



Audit Committee

Date Monday 30 September 2019
Time 10.00 am
Venue Committee Room 1A - County Hall, Durham

Business

Part A

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

1. Apologies for absence
2. Minutes of the meeting held on 31 July 2019 (Pages 3 - 8)
3. Declarations of interest, if any
4. 2018/19 Annual Health, Safety and Wellbeing Performance Report - Report of the Occupational Health and Safety Manager (Pages 9 - 28)
5. Quarter 1 2019/20 Health, Safety and Wellbeing Performance Report - Report of the Occupational Health and Safety Manager (Pages 29 - 36)
6. Annual Audit Letter 2018/2019 - Report of the External Auditor (Pages 37 - 58)
7. Internal Audit Progress Report Quarter Ended 30 June 2019 - Report of the Chief Internal Auditor and Corporate Fraud Manager (Pages 59 - 76)
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 30 June 2018 - Report of the Chief Internal Auditor and Corporate Fraud Manager (Pages 77 - 92)
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
20 September 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

Contact: Jackie Graham

Tel: 03000269704

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in **Committee Room 1B - County Hall, Durham** on **Wednesday 31 July 2019 at 10.00 am**

Present:

Councillor J Rowlandson (Chair)

Members of the Committee:

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

1 Apologies for absence

An apology for absence was received from Councillor Bell.

2 Minutes

The minutes of the meeting held on 28 June 2019 were agreed as a correct record and signed by the Chair.

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 2018/2019 Final Outturn for the General Fund and Collection Fund

The Committee considered a report of the Corporate Director of Resources which provided details of the final outturn for the General Fund and Collection Fund 2018/19 (for copy see file of minutes).

The Corporate Director of Resources reported that the gross budget was £1.4 billion and that the pressures in Children and Young People's services continued to be a national problem. He said that some local authorities were showing signs of financial stress. He advised that the revenue budget was positive with a net cash limit underspend of £3.3 million plus an overachievement of core government grant and underspend of £7.8 million

on all other budgets. He assured members that the council were in a good position going forward but that challenges would be faced later in the year once the settlement agreement was known.

Referring to the underspend from Heads of Service, Councillor Shuttleworth commented that the terminology used for each was similar.

Councillor Robinson referring to paragraphs 50 and 51 of the report about top slicing of the schools Dedicated Schools Grant for special educational needs (SEN), informed the committee that the School's Forum had not supported this approach. The Corporate Director of Resources confirmed that a number of discussions had taken place around the SEN budget as the pressures in schools continued and was not reflected in government funding. He added that the council had a good working relationship with the School's Forum.

In response to a question from Councillor Temple about schools converting to academies, the Corporate Director of Resources advised that there were still ongoing discussions about the schools wishing to transfer.

Councillor Carr congratulated the Corporate Director and his team for managing and balancing the budget and sustaining some reserves.

Resolved:

That the report be noted.

5 Treasury Management Outturn 2018/2019

The Committee considered a report of the Corporate Director Resources which provided details of the Annual Treasury Management Review and final outturn on treasury management activities for 2018/19 (for copy see file of minutes).

The Corporate Director of Resources reported that the year-end borrowing position was held at £311m. He advised that there was some uncertainty in terms of interest rates but that rates remained low. He added that the Council's balance sheet was strong and that future borrowing had been agreed. All investments had been made in line with the CIPFA code of practice and balances had been managed well.

Resolved:

That the report be noted.

6 Audit Completion Report 2018/2019 - Durham County Council

The Committee considered a report of the External Auditor which asked Members to note the contents of the External Auditor report on the audit of the statement of accounts for the County Council for the year ended 31 March 2019 (for copy see file of Minutes).

Mr M Kirkham, Mazars introduced the report and was pleased that all deadlines on the conclusion of the accounts with the tight timetable had been met. Working papers were still of a high standard and he acknowledged good work involved in preparing documents and the good working relationships with management and officers of the council.

Mr Collins, Mazars highlighted the audit work carried out in relation to the completion of the accounts. He advised that assurances had been received regarding the significant risks. With regards to plant, property and equipment he advised that they were being pro-active this year to address issues as they arose and would continue to monitor. Questions would be raised in advance to ensure a smoother year. The updated figures from the pension fund actuary had been received and were satisfactory with no additional issues raised. He reported on the unadjusted misstatements and adjusted misstatements.

Councillor Temple asked if the liabilities transferred to a school when converting to an academy and should the academy fail would they revert to the local authority and was this realistic. Mr Kirkham was not in a position to answer this question.

Mr Collins explained that there was no further impact on the balance sheet due to the implementation of IFRS 16 and that there was a note in the accounts setting out future operating lease commitments, in response to a question from Councillor Temple.

In response to a comment from Councillor Shuttleworth about how the value of buildings affects the whole estate, Mr Collins explained that the calculation of depreciation identified used the gross book value and was charged lower than it should have been by £1.3m. He assured members that that this had no impact on the general fund as a consequence.

Resolved:

That the information contained in the report, including the summary of misstatements detailed in section 4 of the report, be noted.

7 Audit Completion Report 2018/2019 - Pension Fund

The Committee considered the Audit Completion Report of the External Auditor relating to Durham County Council Pension Fund for the year ended 31 March 2019 (for copy see file of Minutes).

Mr M Kirkham, Mazars reported that there were significant issues and highlighted two internal control recommendations.

Resolved:

- (i) That the adjustments to the financial statements be noted.
- (ii) That the letter of representation be approved

8 Annual Governance Statement for the year April 2018 to March 2019

The Committee considered a report of the Corporate Director of Resources which sought approval of the final Annual Governance Statement (AGS) to be published as part of the Council's audited Statement of Accounts 2018/2019 (for copy see file of Minutes).

Resolved:

That the final AGS included at Appendix 2 of the report, be approved.

9 Statement of Accounts for the year ended 31 March 2019

The Committee considered a report of the Corporate Director of Resources which sought approval of the Statement of Accounts for the Council for the financial year ended 31 March 2019 (for copy see file of Minutes).

The Finance Manager – Strategic Finance reported that this was the second stage of the process that included the Pension Fund accounts. A small number of changes had been made since the June 2019 meeting and the significant errors had been reported by Mazars including improving the quality of the tables and adding more text when more explanation was required. There was a major change regarding the pension liability however this did not impact on the revenue position. The outturn position as reported when presenting the draft accounts had remained the same. General reserves were at £25 million, earmarked reserves at £226 million and Pension Fund assets at £31.3 million.

The Corporate Director of Resources thanked the team for preparing the accounts and for their approach to external audit.

Resolved:

That the Statement of Accounts for the Council for the financial year ended 31 March 2019, be approved.

10 Strategic Risk Management - Progress Report for 2019/20: Review 1 January 2019 - 31 May 2019

The Committee considered a report of the Corporate Director, Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during review 1 – 1 January 2019 to 31 May 2019 (for copy see file of Minutes).

The Risk, Insurance and Governance Manager informed the Committee that there were two new risks relating to Mountsett Crematorium and violence and aggression towards members and officers. He added that one risk had been removed from the register relating to homelessness reduction.

In response to a question from Mr Robinson about the ‘failure to protect’ risks in children and adults’ services, the Risk, Insurance and Governance Manager explained that measures were in place and that detailed assessments were carried out, including inspections from Ofsted. He assured members that good governance arrangements were in place. Mr Robinson suggested that the key risks schedule include that detail to give assurance.

Councillor Robinson was pleased to see that the council were putting an emphasis on the risk of employees and members security but asked if any advice had been given to parish councils. The Risk, Insurance and Governance Manager explained that these risks were applied to the County Council however he would find out with regards to the parish and town councils.

Resolved:

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

11 Work of the Audit Committee September 2018 to August 2019

The Committee considered report of the Chair of the Audit Committee that reflected the work undertaken which covered the period September 2018 to August 2019 and how the Committee continued to provide good governance across the Council (for copy see file of Minutes).

Resolved:

That the draft report be agreed and reported to the meeting of the County Council being held on 18 September 2019.

Audit Committee**30 September 2019****2018/19 Annual Health, Safety
and Wellbeing Performance
Report**

**Report of Resources Health, Safety and Wellbeing Strategic Group
(HSWSG)**

Report of Kevin Lough, Occupational Health and Safety Manager, Resources.

Electoral division(s) affected:

All electoral divisions.

Purpose of the Report

1. To provide an annual report on health, safety and wellbeing (HSW) performance for 2018/19.

Executive Summary

2. The council has achieved the Better Health at Work silver award status and is currently in pursuit of gold award status in 2019/20. Additional emphasis has been placed on employee health and wellbeing engagement, mental health awareness and associated interventions and activities, whilst remaining focused on statutory health and safety related requirements.
3. A proactive approach to H&S audit and inspections was maintained in 2018/19. Almost 60% of H&S audit and inspection activity remains proactive with approximately 600 risk based proactive audits and inspections undertaken. This approach has enabled early identification of non-compliance whilst also identifying best practice and improvement of risk control measures.
4. National accident statistics and industry specific data enables the H&S team to continue to focus on work activities where risks are foreseeably the highest. High risk areas are also identified via risk assessment, accident/incident history, operational knowledge and experience.
5. Accident and incident statistics for 2018/19 indicate a 1.4% increase overall for the year (1,414 in 2017/18 compared to 1,434 in 2018/19). A further breakdown of these figures indicates that minor injury and no injury account for 94% of all reported accidents with RIDDOR reportable accidents accounting for only 3.6%. There was the lowest recorded

number of RIDDOR specified injuries (most significant injuries) for the past ten years with only four reported.

6. The Occupational Health Service successfully achieved the SEQOHS (Safe, Effective, Quality Occupational Health Service) accreditation by the faculty of occupational medicine. Access and usage of the employee assistance programme (EAP) has increased in 2018/19 following a series of awareness and promotional activities. Calls to EAP have increased by 64% and access to counselling services increased by 32%. This illustrates that employees are accessing support services as and when they need them, across a broad range of issues which may affect their health and wellbeing both in and outside of the work environment.
7. In terms of fire safety, there were ten fire related incidents in 2018/19 across a range of council buildings with no injuries reported as a result. There were 135 internal fire safety audits undertaken throughout the year at priority locations and these were further supported by ten CDDFRS inspections.
8. It is positive to report that there has been no enforcement action from enforcing authorities during 2018/19 in the form of improvement or prohibition notices. However, there were two fees for intervention issued to the council by HSE in relation to construction related activities in quarters three and four. These were resolved promptly with further investigations establishing that the activities were not reflective of working practice and standards overall.
9. In relation to water safety there has been an increase in fatalities in 2018/19 compared to the previous two years. Initial analysis of these incidents has provided some important context in that they cannot be attributed to previous fatal incidents whereby key causation factors were evident with regards to young males under influence of alcohol, detached from social groups and within the city centre. Coroner inquest outcomes will be used to ascertain any new and emerging themes.
10. A continued approach to sensible and proportionate risk management, continued work to place more emphasis on employee accountability and responsibility is essential to enable further H&S cultural and performance improvements.

Recommendation

11. That audit committee note the contents of the Annual HSW report for 2018/19.

Contact: Kevin Lough Tel: 03000 263381

1434

Accidents, incidents and near misses reported (1.4% increase from 2017/18)

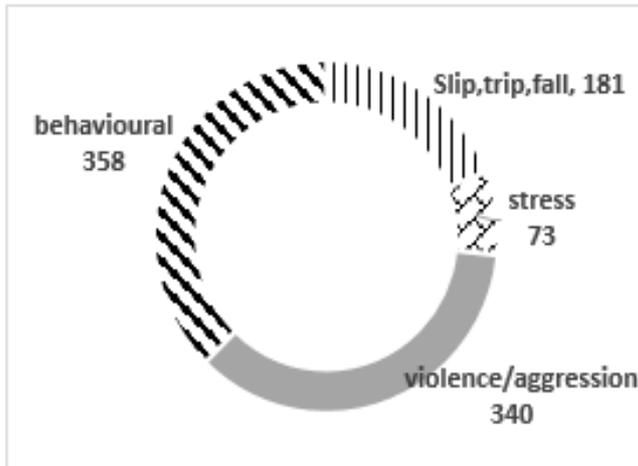


94%

Of all reported accidents are either no injury or near miss



Main Accident/Incident Causes 2018/19



Only 4 RIDDOR 'specified' injuries, 60% decrease from previous year

1023 H&S audits, inspections and accident investigations



- Better Health at Work Silver Award
- Safe, Effective, Occupational Health Service Accreditation



- ✓ In excess of 200 mental health first aiders trained
- ✓ EMT, Tier 4/5 H&S awareness and mental health awareness training completed

10 fire related incidents



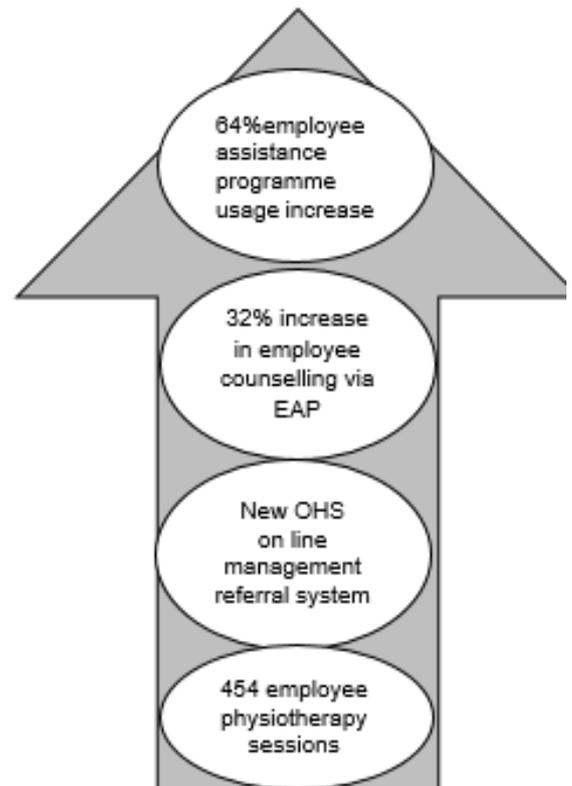
135 fire safety audits of council premises



27 Joint H&S/TU Safety Rep inspections

0

Enforcement notices from HSE/CDDFRS following inspections



Background

1. In line with statutory requirements, the council produces an annual Health, Safety and Wellbeing (HS&W) and Occupational Health Service Reports which enables the Council to monitor and measure performance and prioritise areas of Risk.
2. The Health, Safety and Wellbeing Strategic Group (HSWSG) continue to ensure that suitable priority is given to the management of HS&W within the Council. The group monitors the development and implementation of the council H&S Policy to ensure that it is consistently applied throughout the council and that performance standards are achieved and objectives met.
3. In summary the council's overall strategic aim is to demonstrate continued effective H&S management by:
 - (a) **Acting Together** – Promoting ownership of health, safety and wellbeing, encouraging a positive culture;
 - (b) **Tackling ill health** – Identifying the causes of ill health and tackling them proactively and effectively;
 - (c) **Promoting a positive culture** - Leading by example and ensuring health, safety and wellbeing is an integral part of everyday business;
 - (d) **Supporting and Enabling People** – Providing simple, straight forward support and advice to enable everyone to know what they have to do and do it well training, information, knowledge and instruction to safely fulfil their roles in the council;
 - (e) **Ensuring Competence** – Providing employees and contractors with appropriate H&S and risks as the council changes;
 - (f) **Keeping Pace with Change** – Anticipating and tackling new health and safety challenges.

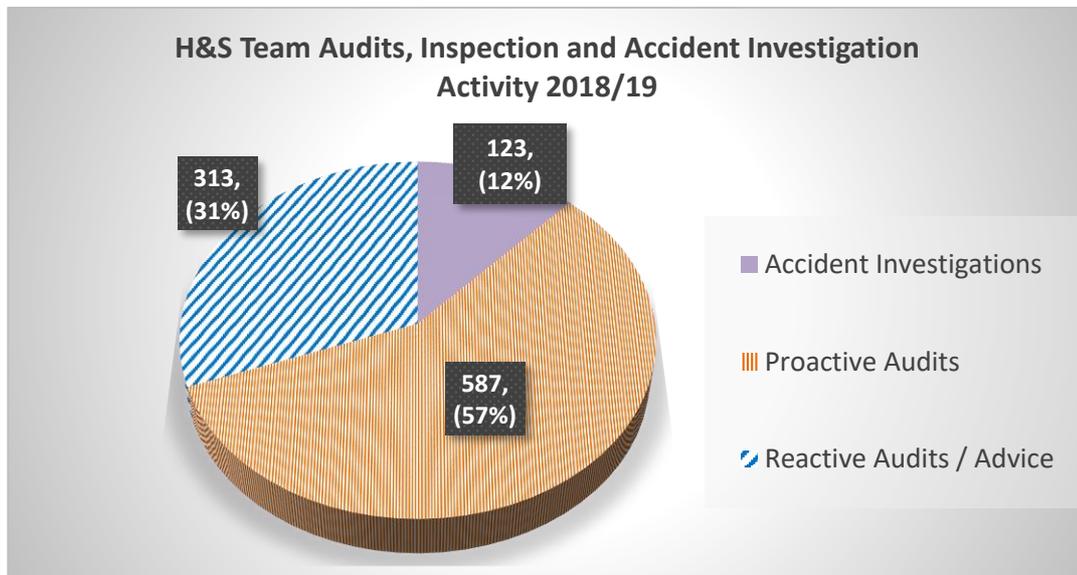
Council H&S Policy

4. The Council's H&S policy remains compliant with requirements and reflective of the organisational structure, responsibilities and arrangements for the management of HSW. This continues to be reviewed annually. It also describes the links between H&S and the key strategic plans of the council. The policy states the commitment to HSW which has been personally endorsed by the Chief Executive and Leader of the council.

HSW Service Provision

5. [The Council H&S service](#) central delivery model continues to provide an efficient and resilient H&S professional support service which has continued to professionally develop and improve service standards throughout 2018/19. Focus remains on provision of resources, advice and support to higher risk work related activities and associated foreseeable risks. It is imperative that there has been a continuation of sensible and proportionate approaches to risk management.
6. During 2018/19, approximately 900 proactive/reactive H&S and fire safety audits, inspections and interventions were undertaken (Chart 1) in addition to those by operational employees.

Chart 1- Proactive and reactive work undertaken by H&S team (including fire safety) in 2018/19.



Occupational Health Service Provision

7. The Occupational Health Service (OHS) achieved the five-year SEQOHS (Safe, Effective, Quality Occupational Health Service) reaccreditation. Durham County Council OHS is one of 187 providers across the UK who have this accreditation standard. The scheme is managed by the Royal College of Physicians of London on behalf of the Faculty of Occupational Medicine. It was an excellent achievement and reflective of the high service standards that no recommendations were made by the SEQOHS assessors following the reaccreditation process.
8. OHS activity demonstrates a commitment to pre-empt and pro-actively engage with health and work issues at an early stage. The usage of the

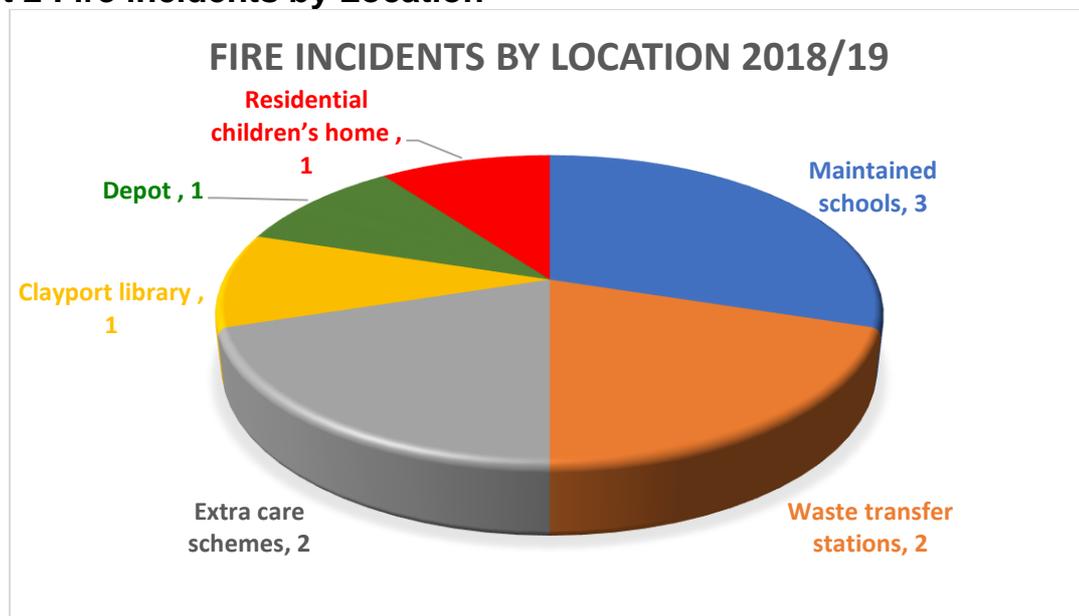
employee assistance programme which is provided via Health Assured, has increased following a range of promotional activities and improved awareness of mental health.

9. OHS supported and working with service groupings throughout 2018/19 in identifying proactive initiatives which can assist in targeting key risks and work activities. Specifically, this resulted in an agreed two year pilot of targeted physiotherapy services, education and awareness within Direct Services areas where musculoskeletal risks remain prevalent.

Fire Safety

10. Fire Safety advisers within the H&S team continue to assess and baseline the council's compliance with the Regulatory Reform (Fire Safety) Order (RRFSO) as well as the council's own fire safety procedures.
11. During 2018/19 there has been ten fire related incidents which have occurred within council premises and have been investigated by the fire safety advisers within the H&S team. Chart 2 indicates where these incidents occurred:

Chart 2 Fire incidents by Location



12. Whilst it is positive to report that there were no injuries to employees or others associated with any of the incidents, there was some property damage. Full investigations were undertaken by fire safety advisers and managers from the respective premises following the incidents to ensure all corrective actions were identified and implemented. Where appropriate improvements have been made to internal procedures and liaison with County Durham and Darlington Fire and Rescue Service

(CDDFRS) and the police has been undertaken where there has been criminal activity.

13. During the reporting period, 135 internal risk based internal fire safety audits were completed in a range of council premises which provide a variety of services and activities. Audit and inspection priorities are given to higher risk premises and operational activities which continue to include residential schools, residential children's homes, Aycliffe secure unit, the four main service depots and the waste transfer stations. These premises are audited annually by the H&S team specifically in terms of fire safety. In addition all supported housing schemes continue to be audited bi-annually.
14. In addition to the internal fire safety audits, CDDFRS safety officers have also undertaken ten inspections of higher risk Council premises throughout the year. These inspections resulted in seven premises being broadly compliant with fire safety legislation and three were deemed to have minor deficiencies and requiring minor improvements.

Open Water Safety

15. There remain two multiagency open water safety groups within County Durham. In terms of governance, both water safety groups report into the Safe Durham Partnership (SDP) and meet on a quarterly basis.
16. The City Safety Group (CSG) is currently chaired by the council's Director of Adult and Health Services and has representatives from the council, emergency services and riparian landowners such as Durham University and Cathedral. Durham University student union is also a key member of the CSG.
17. From a County wide perspective, the open water safety group (OWSG) has a remit of reviewing the councils internal open water safety policy and focusing on safety relating to areas of open water (e.g. lakes, rivers, reservoirs) other than in Durham city centre.
18. The CSG has continued to monitor city centre open water safety standards, minoring the current control measures and arranging further assessments where appropriate.
19. Throughout 2018/19 the CSG has been monitoring the riverside development projects and has commissioned an independent assessment of the Riverwalk development pre and post development to ensure that any public safety issues and impacts were identified with the developers.

20. The CSG has once again reviewed arrangements for student induction weeks to ensure that appropriate arrangements had been put in place and partners were working in collaboration. It was positive to ascertain that the University, students union and emergency services have all worked together successfully to provide additional support and awareness during student induction periods to new student cohorts.
21. A monthly cycle of inspection and monitoring continues in relation to the completion of all physical safety infrastructure works in the city centre. This provides the CSG with assurance that the control measures identified in 2016/17 remain effectively in situ and proactively identifies any further actions required.
22. The OWSG continues to manage and monitor County wide open water safety risks. A schedule of monitoring and reassessment of priority risk locations identified in the initial county wide assessment process in 2015/16 continues to be applied in order to provide assurance. Specifically, reassessments of priority locations prior to the summer holiday periods are routinely completed to ensure that safety controls were in situ ready for peak summer periods.
23. The OWSG were responsible for planning and implementation of water safety educational campaigns throughout 2018/19. These included promotions of national drowning prevention weeks, safety carousels, launching of the national don't drink and drown campaign and the award winning dying to be cool campaign. Secondary school assemblies promoting the dying to be cool campaign were provided in 2018/19 with Fiona Gosling takes a lead role in promotion along with the councils H&S and one-point services. Approximately 3,000 pupils received the dying to be assembly in 2018/19 which will again be provided in 2019/20 due to demand.

Employee Health and Wellbeing

24. Significant emphasis has been placed on employee health and wellbeing throughout 2018/19, supporting work undertaken in the previous year. The council successfully achieved the silver better health at work award in 2018/19 and have already commenced progression to gold award status. As part of the better health at work award there have been a number of associated activities which are aimed at improving the health and wellbeing of all employees. Some examples of initiatives undertaken are:
 - Council signed up to time to change pledge;
 - Mental health awareness training for EMT, Tier 4 and 5 managers;
 - Mental health first aid training;

- Various health initiatives and awareness events i.e. mens health, oral health, cancer awareness;
 - Provision of additional activity related initiatives such as walking, running, cycling, pilates and yoga;
 - Employee incentives for gym memberships and physical activity;
 - Employee health and wellbeing engagement survey;
 - Promotion of employee support services and assistance available.
25. A second employee health and wellbeing engagement survey has been undertaken in 2019/20 as a requirement of the gold award application and will enable further interventions and initiatives to be undertaken in the year ahead. This will again form the basis of future workforce development activities. Activities and initiatives throughout 2018/19 have been based on the outcomes of the initial better health at work award employee engagement survey which were primarily associated with mental health/stress, physical activity, nutrition, alcohol consumption and musculoskeletal disorders.
26. CMT, EMT, Tier 4 and 5 managers H&S awareness and mental health awareness training was delivered throughout 2018/19. The H&S team delivered the first part of the three-hour session whilst the wellbeing for life service delivered the final part of the session. In total 245 managers attended the training sessions which were aimed at improving knowledge of H&S responsibilities, statutory requirements, raising profile, and awareness and improve interventions in relation to mental health and wellbeing. Feedback obtained from the management training was very good and required from a management perspective.
27. Time to Talk day was promoted on 7 February 2019. Time to Talk day was the largest health promotion campaign attempted for the BHAW award. This had an estimated reach of 5,000 staff across 16 sites.

HS&W Safety Training and Development

28. In accordance with legislative requirements and key strategic objectives, the council continues to identify and provide HS&W information, instruction and training to ensure that employees have the knowledge, skills, ability and confidence to take ownership and manage HS&W issues. HS&W related training continues to be identified by various means such as job descriptions, appraisals, and risk assessments and via proactive and reactive monitoring. The responsibility for the identification, organising and recording of HS&W training rests with the employing service grouping in accordance with the councils H&S policy.

29. A review of corporate training has resulted in a roll out of mandatory H&S training for managers H&S responsibilities also being incorporated in strategic manager job descriptions. HS&W is going to be a strategic priority in all managers' new appraisals going forward. Aims and objectives have been identified in a new Health and Wellbeing plan and strategy.
30. The H&S team have also designed and delivered H&S awareness training to almost 300 Tier 4 & 5 managers during 2018/19 as part of a mental health awareness session.

Risk Profiling

31. The council continues to provide a broad range of services and subsequently is required to identify, control and manage some significant H&S related risks. If not managed appropriately, these risks may compromise performance and the ability to meet its statutory obligations.
32. A range of significant risk areas and activities continue to be a priority for the council and included in the 2017-2020 HS&W Strategy. These being;
 - Construction, Design & Management
 - Asbestos Management
 - Fire Safety
 - Manual/Moving & Handling
 - Workplace Transport
 - Mental Health
 - Open Water Safety
 - Work at Height
 - Refuse & Recycling
 - Violence and Aggression

Statistical Information and Performance Indicators

33. The council continues to reactively record, monitor and review work related accidents, near miss, ill health data via internal reporting procedures by means of the H&S Accident Recording Database (HASARD). Quarterly reports are provided to the HSWSG and service H&S committee's/steering groups.
34. Other than the above data, a range of other performance indicators have been used in this annual report to measure, monitor and manage the councils H&S performance. These are:
 - Proactive and reactive H&S Auditing (Internal & External);

- Enforcement Action (Improvement/Prohibition notices and Fee for Intervention);
- Employer Liability Claims;
- Occupational Health Service data;
- Employee engagement surveys;
- H&S Training provision;
- Health Surveillance and Management referrals.

35. A summary of the top-level HS&W performance data for 2018/19 is shown in the following tables with the 2017/18 data as a comparison. The council employed an average total of 16,095 employees throughout 2018/19 that equated to 12,848 full time equivalents (FTE). There has been a 3.49% reduction in average number of FTE employees from 13,313 in 2017/18 to 12,848 in 2018/19.

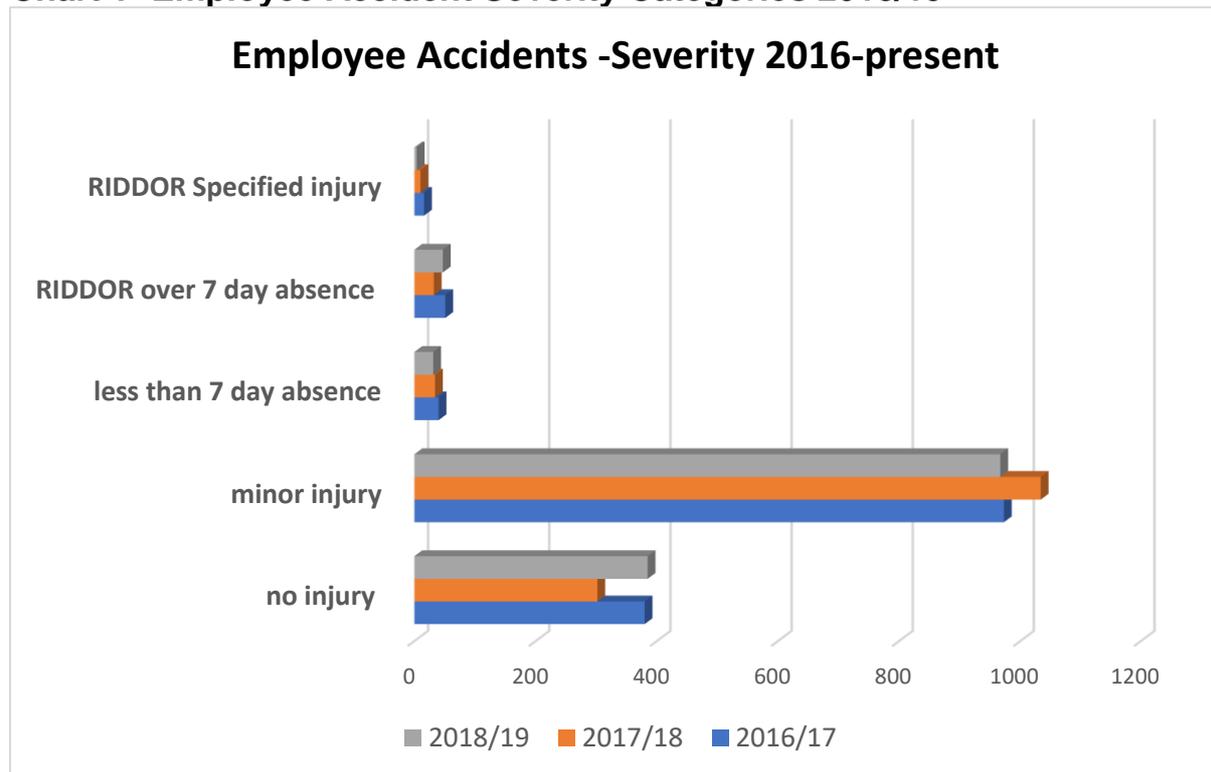
Table 3- Employee work related accidents/near misses

Employee work related accidents and near miss reports.	2017/18	2018/19	+/-% Difference
Number of FTE employees	13,313	12,848	-3.49%
Fatalities	0	0	0
RIDDOR reportable 'specified' injuries	10	4	-60%
RIDDOR reportable accidents (more than 7 day injury).	32	47	+46.88%
Non RIDDOR reportable accidents	1,068	998	-6.55%
Near miss reports	302	385	+27.48%
Total accidents and near misses	1,412	1434	+1.41%
Rates per 1000 FTE employees.	2017/18	2018/19	+/-% Difference
RIDDOR reportable 'specified' injuries	0.75	0.31	-58.67%
RIDDOR reportable accidents (more than 7 day injury).	2.40	3.66	+52.5%
All accidents	106.06	111.6	+5.22%

Table 4 – Employee Accidents by Severity and Service Grouping 2014-Present

Service	Year	Non RIDDOR			HSE RIDDOR Reportable			Total
		Minor Injury	No Injury	Injury with 7 day or less absence	Over 7 Day injury	Specified Injury	Sub-Total RIDDOR OR Reportable	Total
Transformation and Partnerships	2014/15	3	2	0	0	0	(0)	5
	2015/16	1	2	0	0	0	(0)	3
	2016/17	0	1	1	0	0	(0)	2
	2017/18	2	1	0	0	0	(0)	3
	2018/19	3	1	0	0	0	(0)	4
Children and Young People's Services	2014/15	780	171	15	18	9	(17)	983
	2015/16	775	159	23	25	8	(33)	990
	2016/17	679	131	18	24	11	(35)	863
	2017/18	719	97	13	13	7	(20)	849
	2018/19	689	129	13	19	3	(22)	853
Adult and Health Services	2014/15	123	97	4	3	1	(4)	228
	2015/16	98	91	2	3	1	(4)	195
	2016/17	92	77	1	5	1	(6)	176
	2017/18	146	54	1	3	1	(4)	205
	2018/19	104	45	2	4	0	(4)	155
Regeneration and Local Services	2014/15	255	148	26	33	3	(36)	465
	2015/16	184	160	22	22	5	(27)	393
	2016/17	191	146	17	20	4	(24)	378
	2017/18	152	131	20	16	2	(18)	321
	2018/19	165	176	16	24	1	(25)	382
Resources	2014/15	11	34	1	2	0	(2)	48
	2015/16	11	25	3	2	0	(2)	41
	2016/17	9	20	3	2	0	(2)	34
	2017/18	15	19	0	0	0	(0)	34
	2018/19	6	34	0	0	0	(0)	40
Totals	2014/15	1,172	452	46	46	13	(59)	1,729
	2015/16	1,072	435	47	51	14	(65)	1,619
	2016/17	973	380	40	51	16	(67)	1,460
	2017/18	1,034	302	34	32	10	(42)	1,412
	2018/19	967	385	31	47	4	(51)	1,434

Chart 1- Employee Accident Severity Categories 2018/19



Regulatory Interventions

36. There were no prosecutions, improvement, prohibition notices issued to the council in 2018/19 by the HSE or County Durham and Darlington Fire and Rescue Service (CDDFRS).
37. There were however two notification of contravention (fee for intervention where material breaches of H&S legislation had been identified) issued during quarters three and four of 2018/19. The first contravention was identified in October 2018 during construction works at Citizen’s House in Consett. This related to general housekeeping and access/egress issues. The second contravention was identified at a highways construction site in Horden whereby an operative was observed cutting stones without water suppression and respiratory equipment. Both instances were resolved immediately and to the satisfaction of the respective inspectors involved.
38. Further investigations identified that the contraventions were not reflective of working standards and practices and that they were isolated. Where appropriate management action has been taken to address individual acts and omissions in terms of established procedures and safe working practices. HSE inspectors are also known to have visited other council work locations as part of the annual focus on construction safety in October of each year. A number of visits resulted in no actions

being taken and standards being found to be compliant with legal requirements.

39. From a fire safety perspective, there were ten independent inspections of council premises by CDDFRS during 2018/19. These resulted in either broad compliance or minor deficiencies in terms of fire safety management. All actions from the enforcement inspections have been closed out with the support of fire safety professionals within the H&S team. These were further supported by internal auditing by fire safety advisers within the H&S team.

Partnership Working

40. The council continues to actively engage with a wide range of partners in a diverse range of H&S activities. Partnership approaches to addressing operational and community related risks play a pivotal role in harm reduction and risk control.
41. During the period 2018/19 several formal and informal partnerships focused on key H&S issues, examples include:
 - In relation to the City Safety and County wide open water safety groups, the H&S team have worked closely with emergency services, regional and national local authorities, utilities companies, environmental organisations and recreational groups to address public safety issues. Work has also continued to be undertaken where required with industry experts in water safety such as the RoSPA, RLSS and RNLI.
 - Working closely with County Durham and Darlington Fire and Rescue Service to ensure fire safety standards are maintained and the outcomes of audit and inspection activities are implemented and monitored.
 - Working with Durham Constabulary regarding violence and aggression related risks in relation to individuals presenting themselves at council premises, community-based consultation events and public protests.
 - Work with wellbeing for life in the design and delivery of a managerial H&S and mental health awareness training sessions.
 - Work with developers in terms of public safety for the river walk and Milburngate developments within Durham city.

- Working in partnership with the Coal Authority in relation to coal mining legacy inspection outcomes and following incidents where old mining workings have collapsed or where construction work is required to secure and make safe structures on council owned land.

Joint Consultation

42. The council recognises the importance of effective arrangements for consultation and as a result appropriate structures have been established. Statutory consultation with employees takes place through trade union attended safety committees at both corporate and service grouping levels. There are many other methods of consultation including through employee groups such as focus and working groups, use of council publications, intranet and email.
43. The HSWSG, chaired by Corporate Director Resources, continues to monitor the development, implementation and review of the revised H&S Policy to ensure that it is consistently applied throughout the County Council and that performance standards are achieved.
44. HSWSG continues to meet on a quarterly basis and the core membership of the group continues to be made up of representatives from all Services Groupings, Trade Unions and specialist advisors i.e. H&S, Fire Safety and Occupational Health.
45. Each Service Grouping also has established H&S Committee /Steering Groups based on the HSWSG model and all met at least four times in 2018/19. A further H&S committee will be established in 2019/20 to reflect the new Corporate Property and Land function.
46. Trade Union representatives actively participate in H&S service specific and corporate group meetings. Throughout 2018/19 there were 27 joint audit and inspections undertaken by the H&S team and Trade Union H&S representatives, mostly in higher risk activities within building services, highways operations and clean and green.

Monitoring H&S performance

47. Throughout 2018/19, periodic monitoring of the H&S performance within the council included several tiers of monitoring which were integrated into the management of H&S both corporately and across services.
48. Specific monitoring and reporting arrangements included:
 - Corporate and Service specific annual H&S performance reports presented to relevant management teams providing an overview of

H&S management within DCC compared to the previous year, highlighting successes and areas for improvement.

- The HSWSG and Service H&S Committees/Steering Groups, chaired by Directors or Heads of Service met on a quarterly basis and monitored performance which included; progress against strategic objectives and significant risks, emerging H&S issues, incident statistics, development, investigation & audit findings and areas requiring improvement.
- H&S Advisers and Trade Union Safety Representatives undertook planned joint inspections and audits of council workplaces.

Main implications

Legal

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

Finance

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

Staffing

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

Conclusions

52. Priority and emphasis will continue throughout 2018/19 in relation to significant and foreseeable strategic and service specific risks. Those risks which were identified in the 2017-2020 Health, Safety and

Wellbeing Strategy will remain relevant during 2019/20 and beyond, by very nature of the work activities and services provided by the council.

53. 2018/19 has seen an increase in violence and aggression related incidents and in some cases severity. Where appropriate groups have been established with key internal officers and external partners as such as the police, to ensure that all control measures are put in place in order to safeguard employees and members of the public. Where required the council has also taken civil injunction actions against specific individuals and have worked with the police to identify criminal law actions.
54. In relation to the strategic aims and objectives there has again been progress across a range of areas which demonstrate improvements in relation to acting together, tackling ill health, promoting a positive culture, supporting and enabling people and ensuring competence of employees and those who may work on behalf of the council.
55. Statistical data indicates a relatively static level of overall accidents and incidents compared to the previous year. Whilst these have remained static the accident rates have declined due to reduction in FTE employees. Of note, the reduction in the most serious and significant types of accidents (4 for 2018/19) is very positive and reflective of the impact of a broad approach to improving H&S standards. An unusual and unexplainable statistical spike of over seven-day RIDDOR reportable accidents (21) in quarter 1 of 2018/19 was the cause of the increase. It was assuring that figures returned to expected levels for the remaining quarters.
56. Whilst it was disappointing to be issued with two notification of contravention letters from HSE inspectors, there were some positive outcomes from other enforcement inspections throughout the year, from both an HSE and Fire Authority perspective. This provides assurance that the situations discovered by HSE inspectors are not reflective of the overall standards and working practices of the council generally.
57. Feedback from employee engagement activities and participation numbers indicate that efforts to improve and promote mental health awareness and support services have proved effective and demonstrate there is further demand in this area. Further employee health and wellbeing survey data will enable the council to allocate resources to aspects of health and wellbeing which employees view as being most important and beneficial to their working environments and conditions. Whilst focus must always remain on statutory compliance, the emerging evidence base for a proactive approach to employee mental health reemphasises the positive impact this has on individuals and

organisational performance and service delivery. From a broader public health perspective there are also clear benefits to families, communities and health related services.

58. In terms of governance there remains good levels of reporting and consultation from a service grouping and corporate perspective. Members of CMT and EMT chair and lead consultative forums and demonstrate health, safety and wellbeing as being a significant issue for the council and ensuring actions are taken to reduce injury and ill health where required. Where there has been significant incidents and associated risks involving violence and aggression towards employees, senior officers have convened multi-agency working groups to ensure risk controls are implemented and monitored accordingly.
59. In relation to water safety there has been an increase in fatalities in 2018/19 compared to the previous two years. Further analysis of this has provided some important context to these fatal incidents in that they cannot be attributed to previous fatal incident trends whereby key factors were prominent – young males under influence of alcohol, detached from social groups within the city centre. Coroner inquest outcomes will be used to ascertain any new and emerging themes.
60. There will be a continued approach to take a sensible, proportionate approach to managing the hazards associated with our work activities. Continued work to place more emphasis on practical risk control, employees being accountable, taking responsibility and immediate action where necessary is essential to enable further cultural and performance improvements.

Contact: Kevin Lough Tel: 03000 263381

Appendix 1: Implications

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

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

Consultation - Service Grouping health and wellbeing forums and trade union safety representatives have been consulted in the preparation of this report.

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

Human Rights - The right to a safe work environment, enshrined in Article 7 of the International Covenant on Economic, Social and Cultural Rights, links with numerous human rights, including the right to physical and mental health and well-being and the right to life.

Crime and Disorder – None

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

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

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

Procurement – None

Audit Committee**30 September 2019****Quarter 1 2019/20 Health, Safety and Wellbeing Performance Report****Report of Resources Health, Safety and Wellbeing Strategic Group (HSWSG)**

Report of Kevin Lough, Occupational Health and Safety Manager, Resources.

Electoral division(s) affected:

1. Countywide.

Purpose of the Report

2. To provide an update on the council's Health, Safety and Wellbeing (HSW) performance for quarter one of 2019/20.

Executive summary

3. There was some further proactive work in relation to open water safety undertaken in the quarter ahead of the summer period. This included further safety improvements to the pelaw woods area of the city centre and also the delivery of the safe durham partnership 'dying to be cool' cold water shock campaign which was launched in June 2019 across county schools. This campaign was further supported by media press releases and social media activity.
4. Further progress with employee health and wellbeing was made with a range of activities ongoing as part of the better health at work gold award submission. A second employee health and wellbeing survey was also launched and completed in the quarter which has provided further intelligence and opportunities in terms of targeted interventions and support.
5. In relation to quarter one statistical data, there was a positive start to 2019/20 with zero RIDDOR specified injuries reported during the period and seven over seven day RIDDOR reportable incidents. A continuation of this trend would result in a further decrease in RIDDOR reporting for the year.
6. Following an increase in violence and aggression related incidents in quarter four of 2018/19 which required some police intervention, it was positive that the trend of these incidents has not been repeated in quarter one.
7. There were 29 fire safety related audits were completed during the quarter, focusing on a range of priority risk related premises. A range of positive findings were evidenced as well as opportunities to further enhance fire safety standards.

8. In total, three fire related incidents during the quarter, with arson being the cause of all three incidents, one of which however involved a residential service user. Police and fire and rescue service intervention was required for two of the incidents and investigations are ongoing to identify perpetrators.
9. Finally, the H&S team undertook a range of auditing and investigative activities during the quarter which continue to focus on priority and foreseeable risk related work activities and services. Almost 300 audits, inspections and accident investigations were undertaken during the quarter, all of which contribute to improving HSW performance.

Recommendation(s)

10. That audit committee note and agree the contents of this report.

Background

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

Consultation/Communication

12. Trade Union H&S representatives continue to actively participate in the corporate and service specific H&S meetings. Each service grouping has an established H&S forum that has met since the last HSWSG meeting in April 2019. The H&S team continue to undertake a range of joint audit and inspection programmes in conjunction with trade union H&S representatives, particularly within Regeneration and Local services (REAL).
13. During Quarter one there were eight joint inspections undertaken with trade unions employee safety representatives within REAL. Three inspections were undertaken within technical services and five within environmental services. Remedial actions were identified, implemented and monitored and discussed at the direct and technical services health and safety forums.

Fire Safety - Fire Audits (Internal)

14. There have been 29 internal fire safety audits completed during Quarter one. These were undertaken at a range of Council premises. These were at seven Primary schools, three Comprehensive schools, two Nursery schools, one library (Horden), ten Locality offices (five One Point hubs) Spectrum 8, Seaham Contact Centre, Consett CAP, Tanfield Business Centre and Lowhills Centre, one Museum (Killhope lead mine) and five Pathways premises.

Fire Incidents

15. There were three fire related incident at Council premises or staffed premises during quarter one. These were at Bishop Auckland Cockton Hill Bowls Club Bournmoor Primary School and Newton Drive Residential Children's Home.

Fire Inspections – County Durham and Darlington Fire and Rescue Service

16. There was one fire and rescue service inspection of Council premises during quarter one. This was at Consett CAP. The outcome of the inspection was that the premises were broadly compliant with current fire safety legislation.

Occupational Health Service

17. During Quarter one, 252 employees participated in clinical consultations with the OHS, following management referral in relation to Long Term Sickness Absence (LTSA), Short Term Sickness Absence (STSA), Management Concerns (Man Con) Reviews, and Re referral appointments, Long Term Sickness Absence/Short Term Sickness Absence (LTSA/STSA)
18. During Quarter one, a total of 50 employees attended OHS appointments for routine statutory health surveillance, 44 with an Occupational Health Nurse and six with the Senior Occupational Health Physician.

Enforcement Body Interventions & Significant Incidents

19. An inspection was completed at Killhope during Quarter one by a HSE mine inspector. The inspector made comment on how well the site is managed. Evidence was provided to show completion of all previous actions identified during his visit in 2018. The inspector requested copies of the latest RADON, electrical compliance certification and new mine ventilation design. It is anticipated that a further HSE visit will be arranged for 2020.

Health and Safety Team Audit, Inspection and Training statistics

20. During quarter one, the H&S team have undertaken a wide range of proactive and reactive activities across the Council as detailed in the table below.

	Accident Investigations	Proactive/planned Audits	Reactive Audits/Advice
TOTAL	35	167	87

Open Water Safety

21. The City Safety Group continues to monitor the various safety related control measures in place within the City Centre and review their effectiveness. During quarter one, the city safety group undertook a further site visit to the completed development of Riverwalk and arranged for a final assessment of the finished project following an initial desktop review by RoSPA.

22. Safety improvements were also enhanced in the vicinity of pelaw woods public footpath following concerns raised by a member of the public. The group considered these concerns and a further assessment of the location was undertaken which resulted in additional fencing being installed at key parts of the footpath adjacent to the rowing club and existing fencing was repaired also.
23. From a County wide perspective, the safe Durham partnership cold water shock water safety assemblies were delivered from 3 June to secondary and primary school pupils. This campaign was again supported by a range multi agency communications, particularly in the lead up to school summer holiday period.
24. A comprehensive review of water safety related priorities and risk in terms of locations was completed and visits to priority locations continued to be undertaken to ensure that the approach and resources in terms of re-assessments is being used as effectively as possible prior to summer 2019.

Employee Mental Health and Wellbeing

25. The council continues to progress towards the better health at work gold award status, having been officially awarded with the silver award in March 2019. As part of this award an employee engagement survey was launched in May 2019. The survey enables an improved level of intelligence in relation to a wide range of factors which affect the health and wellbeing of employees. 2662 employees responded (33% of workforce) compared to 2301 (27%) in 2017.

Corporate risks that may have an impact on Health and Safety as at 09/07/2019

26. This is the current list, there were no changes during the last period.

Ref	Service	Risk	Treatment
1	CYPS	0227 - Failure to protect child from death or serious harm (where service failure is a factor or issue)	Treat
2	AHS	R0562 - A service failure of Adult Safeguarding leads to death or serious harm to a service user.	Treat
3	T&P	R0565 - Breach of duty under Civil Contingencies Act by failing to prepare for, respond to and recover from a major incident, leading to a civil emergency.	Existing controls considered adequate

4	REAL	R0490 - Serious injury or loss of life due to Safeguarding failure (Transport Service)	Existing controls considered adequate
5	RES	R0611 - Serious breach of Health and Safety Legislation	Existing controls considered adequate

Main implications

Legal

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

Finance

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

Staffing

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

Conclusions

30. The quarter one report highlights some key proactive activities relating to organisational change and employee development. A significant amount of managerial training has taken place during quarter one in relation to mental health awareness, refresher of managerial health and safety responsibilities and awareness of organisational risks. Feedback from the training delivered to managers was very positive and indicates that the training was both well received and adds value to the roles of managers in terms of supporting employees and identifying mental health related issues at an earlier stage.
31. Continued allocation of H&S resources to proactive auditing and inspections remains an effective mechanism for early identification of best practices, non-conformances and work related activities which require additional risk

control measures to prevent injury and ill health. There was again a good level of H&S and fire safety audits and inspections undertaken in this quarter.

32. Statistical data in relation to accidents and incidents indicate a positive start to 2019/20, with lower than average levels of accidents and in particular zero specified injuries reported from across the council.
33. The delivery of the open water safety campaign, led by the council on behalf of the safe durham partnership, again provided much needed education and awareness for young people and parents/carers of cold water shock.
34. The outcomes of the employee health and wellbeing survey, launched in June 2019, will provide further intelligence and opportunities to improve employee health and wellbeing in the remainder of 2019/20 and beyond, whilst supporting the submission for the better health at work gold award.

Appendix 1: Implications

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

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

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

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

Human Rights - The right to a safe work environment, enshrined in Article 7 of the International Covenant on Economic, Social and Cultural Rights, links with numerous human rights, including the right to physical and mental health and well-being and the right to life.

Crime and Disorder – None.

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

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

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

Procurement – None

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Audit Committee

30 September 2019

Annual Audit Letter 2018/2019



Report of the External Auditor

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 The Audit Committee is asked to note the contents of the External Auditor's (Mazars) Annual Audit Letter for Durham County Council and the Pension Fund for 2018/2019

Executive summary

- 2 The Audit Letter provides a summary of the work and findings of the External Auditor in 2018/2019 audit period and summarises many of the points raised in the Audit Completion Reports presented to the Audit Committee on 31 July 2019
- 3 The report sets out:
 - Overall messages from the audit work that has been completed
 - The challenges and areas of focus in the future
 - Illustrates the fees for the work completed.

Recommendation(s)

- 4 The Audit Committee is recommended to:
 - (a) Note the comments and fees illustrated within the External Auditor's Annual Audit Letter and report.

Background

- 5 All external audit work has been completed in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board.

Contact:	Mark Kirkham	Tel: 0191 383 6300
	James Collins	Tel: 0191 383 6300

Appendix 1: Implications

Legal Implications

The 'Accounts and Audit Regulations 2015' stipulate a two-stage approval process for the Statement of Accounts. The first stage requires that the responsible financial officer, by no later than 31 May, signs and certifies that the Statement of Accounts presents a 'true and fair view' of the financial position of the Council for the year to 31 March previous, subject to the views of the External Auditor.

The second stage requires that on or before 31 July, approval needs to be given to the Statement of Accounts by resolution of a committee, which for Durham County Council is the Audit Committee.

Finance

There are no direct financial implications as a result of this report

Consultation

None

Equality and Diversity / Public Sector Equality Duty

None.

Human Rights

None.

Crime and Disorder

None

Staffing

None.

Accommodation

None

Risk

None

Procurement

None.

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Annual Audit Letter

Durham County Council and Durham County
Council Pension Fund

Year ending 31 March 2019





CONTENTS

1. Executive summary
2. Audit of the financial statements
3. Value for money conclusion
4. Other reporting responsibilities
5. Our fees
6. Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Durham County Council (“the Council”) and Durham County Council Pension Fund (“the Pension Fund”) for the year ended 31 March 2019. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor’s report issued on 31 July 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council and Pension Fund’s financial position as at 31 March 2019 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
Other information published alongside the audited financial statements	<p>Our auditor’s report issued on 31 July 2019 included our opinion that:</p> <ul style="list-style-type: none">• The other information in the Statement of Accounts is consistent with the audited financial statements.
Value for money conclusion	<p>Our auditor’s report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</p>
Reporting to the group auditor	<p>In line with group audit instructions issued by the NAO, on 22 August 2019 we reported to the group auditor in line with the requirements applicable to the Council’s WGA return.</p>
Statutory reporting	<p>Our auditor’s report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p> <p>The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have received no questions or objections.</p>
Audit of the financial statements included in the Pension Fund Annual Report	<p>On 31 July 2019, we issued our opinion that the Pension Fund financial statements within the Pension Fund Annual Report are consistent with the full Annual Statement of Accounts of Durham County Council.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS: DURHAM COUNTY COUNCIL

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, issued to the Council on 31 July 2019, stated that, in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider materiality throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) because of the nature of certain items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

Financial statement materiality	Our financial statement materiality is based on 2% of gross revenue expenditure at the surplus or deficit on provision of services level.	£26.786m
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£0.804m

1. Executive summary

2. Audit of the financial statements

3. Value for money conclusion

4. Other reporting responsibilities

5. Our fees

6. Forward look

2. AUDIT OF THE FINANCIAL STATEMENTS: DURHAM COUNTY COUNCIL

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Committee within the audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>Management override of controls</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk by carrying out audit work in the following areas:</p> <ul style="list-style-type: none"> accounting estimates impacting on amounts included in the financial statements; consideration of any significant transactions outside the normal course of business; consideration of the selection and application of accounting policies; and journals recorded in the general ledger and other adjustments made in preparation of the financial statements 	<p>Our work has provided the required assurance.</p>
<p>Revenue Recognition</p> <p>In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Council's range of revenue sources, we have concluded that there are insufficient grounds for rebuttal for all income streams in 2018/19. We have identified income from fees and charges as the key areas for audit testing.</p> <p>This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>	<p>We addressed this risk by performing the following audit work:</p> <ul style="list-style-type: none"> testing no grant revenue items recorded around year end to ensure they had been recognised in the appropriate financial year; testing year end receivables; testing adjustment journals, including material revenue journals; and obtaining direct confirmations of year-end bank balances and testing the reconciliations to the ledger. 	<p>Our work has provided the required assurance.</p>
<p>Property, plant and equipment valuation</p> <p>The financial statements contain material entries on the balance Sheet as well as material disclosure notes in relation to the Council's holding of property.</p> <p>Although the Council employs an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of property, plant and equipment (PPE) due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of risk.</p>	<p>We addressed this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> We critically assessed the Council's arrangements for ensuring that PPE valuations are reasonable; We critically assessed the reasonableness of the valuations provided by the Council's valuer using other sources of data; We considered the competence, skills and experience of the valuer and the instructions issued to the valuer; and Performed further audit procedures on individual assets to ensure the basis of valuations was appropriate. 	<p>Our work has provided the required assurance.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS: DURHAM COUNTY COUNCIL

Identified significant risk	Our response	Our findings and conclusions
<p>Defined benefit liability valuation</p> <p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<ul style="list-style-type: none"> We critically evaluated the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and We challenged the reasonableness of the actuary's assumptions that underpin the relevant entries made in the financial statements, through the use of an expert commissioned by the National Audit Office. 	<p>Following the changes to the accounts in respect of the McCloud and GMP judgements we have obtained the assurance required.</p>

Our response to the key management judgements

Identified management judgement	Our response	Our findings and conclusions
<p>Unquoted equity investment valuations</p> <p>The Council has to make judgements in respect of the fair value measurements of unquoted equity investment it holds, including those in Newcastle Airport and several others.</p> <p>The underlying accounting requirements are subject to change in 2018/19, which increases the risk in respect of these valuation judgements, therefore they have been assessed as enhanced risks.</p>	<ul style="list-style-type: none"> We critically assessed the basis of valuation for the Council's unquoted equity investments. This included the valuation of Newcastle Airport and Durham County Cricket Club; and We assessed whether disclosures are in line with the Code of Practice on Local Authority Accounting (the Code). 	<p>Our review identified several matters which resulted in amendments to the classification of some equity investments. These amendments are reflected in note 17, financial instruments. Subject to the amendments to the financial statements, we have obtained the assurance sought.</p>
<p>Debtors impairment allowance</p> <p>The Council has disclosed its impairment of debtors allowance as an area of estimation uncertainty.</p> <p>The underlying accounting requirements are subject to change in 2018/19, which increases the risk in respect of the assumptions and uncertainties relevant to this area, therefore they have been assessed as enhanced risks.</p>	<ul style="list-style-type: none"> We critically reviewed the Council's calculation of its impairment of debtors allowance; and We assessed whether disclosures were in line with the Code of Audit Practice, including any exemptions relevant to non-contractual debt. 	<p>Our work has provided the required assurance.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS: DURHAM COUNTY COUNCIL

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiency in internal control as part of our audit.

Description of deficiency	<p>Our testing of IT general controls noted the following matters:</p> <ul style="list-style-type: none"> • There was no specific periodic review of active directory accounts. We were informed by ICT management that a recent review of old active directory accounts (i.e. older than 12 months) has been undertaken but this was undertaken outside of the audit period (i.e. post 31 March 2019). • Resource Link (payroll system) password parameters, such as minimum character length, were not in line with the policy requirements. <p>Compensating controls are in place and neither matter affected our audit approach.</p>
Potential effects	This is inappropriate access to the Council's financial systems.
Recommendation	The Council should ensure policies are complied with.
Management response	<p>ICT are notified of all leavers via an electronic alert from the HR system and immediately deactivate the user account, however on rare occasions, when the user is an agency worker, ICT are not always informed when the user leaves. HR are to remind managers to report agency workers as leavers through the HR system and with immediate effect will run weekly reports out of the Agency Worker system in order that ICT are notified automatically to deactivate these users.</p> <p>Resourcelink can only be accessed once the user is logged into the council's network and Pulse Secure is required to access systems outside of the council network, using dual authentication and a random token number. Signing in to the Resourcelink system also requires knowledge of the user's personal employee number and the answer to a secondary personalised security question. Going forward ICT are working towards single sign on to access the council's network and are to increase the security of devices when users work outside of the council's network using 'mobile device management' software.</p> <p>ICT are also reviewing the current password policy</p>

Follow up of previous internal control points

The only internal control point raised in the prior year was in relation to IT leaver access deficiency wherein three leavers (from 25 tested) still had access to Council IT systems after their leaving date.

We carried out similar testing for our 2018/19 audit and there were no unexplained cases where employees still had access to IT systems after their leaving date.

2. AUDIT OF THE FINANCIAL STATEMENTS: DURHAM COUNTY COUNCIL PENSION FUND

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Pension Fund and whether they give a true and fair view of the Pension Fund's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Pension Fund's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, issued to the Pension Fund on 31 July 2019, stated that, in our view, the financial statements give a true and fair view of the Pension Fund's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider materiality throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) because of the nature of certain items or because they attract public interest. We also set a threshold for reporting identified misstatements to the We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

Financial statement materiality	Our financial statement materiality is based on 1% of net assets available to pay benefits	£28.020m
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£0.900m
Specific materiality	Fund account based on 10% of contributions receivable	£12.650m

1. Executive summary

2. Audit of the financial statements

3. Value for money conclusion

4. Other reporting responsibilities

5. Our fees

6. Forward look

2. AUDIT OF THE FINANCIAL STATEMENTS: DURHAM COUNTY COUNCIL PENSION FUND

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Pension Fund's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Committee within the audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>Management override of controls</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk by carrying out audit work in the following areas:</p> <ul style="list-style-type: none"> • accounting estimates impacting on amounts included in the financial statements; • consideration of any significant transactions outside the normal course of business; • journals recorded in the general ledger and other adjustments made in preparation of the financial statements 	<p>Our work has provided the assurance we sought and did not highlight any material issues.</p>
<p>Valuation of unquoted investments for which a market price is not readily available</p> <p>As at 31 March 2019, the fair value of property unit trusts that were not quoted on an active market was £172million, which accounted for 6% of the Pension Fund's net investment assets. As prices for these investments are not quoted in active markets, the values used in the accounts are estimated by fund managers, mostly based on Net Asset Value statements, updated for cash movements where appropriate, which is considered to be an appropriate methodology for these investments. This results in an increased risk of material misstatement.</p>	<p>In addition to our standard programme of work in this area, we have:</p> <ul style="list-style-type: none"> • Agreed holdings from fund manager reports to the global custodian's report, • Agreed the valuation to supporting documentation including investment manager valuation statements, distribution and capital statements and audited accounts, where available; • Where audited accounts were available, we checked that they were supported by a clear opinion; and • Agreed the price to independent evidence, for those valuations not supported by valuation statements. 	<p>Our work has provided the assurance we sought and did not highlight any material issues.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS: DURHAM COUNTY COUNCIL PENSION FUND

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

Description of deficiency	At the planning stage we noted that while management reviews the risk register on a regular basis, the PF Committee Members had not reviewed the risk register since December 2016 and did not have plans to do so until March 2019. The Pension Fund Committee terms of reference, however, state that the Committee will review and monitor the Pension Fund Risk Register annually. This is not considered to be an opinion risk but was highlighted so that the Committee could respond.
Potential effects	Inadequate oversight of risk management by the Pension Fund Committee.
Recommendation	The Council should ensure policies are complied with.
Management response	The risk register was presented to the March Pension Fund Committee and will be considered by the Pension Fund at least annually going forward.

3. VALUE FOR MONEY CONCLUSION: DURHAM COUNTY COUNCIL

Value for money conclusion

Unqualified

Our audit approach

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

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Our auditor's report, issued to the Council on 31 July 2019, stated that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>A Council Constitution is in place which is reviewed, as a minimum, annually. This sets out the governance structure of the Council which has remained unchanged in 2018/19.</p> <p>The Audit Committee met regularly during the year. The Audit Committee monitors the Council's system of internal control and, where it deems necessary, challenges officers where weaknesses are identified. The Internal Audit plan has been delivered for the year and Internal Audit report directly to the Audit Committee. Internal Audit recommendations are closely monitored to ensure they are implemented and this is in a timely manner. An Annual Governance Statement has been prepared and approved by the Audit Committee.</p> <p>A Corporate Risk Management Group is in place highlighting the strategic risks facing the Council. Performance and financial reporting is embedded in the Council and there has been regular reporting to the Cabinet using a consistent methodology which allows any over or under delivery to be identified. The year end financial position reported to Cabinet in July 2019 was not significantly different to the position forecast during the year. Financial reporting provides detailed analysis of under and over spends of income and expenditure., for example, the 2018/19 reports have highlighted at an early stage the pressures in Children and Young People's Services. Performance reports include staff indicators, such as sickness levels.</p> <p>A Medium Term Financial Plan (MTFP) (8) was in place for the year ended 31 March 2019. Performance against the plan was reported regularly to the Cabinet. MTFP (9) covering the period 2019/20 – 2022/23 was approved by the Council in February 2019. This set a balanced budget for the 2019/20 financial year, including fully identified savings of £10m. Cabinet have received regular updates on the Council's arrangements to address school deficit budgets for 2019/20.</p>	Yes



3. VALUE FOR MONEY CONCLUSION: DURHAM COUNTY COUNCIL

Sub-criteria	Commentary	Arrangements in place?
Sustainable Resource Deployment	<p>MTFP (9) was approved by full Council in February 2019. The plan sets out the pressures faced by the Council in the coming year including demand and funding pressures. The Net Budget Requirement for 2019/20 is £400.031. This requires savings of £15.8m of which £5.5m will be covered by use of the Budget Support Reserve (Balance at 31 March 2019 is £30m) and £10m by savings. The savings have been fully identified and are detailed in appendix 3 of the MTFP. Over the life of the MTFP (9) the Council estimates savings of £39.5m will be necessary to ensure a balanced budget (£23.24m for the period 20/21-22/23). The Council has a good record of delivering savings since 2011/12. It recognises that delivery of savings in coming years will be more challenging. The Budget Support Reserve is intended to support the budget in later years and is forecast to have a balance of £24.2m at 31 March 2020.</p> <p>The 2018/19 outturn shows that overall the Council delivered a surplus against the set budget. The outturn report reflects the pressures faced by the Council in particular children’s social services and high needs DSG. Additional Fund support has been reflected in the 2019/20 budget. The MTFP recognises that this is not sustainable and the council is working locally and nationally to mitigate the pressures and secure additional central government funding. Other pressures include maintained schools budgets. Several schools have set deficit budgets for 2019/20. Others have set budgets which include the use of reserves to balance the 19/20 budget. Consequently school reserves are forecast to decrease by £10.231m to £7.459m at 31 March 2020. Where appropriate the Corporate Director for Resources is working with individual schools and monitoring the overall position of schools budgets. The position has been reported to Cabinet.</p> <p>Earmarked reserves increased by £1.98m and the General Fund increased by £0.6m. The means overall useable reserves as at 31 March 2019 are £251.53m. Although as noted above some individual reserves, such as Dedicated Schools Grant Reserve, have been used more than planned. The MTFP (9) is based on the General Fund reserve being maintained within the Council’s approved range of 5-7.5% of Net Budget Requirement.</p> <p>Overall capital expenditure was lower than planned in the year by £12.561m which is 12% of total budget. The underspend has been carried into the 2019/20 budget. MTFP (9) includes a financed capital programme. Future investments such as the Milburngate development have been approved by the Cabinet.</p> <p>As detailed in the Annual Governance Statement an EU Exit Working Task & Finish Group has been established. This is chaired by the Director of Transformation and Partnerships with representatives from all service groupings, reporting to Corporate Management Team. The group, Chaired by the Director of Transformation and Partnerships, monitored the emerging impact to identify and minimise the risks on council services and service users</p>	Yes



3. VALUE FOR MONEY CONCLUSION: DURHAM COUNTY COUNCIL

Sub-criteria	Commentary	Arrangements in place?
Working with partners and other third parties	<p>The Council's Constitution details the arrangements for contracting with third parties. The Council has written procedures for procuring products and services, which are within its constitution.</p> <p>Significant partnerships such as the Better Care Fund are balanced with no one party able to disproportionately direct the culture and outcomes of the partnership. The Health and Well-being Board is responsible for the Durham Better Care Fund plan. Financial and health outcome performance of the plan is monitored.</p> <p>Where appropriate partnerships are monitored through Council performance reporting arrangements. Area Action Partnerships are intended to give local residents a voice in how services are provided locally. Consultation with partners feeds into the Council's MTFP development.</p> <p>The County Durham Partnership is in place bringing together key partners in the County. This is leading the development of the County Durham Vision for where the Council aims to be by 2035.</p>	Yes



3. VALUE FOR MONEY CONCLUSION: DURHAM COUNTY COUNCIL

Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our value for money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Completion Report, we reported that we had identified one significant audit risk. The work we carried out in relation to the risk is outlined below.

Risk	Work undertaken	Conclusion
<p>Sustainable resource deployment</p> <p>The Council has a good track record of delivering to budget. Reduced funding means the Council continues to require significant levels of savings in the coming years. The medium term financial plan (MTFP) is in place to meet these pressures. To ensure our conclusion is correct we need to update our understanding of the Council's MTFP arrangements and how it monitors the planned delivery of savings.</p>	<ul style="list-style-type: none"> We reviewed the Council's arrangements for developing the MTFP (9). We considered the delivery of 2018/19 savings against plans, including testing the outcome of a small sample of schemes. We reviewed the arrangements for future savings, including reviewing the robustness of identified plans for 2019/20 and beyond. This includes testing a sample of 2019/20 schemes. We reviewed the arrangements for the Transformation Programme. 	<p>Our work provided sufficient assurance. We have no matters to report.</p>



4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Consistent
Other information published alongside the audited financial statements	Consistent
Pension Fund financial statements included in the Pension Fund Annual Report	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. We submitted this information to the NAO on 22 August 2019.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

Pension Fund financial statements included in the Pension Fund Annual Report

We examined the Pension Fund financial statements for the year ended 31 March 2019 included within the Durham County Council Pension Fund annual report. In our opinion, the Pension Fund financial statements within the Pension Fund's annual report are consistent with Pension Fund financial statements within the statement of accounts of Durham County Council for the year ended 31 March 2019, and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the audit panel in January 2019.

Having completed our work for the 2018/19 financial year, we can confirm that our final fees are as follows:

Area of work	2018/19 proposed fee	2018/19 final fee
Delivery of audit work under the NAO Code of Audit Practice: Durham County Council	£193,030	£193,030
Delivery of audit work under the NAO Code of Audit Practice: Durham County Council Pension Fund	£19,957	£19,957
Certification of Housing Benefit Subsidy Claim	£16,500	£16,500
Other non-Code work:		
- Skills Funding Agency	£3,500	£3,500
- Teachers' Pension**	TBC	TBC

We confirm that these fees are in line with the scale fee set by Public Sector Audit Appointments Ltd.

* Our work on the Housing Benefit subsidy claim is not yet completed and consequently the final fee quoted above is still on an estimated basis.

** At the time of preparing this report, the Council has not formally engaged us to complete the Teachers' Pension assurance.

6. FORWARD LOOK

Financial outlook

The Council continues to make good progress in delivering planned savings, and to the end of 2018/19 has delivered £224m. Further savings are required to balance the budget in future periods. The MTFP (9) shows that savings of £39.5m will be required across the period from 2019/20 to 2022/23 with £16.3m of savings already identified across the period. This leaves additional saving of £23.2m that will need to be identified and approved in order to balance the budget.

Whilst the financial climate remains challenging, the Council remains well placed to manage the risks presenting.

Operational challenges

The Council recognises that continuing to deliver a high standard of services is likely to remain challenging during the continued period of austerity and is actively managing performance to minimise the impact of the difficult decisions needed to deliver services within the available funding levels..

Key challenges faced by the Council in the future include:

- continued delivery of savings identified in the 2019/20 budget round and identification of savings covered in the 2020/21 – 2022/23 period;
- Ongoing management of the demand and funding pressures faced in the Adult and Children services;
- the timing of the Comprehensive Spending Review and the Fair Funding Review which are both currently unknown;
- relocation of County Hall; and
- development and launch of the new performance ambitions and vision to better reflect the needs and opportunities of County Durham.

Performance management arrangements are in place, and outcomes are reported to and monitored by Members at Cabinet meetings.

In terms of technical challenges that officers face around the production of the statement of accounts, a key focus for 2019/20 will be the adoption of IFRS 16 which is a new standard which established a new model for lessees and removes existing classifications of operating and finance leases. The impact on the statement of accounts of this new standard could be material, and so should be monitored by the Council.

How we will work with the Council

Our 2019/20 audit will focus on the risks that the challenges above present to the Council's financial statements and the Council's ability to maintain proper arrangements for securing value for money.

We will continue to support the Council through our audit work and through our attendance at Audit Committee where we will inform the Committee about our progress on the audit, report our key findings and share our insight on any changes we are aware about in the sector. We will continue to offer accounting workshops to finance officers, and the audit team will continue to work with officers to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

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Audit Committee

30 September 2019

**Internal Audit Progress Report Period
Ended 30 June 2019**



**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 2019 to 30 June 2019 as part of the 2019/2020 Internal Audit Plan.

Executive Summary

- 2 The report provides Members with the progress that has been made in achieving the Internal Audit Plan for 2019/2020 up to 30 June 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 30 June 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 2019/20 Annual Internal Audit Plan;
 - (b) The work undertaken by Internal Audit during the period ending 30 June 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 2019 to 31 March 2020, was approved by the Audit Committee on 31 May 2019.

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 30 June 2019 and, where applicable, also gives the resultant assurance opinion.
- 8 A summary of the status of audits in 2019/20 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)	11	1	6	1	2
Children and Young People's Services (CYPS) *Excluding Schools	21	3	5	1	7
Regeneration and Local Services (REAL)	31	8	8	0	13
Resources (RES)	29	12	26	4	13
Schools	19	17	11	3	13
Transformation and Partnerships (TAP)	7	0	3	0	0
TOTAL	118	41	59	9	48

- 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 4,631. As at 30 June 2019, the service had delivered 1,103 productive days, representing 23.8% of the total plan. The target at the end of the quarter was for 22.5% to be delivered, therefore performance has exceeded the target.

Internal Audit activity in the quarter

Amendments to the Approved 2019/2020 Internal Audit Plan

- 11 There were no reviews removed from the approved Internal Audit Plan in the quarter.
- 12 Four 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
Adult and Health Services (AHS)	Adult Mental Health Social Work Service	Advice and Consultancy	Request received from the Corporate Director AHS
Children and Young People's Services (CYPS)	Anonymisation and Pseudonymisation	Advice and Consultancy	Review to support the completion of the NHS Digital data security and protection (DSP) toolkit to provide assurance that the Council is practicing good data security and that personal information is handled correctly.
Regeneration and Local Services (REAL)	Leisure Centre Timesheets	Follow Up	An audit to follow up on the progress made in implementing the actions from the limited assurance review of Leisure Centre Timesheets.
Resources (RES)	Beamish Museum – Review of internal control procedures	Advice and Consultancy	Requested by the Head of Legal and Democratic Services (acting as Company Secretary for Beamish Museum)

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 30 June 2019.

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Adult and Health Services (AHS)	0	0	N/A	N/A
Children and Young People's Services (CYPS) *Excluding Schools	2	0	0	N/A
Regeneration and Local Services (REAL)	8	7	88	4.7
Resources (RES)	12	12	100	4.7
Schools	12	6	50	4.4
Transformation and Partnerships (TAP)	0	0	N/A	N/A
TOTAL	34	25	74	4.6

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 30 June 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)	63	55	8 (13%)	8	0
Children and Young People's Services (CYPS) [Excluding Schools]	194	184	10 (5%)	10	0
Regeneration and Local Services (REAL)	336	324	12 (4%)	12	0
Resources (RES)	329	319	10 (3%)	10	0
Transformation and Partnerships (TAP)	13	12	1 (8%)	1	0
TOTAL	935	*894	41 (4%)	41	0

* Includes five high priority actions to be confirmed as implemented at follow up.

- 17 It is encouraging to note that, of the 935 actions due to be implemented, 894 (96%) 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	Two Primary Schools
Regeneration and Local Services (REAL)	Culture and Sport	Leisure Centre Timesheets

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 June 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

Contact:	Paul Bradley	Tel: 03000 269645
	Paul Monaghan	Tel: 03000 269662

Appendix 1: Implications

Legal Implications

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

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

Finance

There are no direct financial implications associated with this report.

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

Consultation

All Corporate Directors, 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 30 JUNE 2019

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
2018 / 2019 Internal Audit Plan - Audits Brought Forward					
Adult and Health Services	Commissioning	Section 117	Assurance	Not yet started	
Adult and Health Services	Commissioning	CHC	Assurance	Not yet started	
Adult and Health Services	Adult Care	Social Care Direct	Assurance	Not yet started	
Adult and Health Services	Commissioning	Supplier Masterfile Commissioning - SSID Independent Sector Suppliers (Follow Up)	Assurance	Draft	
Adult and Health Services	Commissioning	Direct Payments Cards	Advice and Consultancy	In progress	
Adult and Health Services	Commissioning	Development of a Direct Payment Audit Risk Tool	Advice and Consultancy	In progress	
Adult and Health Services	Public Health	Pharmoutcomes - Data Matching	Advice and Consultancy	Complete	N/A
Children and Young People's Services	Education	High Needs	Assurance	In Progress	
Children and Young People's Services	Locality and Operational Support	Petty Cash Arrangements across CYPS Locality Offices (Follow Up)	Follow Up	Not yet started	
Children and Young People's Services	Education	Adult Learning Services - Apprentices	Advice and Consultancy	In Progress	
Children and Young People's Services	Locality and Operational Support	Caldicott	Assurance	Final	Moderate
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Troubled Families Programme - Claim 04	Grant	Final	N/A
Children and Young People's Services	Locality and Operational Support	Section 17 Follow Up	Assurance	Final	N/A
Children and Young People's Services	Schools	Safe Recruitment & Selection	Assurance	Not yet started	
Children and Young People's Services	Schools	Award of Additional Pay in Schools	Assurance	Not yet started	
Regeneration and Local Services	Corporate Property and Land	Asset Valuation	Assurance	Final	Substantial
Regeneration and Local Services	Corporate Property and Land	Accommodation - Contract Management	Assurance	Not yet started	
Regeneration and Local Services	Corporate Property and Land	Facilities Repairs and Maintenance	Advice and Consultancy	In Progress	
Regeneration and Local Services	Development and Housing	Safety at Sports Grounds	Assurance	Final	Substantial
Regeneration and Local Services	Development and Housing	Financial Assistance Policy and Private Sector Housing	Assurance	Preparation	
Regeneration and Local Services	Business Durham	Business Durham	Advice and Consultancy	Preparation	
Regeneration and Local Services	Transport & Contract Services	Safer Roads Fund (Road Safety Capital Grant)	Grant	Final	N/A
Regeneration and Local Services	Transport & Contract Services	LGF Forest Park	Grant	Final	N/A
Regeneration and Local Services	Transport & Contract Services	LGF Bishop Auckland Market Place	Grant	Final	N/A
Regeneration and Local Services	Environment	Atlantic Geoparks 1	Grant	In Progress	
Regeneration and Local Services	Environment	Atlantic Geoparks 2	Grant	Not yet started	
Regeneration and Local Services	Environment	Allotments Follow Up	Follow Up	Final	N/A
Regeneration and Local Services	Environment	Single Use Plastics	Advice and Consultancy	In Progress	
Regeneration and Local Services	Environment	Durham Crematorium	Assurance	Final	Substantial
Regeneration and Local Services	Environment	Mountsett Crematorium	Assurance	Final	Substantial
Regeneration and Local Services	Culture and Sport	Leisure Centre Timesheets	Assurance	Final	Limited
Regeneration and Local Services	Culture and Sport	Events Management	Assurance	Preparation	
Regeneration and Local Services	Culture and Sport	Louisa Centre	Assurance	Final	Moderate
Regeneration and Local Services	Culture and Sport	Consett Leisure Centre	Assurance	Final	Moderate
Regeneration and Local Services	Culture and Sport	Stanley Bowls	Advice and Consultancy	Final	N/A
Resources	Legal & Democratic Services	Coroner	Assurance	Not yet started	
Resources	Legal & Democratic Services	Gifts and Hospitality	Advice and Consultancy	Final	N/A
Resources	People and Talent Management	Apprentices	Assurance	Preparation	
Resources	People and Talent Management	Attendance Management Framework	Assurance	In Progress	
Resources	Corporate Finance and Commercial Services	VAT	Key System	Preparation	
Resources	Corporate Finance and Commercial Services	Review of Commercial Services	Assurance	Preparation	
Resources	Corporate Finance and Commercial Services	Contract Management	Assurance	Not yet started	
Resources	Corporate Finance and Commercial Services	Variations	Assurance	In Progress	
Resources	Corporate Finance and Commercial Services	Off Contract Spend	Assurance	In Progress	
Resources	Corporate Finance and Commercial Services	Contract Procedure Rules	Assurance	Draft	
Resources	Corporate Finance and Commercial Services	Procurement Cards (Further Follow Up)	Follow Up	Final	N/A
Resources	Finance and Transactional Services	Budgetary Control and Financial Reporting	Key System	Not yet started	
Resources	Finance and Transactional Services	Agency System	Assurance	Preparation	
Resources	Finance and Transactional Services	Council Tax	Key System	In Progress	
Resources	Finance and Transactional Services	Council Tax: Valuation - Empty Homes Review	Key System	Final	Substantial
Resources	Finance and Transactional Services	Council Tax: Recovery	Key System	Final	Substantial
Resources	Finance and Transactional Services	Business Rates	Key System	In Progress	
Resources	Finance and Transactional Services	Business Rates - Valuation	Key System	Final	Substantial
Resources	Finance and Transactional Services	Business Rates - Recovery	Key System	Final	Substantial
Resources	Finance and Transactional Services	Housing Benefits and Council Tax Reduction	Key System	In Progress	

INTERNAL AUDIT PLAN PROGRESS AS AT 30 JUNE 2019

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Finance and Transactional Services	Housing Benefits: Overpayment Recovery	Key System	Final	Substantial
Resources	Finance and Transactional Services	Welfare Rights	Assurance	In Progress	
Resources	Finance and Transactional Services	Creditor Payments	Key System	In Progress	
Resources	Finance and Transactional Services	Creditors - Supplier Masterfile	Key System	Final	Moderate
Resources	Finance and Transactional Services	Creditors - System access	Key System	Final	Moderate
Resources	Finance and Transactional Services	Creditors - Oracle Requisition Approver Hierarchy	Advice and Consultancy	Draft	
Resources	Finance and Transactional Services	Transparency Agenda - Interest on Late payments	Advice and Consultancy	Final	N/A
Resources	Finance and Transactional Services	Payroll	Key System	In Progress	
Resources	Finance and Transactional Services	Payroll : Taxation (PAYE)	Key System	In Progress	
Resources	Finance and Transactional Services	Payroll - Processing	Key System	Draft	
Resources	Finance and Transactional Services	Payroll - Mileage Expenses	Key System	In Progress	
Resources	Finance and Transactional Services	Debtors	Key System	Preparation	
Resources	Finance and Transactional Services	Debtors - Customer Masterfile	Key System	Preparation	
Resources	Finance and Transactional Services	Debtors - Standing Charges	Key System	Preparation	
Resources	Finance and Transactional Services	Cash Management	Key System	Preparation	
Resources	Finance and Transactional Services	FST Debit Card Cash Accounts and Shared Lives (Follow Up)	Follow Up	Final	N/A
Resources	Finance and Transactional Services	Financial Deputies	Assurance	In Progress	
Resources	Finance and Transactional Services	Financial Assessments	Assurance	In Progress	
Resources	Finance and Transactional Services	Section 256 agreements	Advice and Consultancy	Final	N/A
Resources	Finance and Transactional Services	Caspar System	Advice and Consultancy	Not yet started	
Resources	Digital and Customer Services	Vulnerability Management	Assurance	Preparation	
Resources	Digital and Customer Services	Unix - Linux Security	Assurance	Preparation	
Resources	Digital and Customer Services	Oracle Licences	Assurance	Final	Moderate
2019 / 2020 Internal Audit Plan					
Adult and Health Services	Adult & Health Services	Integration of Health and Care Plan for County Durham	Advice and Consultancy	In progress	
Adult and Health Services	Adult Care	SSID Replacement - Project Board	Advice and Consultancy	In progress	
Adult and Health Services	Adult Care	SSID Replacement - Workstream / Process Mapping	Advice and Consultancy	In progress	
Adult and Health Services	Commissioning	Personalisation – Delivery of Services via virtual budgets and through traditionally	Assurance	Not yet started	
Adult and Health Services	Commissioning	Commissioning of Learning Disability Services	Assurance	Not yet started	
Adult and Health Services	Commissioning	Commissioning of Learning Disability Services - Advice	Advice and Consultancy	Not yet started	
Adult and Health Services	Commissioning	Post Contract Arrangements	Assurance	Not yet started	
Adult and Health Services	Commissioning	Commissioning of Mental Health Services	Assurance	Not yet started	
Adult and Health Services	Commissioning	Commissioning of Residential & Domiciliary Care	Assurance	Not yet started	
Adult and Health Services	Public Health	Support to the DPH - Health Protection	Advice and Consultancy	Not yet started	
Adult and Health Services	Public Health	Stop Smoking Service	Advice and Consultancy	Preparation	
Adult and Health Services	Public Health	Pharmoutcomes - Data Matching	Advice and Consultancy	In progress	
Adult and Health Services	Public Health	Suicide Early Alert	Advice and Consultancy	Not yet started	
Adult and Health Services	Adult Care	Adult Mental Health Social Work Service	Advice and Consultancy	Complete	N/A
Children and Young People's Services	CYPS	MTFP Arrangements	Assurance	Not yet started	
Children and Young People's Services	CYPS	Liquidlogic - Board Meetings	Advice and Consultancy	In Progress	
Children and Young People's Services	CYPS	Liquidlogic: Phase 1 Implementation - Looked After Process Workflow	Advice and Consultancy	Preparation	
Children and Young People's Services	CYPS	Liquidlogic: Phase 2 Implementation - SEND	Advice and Consultancy	Not yet started	
Children and Young People's Services	Children's Social Care	Contract Monitoring Arrangements - External Foster Carer Payments	Assurance	Not yet started	
Children and Young People's Services	Children's Social Care	Children's Homes	Assurance	Not yet started	
Children and Young People's Services	Children's Social Care	Supervised Spend - Leaving Care Service	Advice and Consultancy	Not yet started	
Children and Young People's Services	Children's Social Care	First Contact Service - Data Protection Issues	Assurance	Draft	
Children and Young People's Services	Children's Social Care	Home to School Transport Arrangements	Assurance	Not yet started	
Children and Young People's Services	Children's Social Care	Special Guardianships and Child Arrangement Orders	Assurance	Not yet started	
Children and Young People's Services	Children's Social Care	Children's Centres and Hubs	Assurance	Not yet started	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Troubled Families Programme - Claim 01	Grant	Final	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Troubled Families Programme - Claim 02	Grant	Not yet started	
Children and Young People's Services	Education	School Attendance Enforcement	Assurance	Not yet started	
Children and Young People's Services	Education	Adult Learning Services	Assurance	Preparation	
Children and Young People's Services	Education	Durham Works	Advice and Consultancy	Not yet started	
Children and Young People's Services	Education - Schools	SFVS	Assurance	Not yet started	

INTERNAL AUDIT PLAN PROGRESS AS AT 30 JUNE 2019

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Children and Young People's Services	Education - Schools	Governor Training	Advice and Consultancy	Not yet started	
Children and Young People's Services	Education - Schools	SBM Training	Advice and Consultancy	Not yet started	
Children and Young People's Services	Education - Schools	Head Teacher Induction to Finance and Budgeting	Advice and Consultancy	Not yet started	
Children and Young People's Services	Education - Schools	School User Provider Group	Advice and Consultancy	Not yet started	
Children and Young People's Services	Education - Schools	Developing Financial Management Standards in Durham Schools	Advice and Consultancy	In Progress	
Children and Young People's Services	Locality and Operational Support	Caldicott Compliance	Assurance	Not yet started	
Children and Young People's Services	Locality and Operational Support	Caldicott Group	Advice and Consultancy	In Progress	
Children and Young People's Services	Schools	School Programme (governance and financial management)	Assurance	4 Substantial 6 Moderate 2 Limited 1 N/A	
		School Follow Up of previous Limited Assurance Opinion Reports			
Children and Young People's Services	Schools	Audit of School Voluntary Funds	Fund Certification	16 Complete	
Children and Young People's Services	Schools	DfE Collaborative Fund Grant - Wingate Infants	Grant	Final	N/A
Children and Young People's Services	Schools	DfE Collaborative Fund Grant - Durham Teaching School Alliance	Grant	Final	N/A
Children and Young People's Services	Schools	DfE Tailored Support Programme Grant	Grant	Not yet started	
Children and Young People's Services	Schools	DfE English Hubs Programme - St Michaels C of E Primary School	Grant	Final	N/A
Children and Young People's Services	CYPS	Anonymisation and Pseudonymisation	Advice and Consultancy	Preparation	
Regeneration and Local Services	Development and Housing / Corporate Land and Planning	Capital Programme Management	Assurance	Not yet started	
Regeneration and Local Services	Development and Housing	Housing Solutions	Assurance	Not yet started	
Regeneration and Local Services	Development and Housing	Disabled Facilities Grant	Grant	In Progress	
Regeneration and Local Services	Development and Housing	Bishop Auckland Heritage Action Zone	Grant	Not yet started	
Regeneration and Local Services	Business Durham	Stephanie 5	Grant	Not yet started	
Regeneration and Local Services	Business Durham	Stephanie 6	Grant	Not yet started	
Regeneration and Local Services	Environment, Health and Consumer Protection	Online Licence Applications	Assurance	Preparation	
Regeneration and Local Services	Environment, Health and Consumer Protection	Fair Trading - Consumer Complaints	Assurance	In Progress	
Regeneration and Local Services	Environment, Health and Consumer Protection	Fees and Charges	Advice and Consultancy	Not yet started	
Regeneration and Local Services	Transport and Contract Services	Local Transport Capital Block Funding	Grant	Not yet started	
Regeneration and Local Services	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	Grant	Not yet started	
Regeneration and Local Services	Transport and Contract Services	Road Safety Capital Grant	Grant	Not yet started	
Regeneration and Local Services	Transport and Contract Services	Park and Ride	Assurance	Preparation	
Regeneration and Local Services	Transport and Contract Services	Concessionary Fares	Assurance	Preparation	
Regeneration and Local Services	Environment	Carbon Reduction Commitment	Grant	Preparation	
Regeneration and Local Services	Environment	Utility Bills - Contract Management	Assurance	Not yet started	
Regeneration and Local Services	Environment	LoCarbo 6	Grant	Not yet started	
Regeneration and Local Services	Environment	Rebus 6	Grant	Final	N/A
Regeneration and Local Services	Environment	Atlantic Geoparks 3	Grant	Not yet started	
Regeneration and Local Services	Environment	Carbon Connects 2	Grant	Not yet started	
Regeneration and Local Services	Environment	Carbon Connects 3	Grant	Not yet started	
Regeneration and Local Services	Environment	SMEPower	Grant	Preparation	
Regeneration and Local Services	Environment	Public Health Funerals	Assurance	In Progress	
Regeneration and Local Services	Environment	Durham Crematorium	Assurance	Not yet started	
Regeneration and Local Services	Environment	Mountsett Crematorium	Assurance	Not yet started	
Regeneration and Local Services	Environment	Neighbourhood Wardens - Enforcement and Education	Assurance	Not yet started	
Regeneration and Local Services	Environment	Driver Checks	Assurance	In Progress	
Regeneration and Local Services	Environment	Fuel Stocks and Stores	Assurance	Not yet started	
Regeneration and Local Services	Culture and Sport	Rolling Programme of Leisure Centres (Abbey, Meadowfield and Riverside)	Assurance	Not yet started	
Regeneration and Local Services	Culture and Sport	Compliance with new Leisure Centre procedures on holidays and TOIL	Assurance	Not yet started	
Regeneration and Local Services	Culture and Sport	New system for 'Learn to Swim'	Advice and Consultancy	Not yet started	
Regeneration and Local Services	Culture and Sport	Competition Line UK Income Share Agreement	Assurance	Not yet started	
Regeneration and Local Services	Culture and Sport	Stanley Bowls	Advice and Consultancy	Not yet started	
Regeneration and Local Services	Technical Services	CDM Compliance - Review of Self Assessment	Assurance	Not yet started	
Regeneration and Local Services	Technical Services	Charging Arrangements	Advice and Consultancy	Not yet started	
Regeneration and Local Services	Technical Services	Local Highways Maintenance Funding - Incentive Element	Grant	Not yet started	
Regeneration and Local Services	Technical Services	Local Transport Capital Block Funding for NECA	Grant	Not yet started	
Regeneration and Local Services	Technical Services	Stores Management	Assurance	Not yet started	
Regeneration and Local Services	Technical Services	Highways Capital Maintenance Programme	Advice and Consultancy	In Progress	
Regeneration and Local Services	Culture and Sport	Leisure Centre Timesheets	Follow Up	Not yet started	

INTERNAL AUDIT PLAN PROGRESS AS AT 30 JUNE 2019

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Legal & Democratic Services	Members Expenses	Assurance	Not yet started	
Resources	Legal & Democratic Services	RIPA Officers Group	Advice and Consultancy	In Progress	
Resources	Legal & Democratic Services	Scheme of Delegation	Assurance	Not yet started	
Resources	Legal & Democratic Services	Tender Opening Arrangements	Assurance	Not yet started	
Resources	Corporate Finance and Commercial Services	Capital Accounting	Assurance	Not yet started	
Resources	Corporate Finance and Commercial Services	Property Investment Fund	Advice and Consultancy	Not yet started	
Resources	Corporate Finance and Commercial Services	Contract Management	Assurance	Not yet started	
Resources	Corporate Finance and Commercial Services	Off Contract Spend	Assurance	Not yet started	
Resources	Corporate Finance and Commercial Services	Electrical Components Contract	Assurance	Not yet started	
Resources	Corporate Finance and Commercial Services	Oracle Programme Board	Advice and Consultancy	In Progress	
Resources	People and Talent Management	Disciplinary Policy	Assurance	Not yet started	
Resources	Finance and Transactional Services	Service Level Agreements Board (SLAB)	Advice and Consultancy	In Progress	
Resources	Finance and Transactional Services	Service Level Agreements Board (SLAB) - Tendering Workstream	Advice and Consultancy	In Progress	
Resources	Finance and Transactional Services	Section 256 Agreements	Advice and Consultancy	Not yet started	
Resources	Finance and Transactional Services	Creditors	Key System	Not yet started	
Resources	Finance and Transactional Services	Creditors - Supplier Masterfile	Key System	Not yet started	
Resources	Finance and Transactional Services	Creditors - National Fraud Initiative	Key System	In Progress	
Resources	Finance and Transactional Services	Creditors - Invoice and PO authorisation	Key System	Not yet started	
Resources	Finance and Transactional Services	Creditors - Receipting of Goods	Key System	Not yet started	
Resources	Finance and Transactional Services	Procurement Cards	Assurance	Not yet started	
Resources	Finance and Transactional Services	Work Stream on Petty Cash and Payment Cards	Advice and Consultancy	In Progress	
Resources	Finance and Transactional Services	P2P Performance and Improvement Project	Advice and Consultancy	In Progress	
Resources	Finance and Transactional Services	Better Care Fund and Improved Better Care Fund (Section 75)	Assurance	Not yet started	
Resources	Finance and Transactional Services	Payroll	Key System	Not yet started	
Resources	Finance and Transactional Services	Payroll - Access to Data and Records	Key System	Not yet started	
Resources	Finance and Transactional Services	Payroll - Preparation and Corrections	Key System	Not yet started	
Resources	Finance and Transactional Services	Payroll - System Implementation	Advice and Consultancy	In Progress	
Resources	Finance and Transactional Services	Cash Management	Key System	Not yet started	
Resources	Finance and Transactional Services	Debtors	Key System	Not yet started	
Resources	Finance and Transactional Services	Debtors Working Group	Advice and Consultancy	In Progress	
Resources	Finance and Transactional Services	Financial Deputies	Assurance	Not yet started	
Resources	Finance and Transactional Services	Deputies and Appointees - Working Group	Advice and Consultancy	In Progress	
Resources	Finance and Transactional Services	Deputies and Appointees - Personal Allowance Payments	Assurance	Not yet started	
Resources	Digital and Customer Services	Change Management	Assurance	Not yet started	
Resources	Digital and Customer Services	Problem Management	Assurance	In Progress	
Resources	Digital and Customer Services	Office 365	Advice and Consultancy	In Progress	
Resources	Digital and Customer Services	IT Governance	Assurance	Preparation	
Resources	Digital and Customer Services	ICT Purchasing	Assurance	Preparation	
Resources	Digital and Customer Services	Process Reviews	Advice and Consultancy	In Progress	
Resources	Digital and Customer Services	Digital Durham	Grant	Not yet started	
Resources	Legal & Democratic Services	Beamish Museum – Review of internal control procedures	Advice and Consultancy	Draft	
Transformation and Partnerships	Communications and Marketing	Policy on Advertising and Sponsorship	Advice and Consultancy	Not yet started	
Transformation and Partnerships	Communications and Marketing	Social Media Strategy	Advice and Consultancy	Not yet started	
Transformation and Partnerships	Strategy	Data Quality - System Process Review	Assurance	Not yet started	
Transformation and Partnerships	Partnerships and Community Engagement	Community Grants Sample	Assurance	Not yet started	
Transformation and Partnerships	Partnerships and Community Engagement	Community Grants - Monitoring Arrangements	Advice and Consultancy	Not yet started	
Transformation and Partnerships	Transformation	Transformation	Advice and Consultancy	In Progress	
Transformation and Partnerships	Transformation	Business Support Process Reviews	Advice and Consultancy	In Progress	
Transformation and Partnerships	Transformation	GDPR compliance	Assurance	Not yet started	
Transformation and Partnerships	Transformation	Freedom of Information (FOI)	Assurance	Not yet started	
Transformation and Partnerships	Transformation	Information Governance Group	Advice and Consultancy	In Progress	

FINAL REPORTS ISSUED IN PERIOD ENDING 30 JUNE 2019

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
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ADULT AND HEALTH SERVICES (AHS)		
Pharmoutcomes – Data Matching	Advice and Support provided in matching Pharmoutcomes data (Note a new activity has been created to continue to support process during 2019/20).	N/A
Adult Mental Health Social Work Service	Work undertaken at the request of the Corporate Director AHS to coordinate a suggested response to concerns that had been raised by a constituent of a local MP.	N/A

CHILDREN AND YOUNG PEOPLE’S SERVICES (CYPS)		
Caldicott	Procedures reviewed following two data breaches where personal information was disclosed inappropriately.	Moderate
Section 17 Follow Up	Review of recommendations raised in previous report to confirm whether they had been implemented	N/A
Troubled Families Programme – Claim 04 2018/19	Verification of grant claim	N/A
Troubled Families Programme – Claim 01 2019/20	Verification of grant claim	N/A
DfE Collaborative Fund Grant	Verification of two school grant claims	N/A
DfE English Hubs Programme	Verification of school grant claim	N/A

REGENERATION AND LOCAL SERVICES (ReaL)		
Asset Valuation	Assurance review of the arrangements in place to mitigate against the risk material misstatement of the value of assets in the statement of accounts.	Substantial

REGENERATION AND LOCAL SERVICES (ReaL) Contd.		
Durham Crematorium	<p>Assurance review of the arrangements in place to mitigate against the risks of:</p> <ul style="list-style-type: none"> - Income is not accounted for/misappropriated; - Significant risks are not being managed and the objectives are not being achieved; - Ineffective budget monitoring processes are in place; - Unauthorised payments are made; - Employees are incorrectly paid; - Equipment failure; - Non compliance with the Cremation Regulations 2008; - Non compliance with the Federation of British Cremation Authorities Code of Cremation Practice; - Lack of experienced staff; - Insufficient capacity to meet demand in the event of an epidemic, pandemic or major disaster; - Stock / Assets are not accounted for / misappropriated; - Damage / theft of equipment; - Ashes are disposed of incorrectly. 	Substantial
Mountsett Crematorium	<p>Assurance review of the arrangements in place to mitigate against the risks of:</p> <ul style="list-style-type: none"> - Income is not accounted for/misappropriated; - Significant risks are not being managed and the objectives are not being achieved; - Ineffective budget monitoring processes are in place; - Unauthorised payments are made; - Employees are incorrectly paid; - Equipment failure; - Non compliance with the Cremation Regulations 2008; - Non compliance with the Federation of British Cremation Authorities Code of Cremation Practice; - Lack of experienced staff; - Insufficient capacity to meet demand in the event of an epidemic, pandemic or major disaster; - Stock / Assets are not accounted for / misappropriated; - Damage / theft of equipment; - Ashes are disposed of incorrectly. 	Substantial
Safety of Sports Grounds	<p>Assurance review of the arrangements in place to mitigate against the risks of:</p> <ul style="list-style-type: none"> - Valid certificates are not in place for qualifying facilities; - Decisions are made that have no legal basis; - People are endangered at an event. 	Substantial
Louisa Centre	<p>Assurance review of the arrangements in place to mitigate against the risks of:</p> <ul style="list-style-type: none"> - Income is recorded or processed inaccurately; - Income is not received for bookings/courses; - Cash is held or transported insecurely; - Unauthorised access to cash receipting system and till; - Gym membership income is not received; - Expenditure is inappropriate; - Stocks are inappropriate or insecure. 	Moderate

REGENERATION AND LOCAL SERVICES (ReaL) Contd.		
Consett Leisure Centre	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - Income is recorded or processed inaccurately; - Income is not received for bookings/courses; - Cash is held or transported insecurely; - Unauthorised access to cash receipting system and till; - Gym membership income is not received; - Expenditure is inappropriate; - Stocks are inappropriate or insecure. 	Moderate
Leisure Centre Timesheets	Assurance review of the arrangements in place to mitigate against the risk of payments to employees not reflecting actual hours worked.	Limited
Allotments Management (Follow Up)	Follow up audit to determine the progress made in the implementation of the recommendations contained within the report issued in June 2015.	N/A
Stanley Bowls Club	Review of Final Accounts	N/A
Road Safety Capital Grant	Grant Certification	N/A
Rebus - Renovation for Energy efficient Buildings (6)	Grant Certification	N/A
Local Growth Fund – Forrest Park	Grant Certification	N/A
Local Growth Fund – Bishop Auckland Market Place	Grant Certification	N/A

RESOURCES		
Housing Benefits – Overpayment Recovery	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - Failure to adhere to legislation, best practice, and/or procedures; - Recovery action is inappropriate, not initiated or not initiated promptly and/or is not appropriately monitored; - Records are not updated to record recovery action and are not securely held. 	Substantial
Business Rates – Valuation	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - Failure to adhere to legislation, best practice and / or procedures; - Inaccurate or untimely identification and/or recording of a new property or amendment. 	Substantial

RESOURCES (Contd.)		
Council Tax – Valuation: Empty Homes Review	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - Failure to adhere to legislation, best practice or procedures; - Incorrect classification and recording of a property as empty. 	Substantial
Council Tax and Business Rates – Recovery	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - Failure to adhere to legislation, best practice, and/or procedures; - Recovery action is inappropriate, not initiated promptly or appropriately recorded or monitored; - Records are not updated to record recovery action and are not securely held; - Performance is not adequately managed / reported. 	Substantial
Creditors – Supplier Masterfile	Assurance review of the arrangements in place to mitigate against the risk of the supplier masterfile containing duplicate or inaccurate data, leading to payment errors.	Moderate
Oracle Licences	Assurance review of the arrangements in place to mitigate against the risk of software installed not being compliant with licence agreements.	Moderate
Creditors – System Access	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - Business critical data is lost, or cannot be restored, in the event of a disaster; - Users have access to data which they do not require. 	Moderate
Procurement Cards	Follow up review to determine whether the actions from the original audit had been implemented.	N/A
FST Debit Card Cash Accounts and Shared Lives	Follow up review to determine whether the actions from the original audit had been implemented.	N/A
Section 256 agreements	Advice and consultancy review to verify that general ledger entries are fairly stated and that expenditure has been properly incurred in accordance with the relevant terms and conditions.	N/A
Gifts and Hospitality	Advice and consultancy review to evaluate the control environment for Gifts and Hospitality and provide recommendations for improvements in the system.	N/A
Transparency Agenda – Interest on Late Payments	Advice and consultancy review to identify any delays and inefficiencies in the processing of invoices through specific cost centres, which were previously identified as having the greatest potential fines/charges.	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
ADULT AND HEALTH SERVICES (AHS)						
2017/18						
High	10	8	2	2	0	
Medium	19	19	0	0	0	
Total	29	27	2	2	0	
2018/19						
High	1	0	1	1	0	
Medium	33	28	5	5	0	
Total	34	28	6	6	0	
2019/20						
High	0	0	0	0	0	
Medium	0	0	0	0	0	
Total	0	0	0	0	0	
Overall Total	63	55	8	8	0	
CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)						
2016/17						
High	1	1	0	0	0	
Medium	44	43	1	1	0	
Total	45	44	1	1	0	
2017/18						
High	2	2	0	0	0	
Medium	63	60	3	3	0	
Total	65	62	3	3	0	
2018/19						
High	1	1	0	0	0	
Medium	71	67	4	4	0	
Total	72	68	4	4	0	
2019/20						
High	0	0	0	0	0	
Medium	12	10	2	2	0	
Total	12	10	2	2	0	
Overall Total	194	184	10	10	0	
REGENERATION AND LOCAL SERVICES (REAL)						
2016/17						
High	9	9	0	0	0	
Medium	193	192	1	1	0	
Total	202	201	1	1	0	
2017/18						
High	3	3	0	0	0	
Medium	56	53	3	3	0	
Total	59	56	3	3	0	
2018/19						
High	0	0	0	0	0	
Medium	67	61	6	6	0	
Total	67	61	6	6	0	
2019/20						
High	0	0	0	0	0	
Medium	8	6	2	2	0	
Total	8	6	2	2	0	
Overall Total	336	324	12	12	0	
RESOURCES (RES)						
2016/17						
High	10	10	0	0	0	
Medium	104	103	1	1	0	
Total	114	113	1	1	0	
2017/18						
High	11	11	0	0	0	
Medium	123	122	1	1	0	
Total	134	133	1	1	0	
2018/19						
High	2	2	0	0	0	
Medium	68	63	5	5	0	
Total	70	65	5	5	0	
2019/20						
High	0	0	0	0	0	
Medium	11	8	3	3	0	
Total	11	8	3	3	0	
Overall Total	329	319	10	10	0	
TRANSFORMATION AND PARTNERSHIPS (TAP)						
2017/18						
High	0	0	0	0	0	
Medium	8	7	1	1	0	
Total	8	7	1	1	0	
2018/19						
High	0	0	0	0	0	
Medium	5	5	0	0	0	
Total	5	5	0	0	0	
2019/20						
High	0	0	0	0	0	
Medium	0	0	0	0	0	
Total	0	0	0	0	0	
Overall Total	13	12	1	1	0	
TOTAL COUNCIL						
2015/16						
High	0	0	0	0	0	
Medium	0	0	0	0	0	
Total	0	0	0	0	0	
2016/17						
High	20	20	0	0	0	
Medium	341	338	3	3	0	
Total	361	358	3	3	0	
2017/18						
High	26	24	2	2	0	
Medium	269	261	8	8	0	
Total	295	285	10	10	0	
2018/19						
High	4	3	1	1	0	
Medium	244	224	20	20	0	
Total	248	227	21	21	0	
2019/20						
High	0	0	0	0	0	
Medium	31	24	7	7	0	
Total	31	24	7	7	0	
OVERALL TOTAL	935	894	41	41	0	

Performance Indicators as at 30 June 2019

Efficiency			
Objective: To provide maximum assurance to inform the annual audit opinion			
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Actual
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage	90% (Annually)	23.8% at 30 June 2019
Timeliness of Draft Reports	% of draft reports issued within 30 calendar days of end of fieldwork/closure interview	90% (Quarterly)	87% (26 out of 30)
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response	95% (Quarterly)	100% (34 out of 34)
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)	100%
Quality			
Objective: To ensure that the service is effective and adding value			
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Recommendations agreed	% of recommendations made compared with recommendations accepted	95% (Annually)	100%
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service satisfactory or above (3 out of 5) where 1 is poor and 5 is very good	100% (Quarterly)	100% - Av score 4.6
Customers providing feedback Response	% of customers returning satisfaction returns	70% (Quarterly)	74%
Cost			
Objective: To ensure that the service is cost effective			
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Cost per chargeable audit day	CIPFA Benchmarking Club – Comparator Group (Unitary)	Lower than average (Annually)	Yes (2015/16 exercise) £226 cost per chargeable audit day

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

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