal audit is fulfilled</li> </ul>	<ul style="list-style-type: none"> <li>■ The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards</li> <li>■ The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards</li> <li>■ In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed</li> <li>■ The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan.</li> </ul>				
Financial management and accounting	<ul style="list-style-type: none"> <li>■ Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them</li> <li>■ Understanding of good financial management principles</li> <li>■ Knowledge of how the organisation meets the requirements of the role of the CFO, as required by <a href="#">The Role of the Chief Financial Officer in Local Government</a> (CIPFA 2016).</li> </ul>	<ul style="list-style-type: none"> <li>■ Reviewing the financial statements prior to publication, asking questions</li> <li>■ Receiving the external audit report and opinion on the financial audit</li> <li>■ Reviewing both external and internal audit recommendations relating to financial management controls</li> <li>■ The audit committee should consider the role of the CFO and how this is met when reviewing the AGS</li> </ul>				

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Knowledge Area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Yes	No	Partly	Comments
External audit	<ul style="list-style-type: none"> <li>■ Knowledge of the role and functions of the external auditor and who currently undertakes this role</li> <li>■ Knowledge of the key reports and assurances that external audit will provide</li> <li>■ Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken</li> </ul>	<ul style="list-style-type: none"> <li>■ The audit committee should meet with the external auditor regularly and receive their reports and opinions</li> <li>■ Monitoring external audit recommendations and maximising benefit from audit process</li> <li>■ The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service</li> </ul>				
Risk Management	<ul style="list-style-type: none"> <li>■ Understanding of the principles of risk management, including linkage to good governance and decision making</li> <li>■ Knowledge of the risk management policy and strategy of the organisation</li> <li>■ Understanding of risk governance arrangements, including the role of members and of the audit committee</li> </ul>	<ul style="list-style-type: none"> <li>■ In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces</li> <li>■ Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically risk registers will be used to inform the committee</li> <li>■ The committee should also review reports and action plans to develop the application of risk management practice</li> </ul>				

Knowledge Area	Details of core knowledge required	How the audit committee member is able to apply the knowledge	Yes	No	Partly	Comments
Counter Fraud	<ul style="list-style-type: none"> <li>■ An understanding of the main areas of fraud and corruption risk to which the organisation is exposed</li> <li>■ Knowledge of the principles of good fraud risk management practice in accordance with the <a href="#">Code of Practice on Managing the Risk of Fraud and Corruption</a> (CIPFA, 2014)</li> <li>■ Knowledge of the organisation's arrangements for tackling fraud</li> </ul>	<ul style="list-style-type: none"> <li>■ Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy</li> <li>■ An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment</li> </ul>				
Values of good governance	<ul style="list-style-type: none"> <li>■ Knowledge of the Seven Principles of Public Life</li> <li>■ Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff</li> <li>■ Knowledge of the whistleblowing arrangements in the authority</li> </ul>	<ul style="list-style-type: none"> <li>■ The audit committee member will draw on this knowledge when reviewing governance issues and the AGS</li> <li>■ Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported</li> </ul>				

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## CORE SKILLS

Skills	Key Elements	How the audit committee member is able to apply the skill	Yes	No	Partly	Comments
Strategic thinking and understanding of materiality	<ul style="list-style-type: none"> <li>■ Able to focus on material issues and overall position, rather than being side tracked by detail</li> </ul>	<ul style="list-style-type: none"> <li>■ When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail</li> </ul>				
Questioning and constructive challenge	<ul style="list-style-type: none"> <li>■ Able to frame questions that draw out relevant facts and explanations</li> <li>■ Challenging performance and seeking explanations while avoiding hostility or grandstanding</li> </ul>	<ul style="list-style-type: none"> <li>■ The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weakness and ensure a solution is found</li> </ul>				
Focus on improvement	<ul style="list-style-type: none"> <li>■ Ensuring there is a clear plan of action and allocation of responsibility</li> </ul>	<ul style="list-style-type: none"> <li>■ The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities</li> <li>■ Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken</li> </ul>				
Able to balance practicality against theory	<ul style="list-style-type: none"> <li>■ Able to understand the practical implications of recommendations to understand how they might work in practice</li> </ul>	<ul style="list-style-type: none"> <li>■ The audit committee should seek assurances that planned actions are practical and realistic</li> </ul>				

Skills	Key Elements	How the audit committee member is able to apply the skill	Yes	No	Partly	Comments
Clear communication skills and focus on the needs of users	<ul style="list-style-type: none"> <li>Support the use of plain English in communications, avoiding jargon, acronyms, etc.</li> </ul>	<ul style="list-style-type: none"> <li>The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience</li> </ul>				
Objectivity	<ul style="list-style-type: none"> <li>Evaluate information on the basis of evidence presented and avoiding bias or subjectivity</li> </ul>	<ul style="list-style-type: none"> <li>The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views</li> </ul>				
Meeting management skills	<ul style="list-style-type: none"> <li>Chair the meeting effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting</li> </ul>	<ul style="list-style-type: none"> <li>These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members</li> </ul>				

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**Audit Committee**

**31 May 2019**

**Internal Audit Progress Report Period  
Ended 31 March 2019**



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

**Electoral division(s) affected:**

Countywide.

**Purpose of the Report**

- 1 To inform Members of the work that has been carried out by Internal Audit during the period 1 April 2018 to 31 March 2019 as part of the 2018/2019 Internal Audit Plan.

**Executive Summary**

- 2 The report provides Members with the progress that has been made in achieving the Internal Audit Plan for 2018/2019 up to 31 March 2019 and aims to:
  - (a) Provide a high level of assurance, or otherwise, on internal controls operating across the Council that have been subject to an Internal Audit of systems and processes;
  - (b) Advise of 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 31 March 2019;
  - (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.

### **Recommendations**

- 4 Members are asked to note:
- (a) The amendments made to the 2018/19 Annual Internal Audit Plan;
  - (b) The work undertaken by Internal Audit during the period ending 31 March 2019;
  - (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.

## Background

- 5 As an independent consultancy service, the Council's Internal Audit Team strives to continue to add value and improve the organisation's operations as well as providing objective assurance to service managers and the Council.
- 6 The Internal Audit Strategy and Annual Internal Audit Plan, covering the period 1 April 2018 to 31 March 2019, was approved by the Audit Committee on 01 June 2018.

## Progress against the Internal Audit Plan

- 7 A summary of the approved Internal Audit Plan for each Service Grouping, updated to include work in progress and any audits brought forward from last year's plan, is attached at Appendix 2. The appendix illustrates the status of each audit as at 31 March 2019 and, where applicable, also gives the resultant assurance opinion.
- 8 A summary of the status of audits in 2018/19 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)	0	0	3	0	15
Children and Young People's Services (CYPS) *Excluding Schools	1	0	4	0	30
Regeneration and Local Services (REAL)	2	6	10	2	35
Resources (RES)	0	17	20	6	64
Schools	0	6	3	6	80
Transformation and Partnerships (TAP)	0	0	0	0	8
<b>TOTAL</b>	<b>3</b>	<b>29</b>	<b>40</b>	<b>14</b>	<b>232</b>

- 9 A summary of the final internal audit reports issued in this quarter is presented in Appendix 3.
- 10 The total number of productive Internal Audit days required to deliver the plan is 4,367. As at 31 March 2019, the service had delivered 4,180 productive days, representing 95% of the total plan. The target at the end of the quarter was for 90% to be delivered, therefore performance has achieved the target.

## Internal Audit activity in the quarter

### Amendments to the Approved 2018/2019 Internal Audit Plan

- 11 The following 15 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)	Continuing Health Care	Assurance	Area currently subject to business process review as part of the Azeus implementation.
Adult and Health Services (AHS)	Social Care Direct	Advice and consultancy	Area currently subject to business process review as part of the Azeus implementation.
Adult and Health Services (AHS)	Review of Section 117 Process	Assurance	Area currently subject to business process review as part of the Azeus implementation.
Adult and Health Services (AHS)	Suicide Early Alert System	Advice and consultancy	Agreed with the service that this activity would be delivered as part of the 2019/20 plan.
Children and Young People's Services (CYPS)	Schools - Safe Recruitment and Selection	Assurance	Resource available focused to review of High Needs Funding and delivery of school audit plan.
Children and Young People's Services (CYPS)	Award of additional pay in Schools	Assurance	Resource available focused to review of High Needs Funding and delivery of school audit plan.
Children and Young People's Services (CYPS)	Arrangements for the allocation of Pupil Premium Funding and its application in schools	Assurance	Resource available focused to review of High Needs Funding and delivery of school audit plan.
Children and Young People's Services (CYPS)	Adult Learning Service - Apprenticeship Programme	Advice and consultancy	Days reallocated to support review of Learning Working Earning Grant.
Regeneration and Local Services (REAL)	Leisure Centres - Timesheets	Follow Up	Cancelled, as scope included within the 2018/19 assurance review of Leisure Centre – Timesheets.
Resources (RES)	Network Folders Identity and Access Management	Assurance	Cancelled at request of service, as working group is to be set up to review the processes.
Resources (RES)	Medium Term Financial Plan	Assurance	Deferred to 2019/20 to align to arrangements for delivering MTFP savings.

Service Grouping	Audit	Audit Type	Reason
Resources (RES)	Payroll – Access to Data and Records	Assurance	Agreed with the service to defer the review to 2019/20.
Resources (RES)	Payroll – Preparation/Corrections	Assurance	Agreed with the service to defer the review to 2019/20.
Transformation and Partnerships (TAP)	GDPR compliance	Assurance	Agreed with the service to defer the review to 2019/20.
Transformation and Partnerships (TAP)	Data Quality – SEND review	Assurance	Deferred to assess the outcome of a separate audit of High Needs Budget which is currently in progress.

- 12 Two 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
Regeneration and Local Services (REAL)	Carbon Connects	Grant certification	Added at the request of the service.
Resources (RES)	Corporate Learning and Development	Advice and consultancy	Attendance at working group to review processes.

## Outstanding Management Responses to Draft Internal Audit Reports

- 13 There are no responses to draft internal audit reports overdue at the time of writing.

## Survey Response Rate

- 14 The table below sets out the response rate and average score, by Service Grouping, for the customer satisfaction surveys issued during the period up to 31 March 2019.

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Adult and Health Services (AHS)	2	2	100	4.3
Children and Young People's Services (CYPS) *Excluding Schools	7	5	71	4.6
Regeneration and Local Services (REAL)	18	16	89	4.7
Resources (RES)	53	49	92	4.6
Schools	68	47	69	4.8
Transformation and Partnerships (TAP)	4	3	75	4.5
<b>TOTAL</b>	<b>152</b>	<b>122</b>	<b>80</b>	<b>4.6</b>

## Responses to Internal Audit Findings and Recommendations

- 15 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.
- 16 A summary of progress on the actions due, implemented and overdue, as at 31 March 2019, 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)	109	102	7 (6%)	7	0
Children and Young People's Services (CYPS) [Excluding Schools]	174	168	6 (3%)	6	0
Regeneration and Local Services (REAL)	452	444	8 (2%)	8	0
Resources (RES)	311	297	14 (4%)	14	0
Transformation and Partnerships (TAP)	39	38	1 (3%)	1	0
<b>TOTAL</b>	<b>1085</b>	<b>*1049</b>	<b>36 (3%)</b>	<b>36</b>	<b>0</b>

\* Includes 11 high priority actions to be confirmed as implemented.

- 17 It is encouraging to note that, of the 1,085 actions due to be implemented, 1,049 (97%) have been implemented.
- 18 Details of the actions that are overdue, following their agreed original target dates, are included at Appendix 6.

### Limited Assurance Audit Opinions

- 19 There have been three 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	Three Primary Schools

- 20 Further detail of the findings from these audits is included within Appendix 7.

### Performance Indicators

- 21 A summary of actual performance, as at the end of March 2019, compared with our agreed targets, is detailed in Appendix 5.

### Background papers

- Specific Internal Audit reports issued and working papers.

### Other useful documents

- Previous Committee reports

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<b>Contact:</b>	Paul Bradley	Tel: 03000 269645
	Paul Monaghan	Tel: 03000 269662

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## **Appendix 1: Implications**

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### **Legal Implications**

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

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

### **Finance**

There are no direct financial implications associated with this report.

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

### **Consultation**

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

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

None.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

None.

### **Accommodation**

None.

## **Risk**

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

## **Procurement**

None.

## INTERNAL AUDIT PLAN PROGRESS AS AT 31 MARCH 2019

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
<b>2017 / 2018 Internal Audit Plan - Audits Brought Forward</b>					
Adult and Health Services	Adult Care	Notification of Service – Impact of Financial Assessment on Income Collection (RES)	Advice & Consultancy	In Progress	
Adult and Health Services	Adult Care	Continuing Health Care - Joint Funding Arrangements and Free Nursing Care	Assurance	Deferred to 2019/20	
Adult and Health Services	Adult Care	County Durham Care & Support Review	Advice & Consultancy	Complete	N/A
Adult and Health Services	Adult Care	Review of Operational Procedures in relation to Trinity Keys	Advice & Consultancy	Complete	N/A
Adult and Health Services	Commissioning	Creditors - Supplier Masterfile Commissioning - SSID Independent Sector Suppliers	Assurance	In Progress	
Adult and Health Services	Commissioning	Creditors - Supplier Masterfile Commissioning - SSID Independent Sector Suppliers	Advice & Consultancy	Final	N/A
Adult and Health Services	Commissioning	Approval and Payment of Commissioned Services within SEND (Approval and Payment)	Assurance	Cancelled	
Children and Young People's Services	Early Help, Assessment and Safeguarding	Review of the Petty Cash Arrangements across CYPS Locality Offices, One Point Hubs	Assurance	Final	Limited
Children and Young People's Services	Early Help, Assessment and Safeguarding	Special Guardianship and Child Arrangement Orders	Assurance	Deferred to 2019/20	
Children and Young People's Services	Early Help, Assessment and Safeguarding	Ferryhill Hub - (Establishment Core Financial Audit)	Assurance	Final	Moderate
Children and Young People's Services	Early Help, Assessment and Safeguarding	Section 17 Payments - Support to Service Workstream in Response to	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Early Help, Assessment and Safeguarding	Supervised Spend - Support to Service in Response to Recommendations	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Education Services	Youth Employment Initiative - Durham Works Participants Claim	Advice & Consultancy	Final	Substantial
Children and Young People's Services	Education Services	Approval and Payment of Commissioned Services within SEND	Assurance	Cancelled	
Children and Young People's Services	Education Services	Schools Financial Value Standard (SFVS)	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Education Services	Schools - Safe Recruitment and Selection	Assurance	Deferred to 2019/20	
Children and Young People's Services	Education Services	Award of additional pay in Schools	Assurance	Deferred to 2019/20	
Children and Young People's Services	Education Services	Arrangements for the allocation of SEN funding and its application in schools	Assurance	Cancelled	
Children and Young People's Services	Education Services	Arrangements for the allocation of Pupil Premium Funding and its application in schools	Assurance	Deferred to 2019/20	
Children and Young People's Services	Looked After Children and Care Leavers	Foster Carer Payments (Follow Up)	Follow Up	Final	N/A
Children and Young People's Services	Looked After Children and Care Leavers	Adoption Services	Assurance	Deferred to 2019/20	
Children and Young People's Services	Looked After Children and Care Leavers	West Rainton Children's Home (Establishment Audit)	Assurance	Final	Moderate
Children and Young People's Services	Looked After Children and Care Leavers	Park House (Establishment Audit)	Assurance	Final	Moderate
Children and Young People's Services	Looked After Children and Care Leavers	Aycliffe Secure Services Centre - Support in Service Response to Recommendations	Advice & Consultancy	Complete	N/A
Regeneration and Local Services	Planning & Assets	North Pennines AONB Partnership - Atlantic Geoparks 1	Grant	In Progress	
Regeneration and Local Services	Planning & Assets	Land Sales	Advice & Consultancy	Final	N/A
Regeneration and Local Services	Planning & Assets	Planning Applications	Assurance	Final	Substantial
Regeneration and Local Services	Planning & Assets	Asset Management - Final Accounts	Assurance	Final	Moderate
Regeneration and Local Services	Economic Development & Housing	Disabled Facilities Grant - VFM Review	Advice & Consultancy	Final	N/A
Regeneration and Local Services	Economic Development & Housing	New Homes Bonus - Affordable Homes	Advice & Consultancy	Final	N/A
Regeneration and Local Services	Economic Development & Housing	Choice Based Lettings	Assurance	Final	Substantial
Regeneration and Local Services	EHCP	Licensing Arrangements for Houses in Multiple occupations	Advice & Consultancy	Cancelled	
Regeneration and Local Services	Transport and Contract Services	Local Growth Fund - Forest Park	Grant	In Progress	
Regeneration and Local Services	Transport and Contract Services	Local Growth Fund - Bishop Auckland Market Place	Grant	In Progress	
Regeneration and Local Services	Transport and Contract Services	Transport Follow up	Assurance	Final	Moderate
Regeneration and Local Services	Direct Services	Fly Tipping	Assurance	Final	Moderate
Regeneration and Local Services	Direct Services	Fleet Management	Assurance	Final	Substantial
Regeneration and Local Services	Direct Services	Waste Transfer Station (Thornley) - Financial Procedures	Advice & Consultancy	Complete	N/A
Regeneration and Local Services	Direct Services	Durham Crematorium	Assurance	Final	Substantial
Regeneration and Local Services	Direct Services	Mountsett Crematorium	Assurance	Final	Substantial
Regeneration and Local Services	Direct Services	Bulky Goods Collections Service	Assurance	Final	Substantial
Regeneration and Local Services	Culture and Sport	Catering	Advice & Consultancy	Cancelled	
Regeneration and Local Services	Culture and Sport	Stanley Bowls	Advice & Consultancy	Final	N/A
Regeneration and Local Services	Culture and Sport	Leisureworks	Advice & Consultancy	Complete	N/A
Resources	Legal & Democratic Services	Electoral Services	Assurance	Final	Substantial
Resources	Legal & Democratic Services	Use of Social Media in Covert Investigations	Assurance	Final	Moderate
Resources	Corporate Finance and Commercial Services	Contract Register	Assurance	Final	Moderate
Resources	Corporate Finance and Commercial Services	Contract Management	Assurance	Final	Moderate
Resources	Corporate Finance and Commercial Services	Off Contract Spend	Assurance	Final	Moderate
Resources	Corporate Finance and Commercial Services	Procurement Cards (Follow Up)	Assurance	Final	Limited
Resources	Corporate Finance and Commercial Services	Treasury Management	Key System	Final	Substantial
Resources	Corporate Finance and Commercial Services	General Ledger	Key System	Final	Substantial
Resources	Corporate Finance and Commercial Services	Medium Term Financial Plan	Key System	Deferred to 2019/20	

INTERNAL AUDIT PLAN PROGRESS AS AT 31 MARCH 2019

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Corporate Finance and Commercial Services	VAT	Key System	Preparation	
Resources	Corporate Finance and Commercial Services	Health and Safety Training Requirements (Follow Up)	Follow Up	Final	N/A
Resources	People and Talent Management	Flexible Working - Variations to Contracts	Assurance	Final	Moderate
Resources	Finance and Transactional Services	Review of SLAs	Advice & Consultancy	Complete for 2018/19	N/A
Resources	Finance and Transactional Services	Council Tax	Key System	Final	Substantial
Resources	Finance and Transactional Services	Council Tax: Liability - Disabled Band Relief & Class U - Mental Impairments	Key System	Final	Substantial
Resources	Finance and Transactional Services	Council Tax: Refunds	Key System	Final	Substantial
Resources	Finance and Transactional Services	Council Tax: System Access	Key System	Final	Substantial
Resources	Finance and Transactional Services	Business Rates	Key System	Final	Substantial
Resources	Finance and Transactional Services	Business Rates - Valuation	Key System	Final	Substantial
Resources	Finance and Transactional Services	Business Rates - Liability inc reliefs & exemptions	Key System	Final	Substantial
Resources	Finance and Transactional Services	Business Rates - Refunds	Key System	Final	Substantial
Resources	Finance and Transactional Services	Business Rates - System Access	Key System	Final	Substantial
Resources	Finance and Transactional Services	Housing Benefits and Council Tax Reduction	Key System	Final	Substantial
Resources	Finance and Transactional Services	Housing and Council Tax Benefits: Assessment - New Claims & Change in	Key System	Final	Substantial
Resources	Finance and Transactional Services	Housing and Council Tax Benefits: Review Team - Assessment Reviews	Key System	Final	Substantial
Resources	Finance and Transactional Services	Housing & Council Tax Benefit - System Access	Key System	Final	Substantial
Resources	Finance and Transactional Services	Housing & Council Tax Benefit - Supported Accommodation	Key System	Final	Substantial
Resources	Finance and Transactional Services	Enforcement, including bailiffs arrangements	Assurance	Final	Substantial
Resources	Finance and Transactional Services	Creditor Payments	Key System	Final	Moderate
Resources	Finance and Transactional Services	Transparency Agenda - Interest on Late payments	Advice & Consultancy	Final	N/A
Resources	Finance and Transactional Services	Payroll	Key System	Final	Substantial
Resources	Finance and Transactional Services	Payroll - Starters & Leavers	Key System	Final	Substantial
Resources	Finance and Transactional Services	Payroll - Preparation - Temporary input	Key System	Final	Substantial
Resources	Finance and Transactional Services	Payroll - Preparation - Permanent input	Key System	Final	Substantial
Resources	Finance and Transactional Services	Debtors	Key System	Final	Moderate
Resources	Finance and Transactional Services	Debtors - Supporting Documentation (Commercial Rents)	Key System	Final	Moderate
Resources	Finance and Transactional Services	Debtors - Credit Notes & Write Offs (School Transport - Trade Waste - Works in Default)	Key System	Final	Moderate
Resources	Finance and Transactional Services	Debtors - Refunds	Key System	Final	Substantial
Resources	Finance and Transactional Services	Cash Management	Key System	Final	Moderate
Resources	Finance and Transactional Services	Cash Management - County Hall	Key System	Final	Moderate
Resources	Finance and Transactional Services	Cash Management - Dales Centre	Key System	Final	Moderate
Resources	Finance and Transactional Services	Section 256 agreements	Grant	Final	N/A
Resources	Digital and Customer Services	Mobile computing (Follow Up)	Follow Up	Final	N/A
Resources	Digital and Customer Services	Office 365	Advice & Consultancy	Complete	N/A
Resources	Digital and Customer Services	Business Continuity for ICT	Assurance	Final	Moderate
Resources	Digital and Customer Services	Information Security - Procurement	Assurance	Final	Moderate
Transformation and Partnerships	Communications and Information Management	Data Protection - Accessing External Databases	Assurance	Cancelled	
Transformation and Partnerships	Partnerships and Community Engagement	Community Buildings - Health and Safety Compliance	Assurance	Final	Moderate
Transformation and Partnerships	Partnerships and Community Engagement	Community Grants Sample	Assurance	Final	Moderate
<b>2018 / 2019 Internal Audit Plan</b>					
Adult and Health Services	Adult & Health Services	Integration of Health and Care Plan for County Durham	Advice & Consultancy	Complete	N/A
Adult and Health Services	Adult Care	Direct Payments	Assurance	Deferred to 2019/20	
Adult and Health Services	Adult Care	Direct Payment Cards	Advice & Consultancy	Complete	N/A
Adult and Health Services	Adult Care	Review of Section 117 Process	Assurance	Deferred to 2019/20	
Adult and Health Services	Adult Care	Social Care Direct	Assurance	Deferred to 2019/20	
Adult and Health Services	Adult Care	SSID Replacement	Advice & Consultancy	Complete	N/A
Adult and Health Services	CDCS	Supported Housing - Household A/Cs	Assurance	Final	Limited
Adult and Health Services	Commissioning	Commissioning of Learning Disability Services	Assurance	Deferred to 2019/20	
Adult and Health Services	Commissioning	Commissioning of Learning Disability Services - Advice	Advice & Consultancy	Deferred to 2019/20	
Adult and Health Services	Commissioning	Personalisation – Delivery of Services via the use of virtual budgets and through	Assurance	Deferred to 2019/20	
Adult and Health Services	Public Health	Support to the DPH - Health Protection	Advice & Consultancy	Complete	N/A

## INTERNAL AUDIT PLAN PROGRESS AS AT 31 MARCH 2019

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Adult and Health Services	Public Health	0-19 Health Visitor and School Nursing Service	Assurance	Final	Moderate
Adult and Health Services	Public Health	Pharmoutcomes - Data Matching	Advice & Consultancy	Complete	N/A
Adult and Health Services	Adult Care	Workforce Development Innovation Fund Claim 01	Fund Certification	Complete	N/A
Adult and Health Services	Adult Care	Workforce Development Innovation Fund Claim 02	Fund Certification	Complete	N/A
Adult and Health Services	Adult Care	Workforce Development Innovation Fund Claim 03	Fund Certification	Complete	N/A
Adult and Health Services	Adult Care	Development of a Direct Payment Audit Risk Tool	Advice & Consultancy	Complete	N/A
Adult and Health Services	Commissioning	Creditors Supplier Masterfile - Commissioning – Non-Residential Data Matching	Advice & Consultancy	Final	N/A
Adult and Health Services	Commissioning	High Needs Budget	Assurance	In Progress	
Adult and Health Services	Public Health	Suicide Early Alert System	Advice & Consultancy	Deferred to 2019/20	
Children and Young People's Services	Early Help, Assessment and Safeguarding	Children Safeguarding Governance Arrangements	Assurance (DAS)	Not Yet Started	
Children and Young People's Services	Early Help, Assessment and Safeguarding	Troubled Families Programme - Claim 01	Grant	Complete	N/A
Children and Young People's Services	Early Help, Assessment and Safeguarding	Troubled Families Programme - Claim 02	Grant	Complete	N/A
Children and Young People's Services	Early Help, Assessment and Safeguarding	Troubled Families Programme - Claim 03	Grant	Complete	N/A
Children and Young People's Services	Early Help, Assessment and Safeguarding	Troubled Families Programme - Claim 04	Grant	Complete	N/A
Children and Young People's Services	Early Help, Assessment and Safeguarding	Section 17 Payments Follow Up	Assurance	In Progress	
Children and Young People's Services	Early Help, Assessment and Safeguarding	Section 17 Payments	Assurance	Deferred to 2019/20	
Children and Young People's Services	Early Help, Assessment and Safeguarding	Childrens Centres and Hubs Establishment Review	Assurance	Deferred to 2019/20	
Children and Young People's Services	Early Help, Assessment and Safeguarding	Review of the Petty Cash Arrangements across CYPS Locality Offices, One Point Hubs	Assurance	Deferred to 2019/20	
Children and Young People's Services	Education	Youth Employment Initiative - Durham Works	Advice & Consultancy	Deferred to 2019/20	
Children and Young People's Services	Education	Youth Employment Initiative - Durham Works	Advice & Consultancy	Complete	
Children and Young People's Services	Education	Adult Learning Service	Assurance	Deferred to 2019/20	
Children and Young People's Services	Education - Schools	SFVS	Assurance	In Progress	
Children and Young People's Services	Education - Schools	Governor Training • Internal Audit Role in Supporting Schools • Schools Financial Value Standard – The Governors Role	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Education - Schools	SBM Training	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Education - Schools	Headteacher Group - Developing Financial Management Standards in Durham Schools	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Education - Schools	School User Provider Group	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Looked After Children and Care Leavers	Foster Carer Payments - Review of Procedures	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Looked After Children and Care Leavers	Children's Homes	Assurance	Deferred to 2019/20	
Children and Young People's Services	Looked After Children and Care Leavers	SSID Replacement: SSID Board	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Looked After Children and Care Leavers	SSID Replacement: Finance Workstream - processes linked to parallel run of data	Assurance	Complete	N/A
Children and Young People's Services	Looked After Children and Care Leavers	Aycliffe Secure Services Centre - Follow Up	Follow Up	Final	N/A
Children and Young People's Services	Locality and Operational Support	Caldicott Compliance	Assurance	In Progress	
Children and Young People's Services	Locality and Operational Support	Caldicott Group	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Education Services	School Programme (governance and financial management)	Assurance	21 Substantial 37 Moderate 6 Limited 16 N/A	
Children and Young People's Services	Education Services	School Follow Up of previous Limited Assurance Opinion Reports			
Children and Young People's Services	Education Services	Audit of School Voluntary Funds	Fund Certification	55 Complete	
Children and Young People's Services	Education Services	National College for Teaching and Leadership (NCTL) - Direct Salaried Grant	Grant Certification	Complete	N/A
Children and Young People's Services	Education Services	National College for Teaching and Leadership (NCTL) - Collaborative Fund Grant	Grant Certification	Complete	N/A
Children and Young People's Services	Education	Youth Employment Initiative - Arrangements for the provision of Petty Cash to DurhamWorks	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Education	Provision of Audit Training to DurhamWorks Employees	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Looked After Children and Care Leavers	Children's Homes - Staff Finance Training Support	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Education	Adult Learning Service - Apprenticeship Programme	Advice & Consultancy	Deferred to 2019/20	
Children and Young People's Services	Education	Learning Working Earning Grant	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Education	High Needs Budget	Assurance	In Progress	
Regeneration and Local Services	Planning & Assets	Carbon Reduction Commitment	Grant	Final	N/A
Regeneration and Local Services	Planning & Assets	LoCarbo 4	Grant	Final	N/A
Regeneration and Local Services	Planning & Assets	LoCarbo 5	Grant	Final	N/A
Regeneration and Local Services	Planning & Assets	Rebus 4	Grant	Final	N/A
Regeneration and Local Services	Planning & Assets	Rebus 5	Grant	Final	N/A
Regeneration and Local Services	Planning & Assets	Atlantic Geoparks 2	Grant	Not yet started	

INTERNAL AUDIT PLAN PROGRESS AS AT 31 MARCH 2019

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Regeneration and Local Services	Planning & Assets	Safety at Sports Grounds	Assurance	In Progress	
Regeneration and Local Services	Planning & Assets	Asset Valuation	Assurance	In Progress	
Regeneration and Local Services	Economic Development & Housing	Accommodation - Contract Management	Assurance	Not yet started	
Regeneration and Local Services	Economic Development & Housing	Business Durham	Assurance	Preparation	
Regeneration and Local Services	Economic Development & Housing	Stephanie 3	Grant	Final	N/A
Regeneration and Local Services	Economic Development & Housing	Stephanie 4	Grant	Final	N/A
Regeneration and Local Services	Economic Development & Housing	Financial Assistance Policy and Private Sector Housing	Assurance	Preparation	
Regeneration and Local Services	Economic Development & Housing	Disabled Facilities Grant	Grant	Final	N/A
Regeneration and Local Services	EHCP	Premises Requiring Alcohol License	Assurance	Final	Substantial
Regeneration and Local Services	Transport and Contract Services	Local Transport Capital Block Funding	Grant	Final	N/A
Regeneration and Local Services	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	Grant	Final	N/A
Regeneration and Local Services	Transport and Contract Services	Road Safety Capital Grant	Grant	In Progress	
Regeneration and Local Services	Transport and Contract Services	Transport - Safeguarding Arrangements	Assurance	Final	Substantial
Regeneration and Local Services	Direct Services	Durham Crematorium	Assurance (Joint Ctte)	Draft	
Regeneration and Local Services	Direct Services	Mounsett Crematorium	Assurance (Joint Ctte)	Draft	
Regeneration and Local Services	Direct Services	Facilities Management - Repairs and Maintenance	Advice & Consultancy	Preparation	
Regeneration and Local Services	Direct Services	Asbestos Management	Assurance	Final	Moderate
Regeneration and Local Services	Direct Services	Allotments - Follow Up (Deferred from 2017/18))	Assurance	In Progress	
Regeneration and Local Services	Direct Services	Single Use Plastics - Process Review	Advice & Consultancy	Preparation	
Regeneration and Local Services	Culture and Sport	Leisure Management System - Online Booking	Assurance	Cancelled	
Regeneration and Local Services	Culture and Sport	Rolling Programme of Leisure Centres - Louisa Centre	Assurance	In Progress	
Regeneration and Local Services	Culture and Sport	Rolling Programme of Leisure Centres - Consett	Assurance	In Progress	
Regeneration and Local Services	Culture and Sport	Leisure Centre Timesheets - Follow Up (Deferred from 2017/18)	Assurance	Cancelled	
Regeneration and Local Services	Culture and Sport	Leisure Centre Timesheets	Assurance	In Progress	
Regeneration and Local Services	Culture and Sport	Management of Gym Memberships	Assurance	Final	Moderate
Regeneration and Local Services	Culture and Sport	Library System	Advice & Consultancy	Cancelled	
Regeneration and Local Services	Culture and Sport	Consett Empire Theatre	Assurance	Final	Moderate
Regeneration and Local Services	Culture and Sport	Competition Line UK Income Share Agreement	Assurance	Final	Substantial
Regeneration and Local Services	Culture and Sport	Stanley Bowls	Advice & Consultancy	Preparation	
Regeneration and Local Services	Culture and Sport	Events Management	Assurance	Preparation	
Regeneration and Local Services	Culture and Sport	Car Parking (Riverside, Wharton Park and Hardwick Park)	Assurance	Cancelled	
Regeneration and Local Services	Technical Services	Local Highways Maintenance Funding - Incentive Element	Grant	Final	N/A
Regeneration and Local Services	Technical Services	Local Transport Capital Block Funding for NECA	Grant	Final	N/A
Regeneration and Local Services	Technical Services	Stores Management	Assurance	Final	Substantial
Regeneration and Local Services	Planning & Assets	Carbon Connects	Grant	Final	N/A
Resources	Legal & Democratic Services	RIPA Group	Advice & Consultancy	Complete for 2018/19	N/A
Resources	Legal & Democratic Services	IKen System Review	Assurance	Final	Substantial
Resources	Legal & Democratic Services	Coroner (Deferred from 2017/18)	Assurance	Preparation	
Resources	Corporate Finance and Commercial Services	Bank Reconciliation	Key System	Final	Substantial
Resources	Corporate Finance and Commercial Services	Treasury Management - Short Term Investments	Key System	Final	Substantial
Resources	Corporate Finance and Commercial Services	Collection Fund	Assurance	Final	Substantial
Resources	Corporate Finance and Commercial Services	Review of Commercial Services	Assurance	Preparation	
Resources	Corporate Finance and Commercial Services	Procurement - Variations	Assurance	In Progress	
Resources	Corporate Finance and Commercial Services	Contract Management	Assurance	Preparation	
Resources	Corporate Finance and Commercial Services	Off Contract Spend	Assurance	In Progress	
Resources	Corporate Finance and Commercial Services	Contract Procedure Rules	Assurance	In Progress	
Resources	Corporate Finance and Commercial Services	Procurement Cards (Further Follow Up)	Assurance	Draft	
Resources	Corporate Finance and Commercial Services	Oracle Programme Board	Advice & Consultancy	Complete for 2018/19	N/A
Resources	Corporate Finance and Commercial Services	Workstream on Petty Cash and Payment Cards	Advice & Consultancy	Complete for 2018/19	N/A
Resources	People and Talent Management	Attendance Management	Assurance	In Progress	
Resources	People and Talent Management	Apprentices	Assurance	Preparation	
Resources	Finance and Transactional Services	Budgetary Control and Financial Reporting	Assurance	Preparation	
Resources	Finance and Transactional Services	Section 256 Agreements	Grant	Draft	
Resources	Finance and Transactional Services	Caspar (Deferred from 2017/18)	Advice & Consultancy	Preparation	

## INTERNAL AUDIT PLAN PROGRESS AS AT 31 MARCH 2019

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Finance and Transactional Services	Financial Assessments (scope to include self funders and deferred payments)	Assurance	Preparation	
Resources	Finance and Transactional Services	FST Debit Card Cash Accounts and Shared Lives (Follow Up)	Assurance	Preparation	
Resources	Finance and Transactional Services	Financial Deputees	Assurance	Preparation	
Resources	Finance and Transactional Services	Supporting People with Oxford Computer Consultants (SPOCC) - Deferred from 2017/18	Assurance	Cancelled	
Resources	Finance and Transactional Services	Deputy and Appointee Team	Advice & Consultancy	Complete	N/A
Resources	Finance and Transactional Services	Revenues and Benefits Reconciliations	Assurance	Cancelled	
Resources	Finance and Transactional Services	Creditors	Key System	In Progress	
Resources	Finance and Transactional Services	Creditors - Invoices paid with no PO as an exception	Key System	Cancelled	
Resources	Finance and Transactional Services	Creditors - Supplier Masterfile	Key System	Draft	
Resources	Finance and Transactional Services	Creditors - System Access	Key System	In Progress	
Resources	Finance and Transactional Services	P2P Performance and Improvement Project	Advice & Consultancy	Complete for 2018/19	N/A
Resources	Finance and Transactional Services	Better Care Fund and Improved Better Care Fund (Sn 75)	Advice & Consultancy	Final	N/A
Resources	Finance and Transactional Services	Payroll	Key System	In Progress	
Resources	Finance and Transactional Services	Payroll Implementation	Advice & Consultancy	Complete for 2018/19	N/A
Resources	Finance and Transactional Services	Payroll - Taxation/PAYE	Key System	In Progress	
Resources	Finance and Transactional Services	Payroll - Access to Data and Records	Key System	Deferred to 2019/20	
Resources	Finance and Transactional Services	Payroll - Preparation/Corrections	Key System	Deferred to 2019/20	
Resources	Finance and Transactional Services	Payroll - Processing	Key System	Draft	
Resources	Finance and Transactional Services	Agency	Assurance	Preparation	
Resources	Finance and Transactional Services	Business Rates	Key System	In Progress	
Resources	Finance and Transactional Services	Business Rates - Liability	Key System	Cancelled	
Resources	Finance and Transactional Services	Business Rates - Recovery	Key System	In Progress	
Resources	Finance and Transactional Services	Business Rates - Quality Assurance and Appeals	Key System	Cancelled	
Resources	Finance and Transactional Services	Housing Benefit and Council Tax Reduction (HB and CTR)	Key System	In Progress	
Resources	Finance and Transactional Services	HB and CTR - Overpayment Recovery	Key System	In Progress	
Resources	Finance and Transactional Services	HB and CTR - New Claims and Change in Circumstances	Key System	Final	Substantial
Resources	Finance and Transactional Services	HB and CTR - Payments	Key System	Cancelled	
Resources	Finance and Transactional Services	HB and CTR - Quality Assurance and Appeals	Key System	Cancelled	
Resources	Finance and Transactional Services	Post Opening and Scanning	Assurance	Final	Substantial
Resources	Finance and Transactional Services	Welfare Rights (Deferred from 2017/18)	Assurance	Preparation	
Resources	Finance and Transactional Services	Council Tax	Key System	In Progress	
Resources	Finance and Transactional Services	Council Tax - Valuation	Key System	In Progress	
Resources	Finance and Transactional Services	Council Tax - Liability - Class N Property Exemptions	Key System	Final	Substantial
Resources	Finance and Transactional Services	Council Tax - Recovery	Key System	In Progress	
Resources	Finance and Transactional Services	Council Tax - Quality Assurance and Appeals	Key System	Cancelled	
Resources	Finance and Transactional Services	Cash Management	Key System	Preparation	
Resources	Finance and Transactional Services	Debtors	Key System	In Progress	
Resources	Finance and Transactional Services	Debtors - Customer Masterfile (Deferred from 2017/18)	Key system	Preparation	
Resources	Finance and Transactional Services	Debtors - Standing Charges (Deferred from 2017/18)	Key system	Preparation	
Resources	Finance and Transactional Services	Debtors Working Group	Advice & Consultancy	Complete for 2018/19	N/A
Resources	Digital and Customer Services	UNIX / LINUX Security	Assurance	Preparation	
Resources	Digital and Customer Services	Oracle Licencing	Assurance	Draft	
Resources	Digital and Customer Services	Vulnerability Management	Assurance	Preparation	
Resources	Digital and Customer Services	Network Folders Identity and Access Management	Assurance	Cancelled	
Resources	Digital and Customer Services	SharePoint Identity and Access Management	Assurance	Final	Moderate
Resources	Digital and Customer Services	Third Party Identity and Access management	Assurance	Final	Moderate
Resources	Digital and Customer Services	Digital Durham	Grant	Final	N/A
Resources	Internal Audit, Risk and Fraud	Insurance	Assurance	Final	Moderate
Resources	Finance and Transactional Services	Business Rates - Valuation	Key System	In Progress	
Resources	Finance and Transactional Services	Interest on Late payments	Advice & Consultancy	In Progress	
Resources	People and Talent Management	Gifts and Hospitality	Advice & Consultancy	Draft	
Resources	Finance and Transactional Services	Payroll - Mileage Expenses	Advice & Consultancy	In Progress	
Resources	Finance and Transactional Services	Creditors - Oracle Requisition Approver Hierarchy	Advice & Consultancy	In Progress	
Resources	People and Talent Management	Corporate Learning and Development Process Review	Advice & Consultancy	Complete	N/A

**INTERNAL AUDIT PLAN PROGRESS AS AT 31 MARCH 2019**

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Transformation and Partnerships	Communications and Marketing	Business Continuity Planning	Key System	Final	Substantial
Transformation and Partnerships	Strategy	Data Quality	Assurance	Deferred to 2019/20	
Transformation and Partnerships	Partnerships and Community Engagement	Community Grants Sample	Assurance	Final	Substantial
Transformation and Partnerships	Transformation	Transformation	Advice & Consultancy	Complete for 2018/19	N/A
Transformation and Partnerships	Transformation	Data Protection - GDPR	Assurance	Deferred to 2019/20	
Transformation and Partnerships	Transformation	GDPR Working Group	Advice & Consultancy	Complete for 2018/19	N/A
Transformation and Partnerships	Transformation	Information Governance Group	Advice & Consultancy	Complete for 2018/19	N/A
Transformation and Partnerships	Transformation	Business Support Review	Advice & Consultancy	Complete for 2018/19	N/A

**FINAL REPORTS ISSUED IN PERIOD ENDING 31 MARCH 2019**

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
<b>ADULT AND HEALTH SERVICES (AHS)</b>		
Workforce Development Innovation Fund	Grant certifications of the January and March 2019 claims.	N/A
<b>CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)</b>		
Foster Carer Payments	Follow up of recommendations made in a previous review that had resulted in a Limited Assurance opinion.	N/A
Aycliffe Secure Centre	Follow up of recommendations made in a previous review that had resulted in a Limited Assurance opinion	N/A
<b>REGENERATION AND LOCAL SERVICES (ReaL)</b>		
Competition Line UK (CLUK) Income Share Agreement	Assurance review of the arrangements in place to mitigate against the risk of incorrect payments being made.	Substantial
Asbestos Management	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> <li>- Duty holders have not been assigned for each premises or they are unaware of their responsibilities;</li> <li>- Asbestos Management Plans (AMP) are not up to date or made available for each premises;</li> <li>- Central database of premises and AMPs incomplete/not up to date;</li> <li>- Maintenance supervisors and operatives have not received appropriate asbestos awareness training;</li> <li>- Asbestos work carried out by operatives untrained in dealing with asbestos.</li> </ul>	Moderate
Fly Tipping	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> <li>- Performance information is inaccurate and not in line with agreed definitions;</li> <li>- Non-adherence to legislation.</li> </ul>	Moderate

<b>REGENERATION AND LOCAL SERVICES (ReaL) Contd.</b>		
Consett Empire Theatre	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> <li>- Customers being unable to book tickets during busy periods;</li> <li>- Loss of Spektrix, internet, or telephone lines;</li> <li>- Loss of cash through error, fraud or theft;</li> <li>- Refunds/credits are inappropriately granted;</li> <li>- Incorrect ticket prices are charged;</li> <li>- Invoices are unpaid;</li> <li>- Breaches to the data protection act / GDPR.</li> </ul>	Moderate
Local Highways Maintenance Fund – Incentive Element	Grant Certification	N/A
Stephanie 4 (Space technology with photonics for market and societal challenges)	Grant Certification	N/A
Carbon Connects	Grant Certification	N/A

<b>RESOURCES</b>		
Treasury Management: Short Term Investments	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> <li>- The Treasury Management function does not comply with internal policies, professional guidance, statute and regulations;</li> <li>- Inappropriate investments are made or investments made are not repaid;</li> <li>- Investment opportunities are not taken or DCC is unable to meet its obligations due to poor planning;</li> <li>- Poor decisions are made due to a lack of appropriate technical skills in the analysis of money markets;</li> <li>- Treasury Management targets, e.g. for budgeted investment income, are not achieved.</li> </ul>	Substantial
Collection Fund	Assurance review of the arrangements in place to mitigate against the risk of estimated levels of income being inaccurate.	Substantial
SharePoint Identity and Access Management	Assurance review of the arrangements in place to mitigate against the risk of access to SharePoint sites and data not being secure or managed appropriately.	Moderate
Third Party Identity and Access Management	Assurance review of the arrangements in place to mitigate against the risk of access to systems and data not being secure or managed appropriately.	Moderate

<b>RESOURCES Contd.</b>		
Insurance	<p>Assurance review of the arrangements in place to mitigate against the risks of:</p> <ul style="list-style-type: none"> <li>- Inadequate / excessive amounts of insurance are held;</li> <li>- Insurance cover is not valid;</li> <li>- Payments are made in error;</li> <li>- Claims are paid by DCC which should be paid by the insurer;</li> <li>- Incorrect payments are made to providers;</li> <li>- 'Top-ups' to the Imprest Account are made when not required or are incorrect;</li> <li>- Services are incorrectly recharged claim handling costs/premiums;</li> <li>- External clients are incorrectly charged;</li> <li>- Financial loss arising from the failure to submit claims;</li> <li>- Claims are not responded to within a timely basis;</li> <li>- Poor data quality;</li> <li>- Performance monitoring is ineffective;</li> <li>- Information is lost.</li> </ul>	Moderate
Better Care Fund and Improved Better Care Fund	Advice and consultancy review to ensure that general ledger entries are fairly stated and that expenditure has been properly incurred in accordance with the relevant terms and conditions.	N/A
Deputy and Appointee Team Working group	Advice and consultancy review resulting from attendance at the working group meetings.	N/A
Digital Durham	Grant Certification	N/A

	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
<b>ADULT AND HEALTH SERVICES (AHS)</b>					
<b>2016/17</b>					
High	7	7	0	0	0
Medium	42	42	0	0	0
<b>Total</b>	<b>49</b>	<b>49</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2017/18</b>					
High	10	7	3	3	0
Medium	19	18	1	1	0
<b>Total</b>	<b>29</b>	<b>25</b>	<b>4</b>	<b>4</b>	<b>0</b>
<b>2018/19</b>					
High	1	1	0	0	0
Medium	30	27	3	3	0
<b>Total</b>	<b>31</b>	<b>28</b>	<b>3</b>	<b>3</b>	<b>0</b>
<b>Overall Total</b>	<b>109</b>	<b>102</b>	<b>7</b>	<b>7</b>	<b>0</b>
<b>CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)</b>					
<b>2016/17</b>					
High	1	1	0	0	0
Medium	44	43	1	1	0
<b>Total</b>	<b>45</b>	<b>44</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2017/18</b>					
High	2	2	0	0	0
Medium	76	73	3	3	0
<b>Total</b>	<b>78</b>	<b>75</b>	<b>3</b>	<b>3</b>	<b>0</b>
<b>2018/19</b>					
High	1	1	0	0	0
Medium	50	48	2	2	0
<b>Total</b>	<b>51</b>	<b>49</b>	<b>2</b>	<b>2</b>	<b>0</b>
<b>Overall Total</b>	<b>174</b>	<b>168</b>	<b>6</b>	<b>6</b>	<b>0</b>
<b>REGENERATION AND LOCAL SERVICES (REAL)</b>					
<b>2015/16</b>					
High	7	6	1	1	0
Medium	121	121	0	0	0
<b>Total</b>	<b>128</b>	<b>127</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2016/17</b>					
High	11	11	0	0	0
Medium	193	192	1	1	0
<b>Total</b>	<b>204</b>	<b>203</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2017/18</b>					
High	3	3	0	0	0
Medium	56	53	3	3	0
<b>Total</b>	<b>59</b>	<b>56</b>	<b>3</b>	<b>3</b>	<b>0</b>
<b>2018/19</b>					
High	0	0	0	0	0
Medium	61	58	3	3	0
<b>Total</b>	<b>61</b>	<b>58</b>	<b>3</b>	<b>3</b>	<b>0</b>
<b>Overall Total</b>	<b>452</b>	<b>444</b>	<b>8</b>	<b>8</b>	<b>0</b>
<b>RESOURCES (RES)</b>					
<b>Total</b>					
<b>2016/17</b>					
High	10	10	0	0	0
Medium	104	103	1	1	0
<b>Total</b>	<b>114</b>	<b>113</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2017/18</b>					
High	11	11	0	0	0
Medium	123	122	1	1	0
<b>Total</b>	<b>134</b>	<b>133</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2018/19</b>					
High	2	1	1	1	0
Medium	61	50	11	11	0
<b>Total</b>	<b>63</b>	<b>51</b>	<b>12</b>	<b>12</b>	<b>0</b>
<b>Overall Total</b>	<b>311</b>	<b>297</b>	<b>14</b>	<b>14</b>	<b>0</b>
<b>TRANSFORMATION AND PARTNERSHIPS (TAP)</b>					
<b>2016/17</b>					
High	0	0	0	0	0
Medium	26	26	0	0	0
<b>Total</b>	<b>26</b>	<b>26</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2017/18</b>					
High	0	0	0	0	0
Medium	8	7	1	1	0
<b>Total</b>	<b>8</b>	<b>7</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2018/19</b>					
High	0	0	0	0	0
Medium	5	5	0	0	0
<b>Total</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>39</b>	<b>38</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>TOTAL COUNCIL</b>					
<b>2015/16</b>					
High	7	6	1	1	0
Medium	121	121	0	0	0
<b>Total</b>	<b>128</b>	<b>127</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2016/17</b>					
High	29	29	0	0	0
Medium	409	406	3	3	0
<b>Total</b>	<b>438</b>	<b>435</b>	<b>3</b>	<b>3</b>	<b>0</b>
<b>2017/18</b>					
High	26	23	3	3	0
Medium	282	273	9	9	0
<b>Total</b>	<b>308</b>	<b>296</b>	<b>12</b>	<b>12</b>	<b>0</b>
<b>2018/19</b>					
High	4	3	1	1	0
Medium	207	188	19	19	0
<b>Total</b>	<b>211</b>	<b>191</b>	<b>20</b>	<b>20</b>	<b>0</b>
<b>OVERALL TOTAL</b>	<b>1085</b>	<b>1049</b>	<b>36</b>	<b>36</b>	<b>0</b>

Performance Indicators as at 31 March 2019

<b>Efficiency</b>			
<b>Objective: To provide maximum assurance to inform the annual audit opinion</b>			
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	<b>Actual</b>
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage	90% (Annually)	95% at 31 March 2019
Timeliness of Draft Reports	% of draft reports issued within 30 calendar days of end of fieldwork/closure interview	90% (Quarterly)	89% (159 out of 179)
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response	95% (Quarterly)	99% (190 out of 191)
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)	100%
<b>Quality</b>			
<b>Objective: To ensure that the service is effective and adding value</b>			
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	
Recommendations agreed	% of recommendations made compared with recommendations accepted	95% (Annually)	100%
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service satisfactory or above (3 out of 5) where 1 is poor and 5 is very good	100% (Quarterly)	100% - Av score 4.6
Customers providing feedback Response	% of customers returning satisfaction returns	70% (Quarterly)	80%
<b>Cost</b>			
<b>Objective: To ensure that the service is cost effective</b>			
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	
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.

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