



Audit Committee

Date Thursday 27 February 2020

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 28 November 2019 (Pages 5 - 12)
3. Declarations of interest, if any
4. Quarter 3 2019/20 Health, Safety and Wellbeing Performance Report - Report of Occupational Health and Safety Manager, Resources (Pages 13 - 26)
5. Agreement of Accounting Policies for Application in the 2019/20 Financial Statements - Report of Corporate Director of Resources (Pages 27 - 60)
6. Final Accounts Timetable for the year ended 31 March 2020 - Report of Corporate Director of Resources (Pages 61 - 66)
7. External Audit - Durham County Council Audit Strategy Memorandum Year Ended 31 March 2020 - Report of External Auditor (Pages 67 - 86)
8. External Audit Progress Report - February 2020 - Report of External Auditor (Pages 87 - 100)
9. Corporate Governance Review 2019/20 - Key Dates - Report of Corporate Director, Resources (Pages 101 - 104)
10. Strategic Risk Management Progress Report for 2019/20 - Review 3 - 1 October - 31 December 2019 - Report of Corporate Director Resources (Pages 105 - 120)

11. Revised Risk Management Policy and Strategy - Report of Corporate Director of Resources (Pages 121 - 128)
12. CIPFA Statement - The Role of the Head of Internal Audit in Public Sector Organisations - Report of Corporate Director of Resources (Pages 129 - 176)
13. Emergent Internal Audit Plan 2020/21 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 177 - 192)
14. Internal Audit Progress Report Period Ended 31 December 2019 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 193 - 214)
15. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
16. 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)

17. Internal Audit Progress Report Period Ended 31 December 2019 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 215 - 228)
18. 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
19 February 2020

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 **Thursday 28 November 2019 at 10.00 am**

Present:

Councillor E Bell (Chair)

Members of the Committee:

Councillors J Rowlandson (Vice-Chair), C Carr, J Clark, B Kellett, J Nicholson, 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 J Robinson

2 Minutes

The Minutes of the meeting held on 30 September 2019 were confirmed as a correct record and were signed by the Chairman.

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 Corporate Property and Land

The Chair introduced the Head of Corporate Property and Land to the Committee.

She explained that she was bringing together a new service area for all property related matters and that it was a great opportunity to streamline processes and remove any duplication. There were budget pressures and challenges that faced the service as there were buildings to maintain, annual running costs and vacant buildings. The service would ensure that all

buildings were fit for purpose and water tight. Moving forward the service would look at what capital investments to make to improve the assets base.

The Chair thanked the Head of Corporate Property and Land for attending the meeting.

5 Transformation Overview

The Committee received a presentation from the Head of Transformation which gave an overview of the Council's Transformation Programme (for copy see file of Minutes).

The presentation highlighted the following:

- Transformation outcomes
- Building programme – investment into employees and the way in which we deliver services
- Transformation programme 2019
- Inspiring People
 - Business services
 - Smarter working staff sessions
 - HR progress
- Inspiring Places
 - Headquarters – issues in relation to Common Land being addressed
 - Site progress
 - Social value
 - Strategic sites
 - Workplace design
- Inspiring Change
 - Business process reviews
 - SEND and inclusion
 - Business intelligence programme
 - Office 365
 - Digital customer

In conclusion, the Head of Transformation informed the committee of the following:

- Integrated programme of change underway
- Renewed focus on Organisational Development being implemented through cultural change and learning and development
- Investment in new digital systems, with an increasing number of services available on-line
- Renewed business processes and programme of reviews in the pipeline

- Smarter Working through revised working practice, HQ and premises modernisation
- More efficient and effective Council

Mr Robinson asked how value for money could be demonstrated as there was a lot of ongoing activity but no mention of how much was being spent. The Head of Transformation responded that each project has a spending review and £3 million was identified as an efficiency saving within the Medium Term Financial Plan, £1 million for unitising strategic sites and £5 million target against commercial activity, making a total of £9 million savings so far. £220,000 had been saved by moving staff into the refurbished building at Crook and £250,000 savings had been made from printing paper and cartridges.

Councillor Shuttleworth asked what would happen if the Common Land issue was not rectified and was advised that the land had been used as a car park for the last 20 years and would not affect progress on the building.

With reference to the staff sessions, Mr Rudd pointed out that these seemed to be driven from the top down and asked if staff were playing a part in any activities. He was advised that the smarter working sessions had been top down instructions as prepping people for the move was important. It was recognised that each team would do this in their own way and action plans were being developed with them.

Moving on, Councillor Temple asked how the move onto the Liquid Logic system was working for Residential Care Homes and he was informed that all contract arrangements would work within the new system. Business processes would be looked at and the payment system would be used primarily. Councillor Temple was concerned that some problems could occur and the Head of Transformation gave assurance that mesh testing with the system does occur before the systems were configured. Discussions around system capability were also taking place. The Chief Internal Auditor and Corporate Fraud Manager assured the committee that his team was involved and were overseeing the process of the move to Liquid Logic and Azeus.

The Chair asked how the Council would continue to keep corporate when staff and services would be based in separate locations. The Head of Transformation said that this was a challenge as the organisation was large but the move away from being departmentalised over the last 10 years had ensured we had a 'One Council' ethos. The headquarters would have a democratic core and civic presence and fixed services where staff did not need to leave the building as often. Each service grouping would have a presence in all buildings and the technology tools we had would enable staff to easily communicate with each other e.g. via Skype.

Resolved:

That the information given be noted.

6 Quarter 2 2019/20 Health, Safety and Wellbeing Performance Report

The Committee received a report from the Resources Health, Safety and Wellbeing Strategic Group that provided an update on health, safety and wellbeing performance for quarter two of 2019/20 (for copy see file of Minutes).

The Occupational Health and Safety Manager highlighted the key areas of the report including:

- Fire Safety Audits
- Fire Incidents
- Occupational Health Service
- Enforcement Body Interventions and Significant Incidents
- Durham City Anti-Social Behaviour Risk Assessment
- Health and Safety Team Audit and Inspections
- Open Water Safety
- Employee Mental Health and Wellbeing
- Potentially Violent Persons Register (PVPR)

The Occupational Health and Safety Manager informed the committee of an incident that resulted in a safety breach at County Hall. CCTV footage had been examined and the Police had been called. As a result of the incident more stringent health and safety measures would be put in place and staff were being reminded to wear their ID badges at all times and to be vigilant.

Councillor Shuttleworth was concerned at how this breach had occurred and suggested that we went back to the days of having a doorman at each entrance. He was advised that longer term options were being looked at.

Councillor Clark said that everyone who entered the building at the help desk without signing in or showing their pass should be challenged and agreed that everyone had a part to play to ensure everyone's safety. She went on to ask about the fire incident at Southfield Lodge and was advised that the County Council investigated as they had staff members working on the premises. Liaison took place with the Fire Service.

In relation to the Potentially Violent Person's Register, Councillor Clark commented that a large number of staff in Resources had viewed the register – 1376 times for 86 people on the register. The Occupational Health and Safety Manager advised that he was looking at the system but would check the reasons behind it. He said that the Council would encourage staff to use

it and would focus on those who do not check the register especially when working in front line services.

Councillor Temple was advised that the 81 incidents of violence or aggression to our staff were external including both physical and verbal attacks. He went on to ask for a further breakdown of these incidents.

Resolved:

That the report be noted.

7 External Audit Progress Report - November 2019

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

Mr Collins of Mazars informed the committee that planning of the 2019/20 audit had commenced and that the Audit Plan would be presented to the next meeting in February 2020.

Members were informed that separate pieces of work were being carried out on Teachers Pensions and Housing Benefit Subsidy.

In terms of national publications the committee noted the new Code of Audit Practice.

Resolved:

That the contents of the report be noted.

8 Local Code of Corporate Governance

The Committee considered a report of the Corporate Director of Resources which asked the Committee to recommend to the Council the inclusion of the Local Code of Corporate Governance into the revised Constitution following an annual review (for copy see file of Minutes).

Resolved:

That the updated Local Code of Corporate Governance be approved.

9 Strategic Risk Management Progress Report for 2019/20 - Review 2: 1 June - 30 September 2019

The Committee considered a report of the Corporate Director of Resources which highlighted the strategic risks facing the Council and which gave an insight into the work carried out by the Corporate Risk Management Group between June and September 2019 (for copy see file of Minutes).

The Risk, Insurance and Governance Manager informed the Committee that there were 28 strategic risks and highlighted the key changes in the quarter. Members were informed of two new risks in relation to poverty and a no deal Brexit.

Mr Rudd asked why the new headquarters was not included as a major risk and was advised that a project board had been set up to oversee this area and all significant risks would be reported to this group. The Risk, Insurance and Governance Manager added that as all controls were in place this was deemed to be a low risk.

Referring to risks 4 and 12 in the Altogether Better Corporate Theme table, Mr Rudd asked why there were two separate entries for the breach of data. The Principal Risk and Governance Officer explained that the second entry was due to the unique nature of the introduction of General Data Protection Regulations and involved huge projects to ensure working practices were correct.

Resolved:

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

10 Protecting the Public Purse - Update Activity Report as at 30 September 2019

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager that provided an update on the Council's counter fraud activity as at 30 September 2019 (for copy see file of Minutes).

The Corporate Fraud Officer reported that the work of the team continued to grow and develop a multi-agency approach to fraud investigations. A recent staff survey had been undertaken to ascertain if they knew how to report potential fraud and fraud awareness was incorporated into the induction process for new employees. He advised that the number of cases investigated from April to September 2019 was 322 with an outcome of £1.3 million.

Mr Robinson enquired if there were any emerging topics of fraud and was informed that school grants had been raised both regionally and nationally and a review would be undertaken shortly on procurement fraud.

In relation to the third party work carried out Mr Rudd asked how this was re-charged. The Corporate Fraud Officer advised that this was broken down per hour, per day, per case and the money was re-invested back into the service and had recently appointed a financial investigator. He would

provide additional information in the next report giving the breakdown of County Council and partnerships income.

Councillor Temple referred to the 36 frauds detected on rights to buy and asked if we had any control over the prosecutions. The Corporate Fraud Manager explained that they would present the evidence gathered to the partner and it was up to them whether they pursued a prosecution. Some chose not to go down this route due to the court costs.

The Chair congratulated the team on an excellent years work especially as work had increased and people were now more aware that fraud would be investigated.

Resolved:

That the recommendations contained within the report be approved.

11 Internal Audit Progress Report Period Ending 30 September 2019

The Committee considered the report of the Chief Internal Auditor and Corporate Fraud Manager which informed Members of the work that had been carried out by Internal Audit during the period 1 April 2019 to 30 September 2019 as part of the 2019/2020 Internal Audit Plan (for copy see file of Minutes).

The Audit and Fraud Manager highlighted the movements in the plan, removed audits and unplanned reviews added to the plan. The Committee were advised that 47% of the total plan had been delivered, exceeding the target of 45%. There had been 1 audit finalised in the quarter that had been issued a limited assurance opinion. With reference to the survey response rate an average score of 4.6 out of 5 was given from service groupings. The summary of progress on the actions due were highlighted and members were informed that 96% of actions had been implemented. From paragraph 21 of the report he reported on governance arrangements for companies and the appointment of directors to them. This would be monitored and referred to as part of the Annual Internal Audit Opinion for 2019/20.

Referring to page 146 of the report Councillor Carr commented that the driver checks had a final opinion of moderate and he would have expected this to be higher. The Chief Internal Auditor and Corporate Fraud Manager assured the committee that this was an acceptable position as should there was any risk to life, property or assets he would have given a limited assurance opinion.

Resolved:

That

- (i) the amendments made to the 2019/2020 Annual Internal Audit Plan be noted;
- (ii) the work undertaken by Internal Audit during the period ending 30 September 2019 be noted;
- (iii) the performance of the Internal Audit Service during the period be noted;
- (iv) the progress made by service managers in responding to the work of Internal Audit be noted.

12 Exclusion of the Public

Resolved:

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

13 Protecting the Public Purse - Update Activity Report as at 30 September 2019

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager that provided an update on the Council's counter fraud activity as at 30 September 2019 (for copy see file of Minutes).

Resolved:

That the recommendations contained within the report be approved.

14 Internal Audit Progress Report Period Ending 30 September 2019

The Committee considered Appendices 6 and 7 of the report of the Chief Internal Auditor and Corporate Fraud Manager which detailed the actions agreed by managers in response to internal audit recommendations that were outstanding (for copy see file of Minutes).

Members were advised that there was one audit finalised in the quarter that had been issued with a limited assurance opinion and one follow up audit had been completed.

Resolved:

That the report be noted.

Audit Committee

27 February 2020

**Quarter 3 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 to audit committee on the council's Health, Safety and Wellbeing (HSW) performance for Quarter three of 2019/20.

Executive summary

3. Following attainment of the better health at work gold award, the council is progressing with the continuing excellence award submission in 2020.
4. Statistical data for Quarter 3 indicates continued trends as per previous quarters in relation to accidents and incidents with no outlying areas for focus. In particular, there are notable predicted decreases in relation to RIDDOR reportable over seven day related absences.
5. There have been 5 fire related incidents at various council premises during the quarter. Internal and external fires safety related auditing outcome are positive again.
6. Almost 300 investigations, proactive and reactive H&S audit related activities have been undertaken during the quarter. Internal and external enforcement fire safety auditing has again demonstrated good levels of compliance across a range of premise and service provision types.

Recommendation(s)

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

385

Accidents, incidents and near misses reported
(361 in Q1 2019/20
335 in Q2 2019/20)

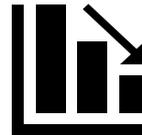
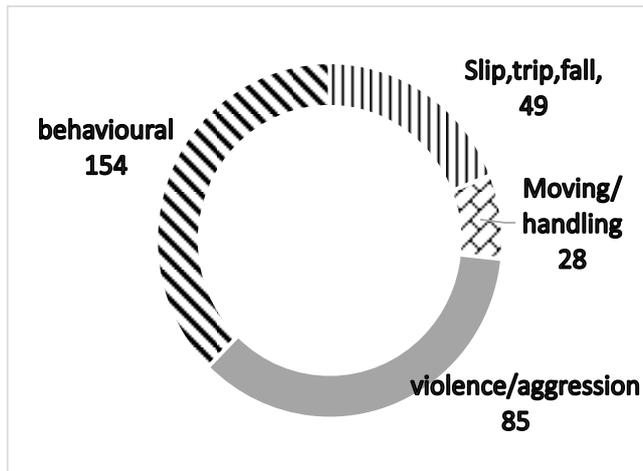


96%

Of all reported accidents are either no injury or near miss

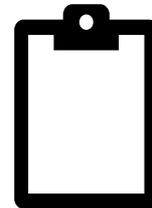


Main Accident/Incident Causes



4 RIDDOR 'specified' injuries, and 6 over 7 days absence RIDDOR injuries

287 H&S audits, inspections and accident investigations



• Better Health at Work Gold Award achieved



51 psychological work related incidents in Q3 2019/20
(compared to 33 in Q2 2019/20, 39 in Q1 2019/20)

5 fire related incidents



18 internal fire safety audits of council premises

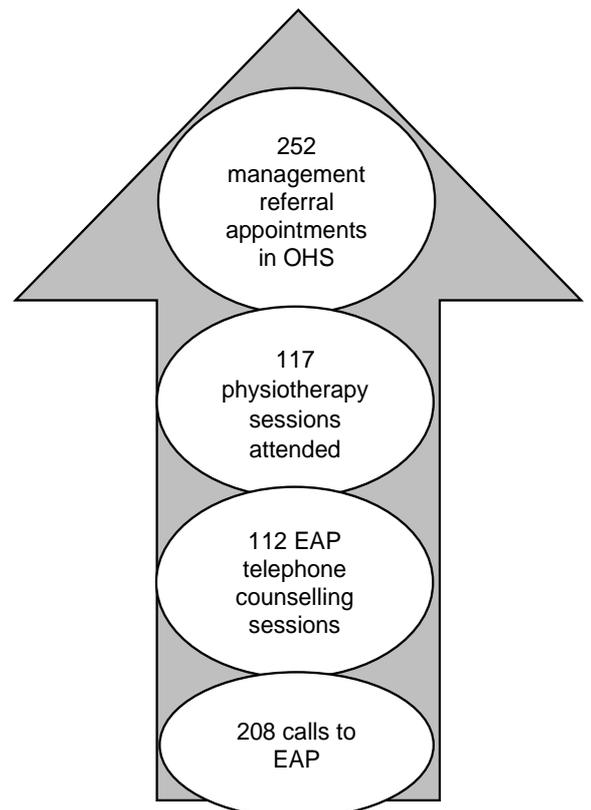
2 CDDFRS inspections of council premises with compliance outcome



7 Joint H&S/TU Safety Rep inspections

0

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



Consultation/Communication

8. 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 October 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).
9. During Quarter 3 there were three joint inspections undertaken with trade unions employee safety representatives within REAL. Two inspections were undertaken within refuse and recycling and one within CPAL. There were also four joint audits undertaken alongside trade union representatives. All four joint inspections took place in Primary Schools.
10. An additional consultative forum has been established since the introduction of CPAL and this will reflect the revised service provisions within this area of REAL. Further consideration will be given to the requirement for additional consultative forums when the regeneration and economic growth and neighbourhoods and climate change service groupings are formed.

Fire Safety - Fire Audits (Internal)

11. There have been 18 internal fire safety audits completed during Quarter 3. These were at a range of council premises such as Primary Schools, Hawthorn House, Net Park and Aycliffe Young Peoples Centre.
12. There were a number of positive findings which included fire risk assessments in place, housekeeping standards, regular fire drills and routine system checks being completed.

Fire Incidents

13. There were five fire related incidents at Council premises or staffed premises during Quarter 3. These were at Epsom Court Woodham Village, Shotton Library, Aycliffe Secure Centre, Consett bus station and Riverside Park Chester le Street.
14. In relation to Woodham Village, the driver of a refuse vehicle realised that a fire had occurred inside the vehicle hopper. The driver used the portable fire extinguisher from the vehicle, but this did not extinguish the fire. While the use of the portable extinguisher by the RCV operative did not fully extinguish the fire, it did reduce the size of the fire. The fire service were called and applied water to the smouldering load and extinguished the fire in the load. The RCV and Fire Service appliance then proceeded to Heighington Waste Station where the load was dropped into the hot load bay and the fire service

confirmed that the load was fully extinguished. It is unknown what caused the fire, but it is believed to be a discarded battery.

15. At Shotton library the cleaner found the post-box open and the small fire extinguisher was found lying on the floor. It was believed that a suspected firework had been placed within the post box and had exploded within it thus displacing the extinguisher. The incident was investigated by the fire safety advisor who determined that it was not a firework that had been placed in the post box but was in fact an attempted burglary and the culprit had searched the post box and removed the extinguisher. The police were notified and confirmed that it was an attempted burglary and not an arson/fire incident. Police enquires are ongoing to identify the preparator.
16. One of the maintenance team at Aycliffe Secure unit reported that a towel had been thrown up onto a downlight in the pool area. After a while the towel had started to discolour and gave off a burning smell. A review of all the other light fittings in other areas used by young people revealed that other combustible items had been thrown onto the light fittings. These were removed and all staff have reminded to be vigilant regards this trend.
17. At Consett bus station a fire was started within a plastic refuse sack in one of the aluminium bins within the concourse. The fire itself was contained within the plastic bin bag and did not require fire service intervention. The bus station does have problems with anti-social behaviour, however it is monitored by CCTV which is linked to the control centre at Chilton depot, where staff can speak to youths via the tannoy system if they are identified engaging in anti-social behaviour. The police have been informed of the incident and regular checks of the bus station are now being carried out the local PCSOs.
18. An finally at Chester le Street Riverside Park it was reported that some youths who had been congregating within vicinity of the park pavilion had set fire to a plastic waste bin that was located near to a metal container and had set fire to the toilet roll and holders within the toilets. It is believed that the fire service was called to deal with the bin fire, however they have not yet confirmed this. It has been recommended that plastic bins be replaced with non-combustible bins and that they should be emptied regularly.

Fire Inspections – County Durham and Darlington Fire and Rescue Service

19. There have been two CDDFRS inspections of Council premises during Quarter 3. These were at the Louisa Centre Stanley and Newton Aycliffe Leisure Centre. The outcome of these inspections were that the premises were deemed to be broadly compliant with Fire safety legislation.

Health and Safety Team Audit, Inspection and Training statistics

20. During quarter three, 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
32	111	144

Occupational Health Service

21. During Quarter 3, 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. The full OHS quarter 3 report is available at appendix 2 of this report.
22. During Quarter 3, 89 employees were seen for LTSA of which 30% (n=27) stated to the OHS that they consider the underlying cause to be due to work related factors. Of the 27 employees, 93% (n=25) identified this was due to 'psychological' reasons, 7% (n=2) identified as 'musculoskeletal'.

Additional Support services accessed via the OHS	A&HS	CYPS	ReaL	Res	TAP	Service not detailed	Q3, 19/20 Total	Q2, 19/20 Total	Q1, 19/20 Total	Q4, 18/19 Total	Q3, 18/19 Total
Number of routine physiotherapy referrals	6	5	14	5	4	-	34	29	31	26	34
Number of routine physiotherapy sessions	14	13	58	18	14	-	117	149	105	100	114
Number of 'face to face' counselling referrals	2	10	1	1	0	-	14	3	9	11	11
Number of 'face to face' counselling sessions	6	16	4	2	0	-	28	33	22	25	36
Total number of calls to the EAP	32	31	15	14	5	14	111	98	92	101	110
Telephone EAP structured counselling cases	13	16	7	10	4	10	50	14	11	8	11

Telephone EAP structured counselling sessions	28	13	12	10	0	0	63	62	58	54	47
Online hits	-	-	-	-	-	-	Not available	Not available	Not available	276	410

23. Routine physiotherapy clinics run one day per week in the OHS at County Hall under contract with the OHS. At the time of preparing this report (20/01/2020) the waiting time for an initial assessment is 6 working days. The OHS will continue to monitor this waiting time and report to this group.

Health and Safety Training & Awareness

24. Various H&S training and awareness activities, some of which provided direct by the H&S team, have taken place across service groupings in Quarter three. These have included:
- Roadshows carried out for Technical Services, which included Violence and aggression and manual handling.
 - Go Home Healthy campaign carried out for drivers within Clean and Green.
 - Caretaker training session delivered.
 - Risk register training session delivered.
 - H&S awareness session delivered to fostering and adoption.
 - Fire marshal training sessions delivered.
 - Fire extinguisher training sessions delivered.

Open Water Safety

25. The City Safety Group (CSG) and county wide Open Water Safety Group convened during Quarter 3.
26. It was positive to note that there were no reported water related incidents within the centre in the quarter three reporting period. The CSG has supported the festive 'be present at Christmas' public safety campaign which was led by CDDFRS and addressed a number of key safety topics including water safety, road safety and alcohol/drug consumption related risks. A review of licensed premise water safety related training and awareness has also been undertaken and it is envisaged that new training will be delivered in the first half of 2020.
27. In relation to antisocial behaviour within the city centre, a new multi-agency anti-social behaviour group has been formed to try and address some of the key issues within the city. Already there has been a positive response from

business and members of the public in relation to the provision of additional neighbourhood warden and police resources, work to support and reduce homelessness and application of enforcement actions.

28. From a County wide perspective, there were no reported open water related incidents during the reporting period. Planning has commenced in relation to prioritisation of actions required across the open water locations across the county ahead of the peak 2020 periods.
29. Work has commenced on the review of coastal risk assessments which were previously undertaken by the RNLI. Information has been shared with RNLI counterparts and an agreement has been made that county durham coastal locations and associated beaches will be re-assessed in 2020.

Employee Mental Health and Wellbeing

30. The council has successfully achieved the better health at work gold award status following a final assessment of the evidence portfolio submitted in October 2019. Positive feedback was provided by the assessment body and this includes:
 - Production of a comprehensive strategy and action plan, which sets out that 'workforce health and wellbeing is a strategic priority for the council' and has corporate management team backing.
 - Recognition for achieving and exceeding the recommended 30% employee health and wellbeing survey completion which can be a difficult task for large organisations.
 - Successful delivery of five full and robust health and wellbeing campaigns comprised of multiple activities and with some good cross-topic links.
31. Following the completion and analysis of the better health at work award employee health and wellbeing survey in 2019, work continues to address key issues identified and communicate progress with employees across the council.
32. There is now progress being made towards achieving the continuing excellence better health at work award status. Amongst several requirements, continuing excellence status recognises the importance of organisations sustaining the progress they have made during their participation in the award and encourages them to use their experience to support others. It expects a continuation of raising health awareness with the workforce, through five local, regional or national health campaigns or events. At least some of these must have an element of sustainability (e.g.

will be repeated / has made a lasting difference to the organisation or groups of staff). There is an expectation to also provide a mentoring role to at least one other organisation taking part in the award and/or continue to actively promote the award to other organisations.

Violence and Aggression – Potentially Violent Persons Register (PVPR)

33. At the close of Quarter 3 2019/20, there were 83 live entries on the PVPR register. The 12 month rolling figures for PVPR live entries are as follows:

Year	Quarter	PVPR live entries
2018/19	4	95
2019/20	1	89
2019/20	2	86
2019/20	3	83

Number of Live Records	83
Number of Additions	14
Number of Removals	14
Number of Warning Letters Sent	3
Number of PVPR Appeals	0

34. Breakdown by service of PVPR views in the last quarter is as follows:

- TAP - 17 people viewed 24 times
- CYPS - 100 people viewed 163 times
- AHS - 63 people viewed 109 times
- ReAL – 210 people viewed 657 times
- RES - 103 people viewed 1092 times
- Members- 8 people viewed 10 times

Corporate risks that may have an impact on Health and Safety as at 21/01/2020

35. This is the current list, with a new addition since the last period.

Ref	Service	Risk	Treatment
1	CYPS	Failure to protect a child from death or serious harm (where service failure is a factor or issue)	Treat
2	REAL	Serious injury or loss of life due to Safeguarding failure (Transport Service)	Existing controls considered adequate
3	AHS	Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).	Treat
4	T&P	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
5	RES	Serious breach of Health and Safety Legislation	Existing controls considered adequate
6	REAL	NEW RISK Serious injury or loss of life due to the Council failing to meet its statutory, regulatory and best practice responsibilities for property and land.	Treat
7	RES	Potential violence and aggression towards members and employees from members of the public	Existing controls considered adequate

Statistical Information

36. The H&S team in conjunction with service H&S providers continue to record, monitor and review work related accidents, incidents and ill health. This data is captured through internal reporting procedures and the Corporate H&S Accident Recording Database (HASARD). It is important to note that when setting future performance targets this data should be utilised.

Main implications

Legal

37. 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

38. 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

39. 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

40. The Health and Safety team are proactively supporting revised service groupings to ensure that risks are assessed, controlled and managed accordingly. Training and awareness for managers and core employees is also being provided where required.
41. Striving for the better health at work continuing excellence award status will ensure employee support and awareness continues with pace. By the very nature of this award there will be ongoing opportunities and interventions to enhance and improve workforce health and wellbeing.
42. A number of fire related incidents occurred in quarter three and as in previous quarters, arson appears to be a recurring theme for several of the incidents. The outcomes of enforcement activity in this area remains to be positive and reflective of robust management standards being applied.
43. Statistical data indicates a positive outlook with only one quarter statistical data remaining for 2019/20. RIDDOR reportable over 7 day absence related incidents are on target for a significant reduction heading into the last quarter and specified injuries have remained relatively static.
44. It was positive to note that there were no reported open water related incidents within the city centre or county wide during the reporting quarter. Collaborative working continues in relation to risks associated with anti-social behaviour within the city centre and for other locality areas where this may be an issue. Further assurance regarding water safety in coastal areas will be obtained via RNLI risk assessments being undertaken in 2020.

Other useful documents

45. Occupational Health quarter three 2019/20 Report
46. Health, Safety and Wellbeing statistical quarter three 2019/20 report

Appendix 1: Implications

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

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

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

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

Climate change- None

Human Rights - The right to a safe work environment, enshrined in Article 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

This page is intentionally left blank

Audit Committee

27 February 2020

**Agreement of Accounting Policies for
Application in the 2019/20 Financial
Statements**

Ordinary Decision



John Hewitt, Corporate Director of Resources

Electoral division(s) affected:

None

Purpose of the Report

- 1 To update the Audit Committee on the County Council's accounting policies to be applied in the preparation of the 2019/20 Statement of Accounts and to seek confirmation from the Audit Committee that appropriate policies are being applied.

Executive summary

- 2 The majority of accounting policies applied in the preparation of the 2018/19 Statement of Accounts remain appropriate for the preparation of 2019/20 Statement of Accounts. There are very few CIPFA code changes for 2019/20, which means that there are no accounting policies which require amendment.
- 3 The Carbon Reduction Commitment Allowances policy has been removed, as the scheme has been discontinued.
- 4 The full list of accounting policies the council proposes to disclose in its Statement of Accounts notes are detailed in Appendix 2.

Recommendation

- 5 The Committee is recommended to:
 - (a) review the accounting policies;

- (b) approve their use in the preparation of the 2019/20 financial statements;
- (c) authorise the Corporate Director of Resources to review the accounting policies as necessary, and report changes to the Audit Committee.

Background

- 6 It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.
- 7 Accounting policies are defined in the Code as “the specific principles bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements”.
- 8 Accounting policies need not be applied if the effect of applying them would be immaterial. Materiality is defined in the Code as it applies to omissions and misstatements:

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.
- 9 Appendix 2 provides a summary of all changes to be applied in preparing the 2019/20 Statement of Accounts.
- 10 Objective 2 of the Audit Committee’s Terms of Reference requires it to provide ‘Independent assurance over the financial reporting of the Council’s Statement of Accounts ensuring that any issues arising from the process of drawing up, auditing and certifying the Council’s annual accounts are dealt with properly to maintain an understanding of accounting policies and internal and external reporting requirements’.

Main implications

- 11 The proposed accounting policies are in line with those used in the preparation of the 2018/19 accounts.
- 12 There are very few CIPFA code changes for 2019/20, which means that there are no accounting policies which require amendment.
- 13 The Carbon Reduction Commitment Allowances policy has been removed, as the scheme has been discontinued.
- 14 The full list of accounting policies the council proposes to disclose in its Statement of Accounts notes are detailed in Appendix 2.

Other useful documents

- Audit Committee 26 February 2019 - Agreement of Accounting Policies for Application in the 2018/19 Financial Statements
- Audit Committee 31 July 2019 – Statement of Accounts for the Year Ended 31 March 2019

Contact: Anita Hawkins Tel: 03000 266242

Beverley White Tel: 03000 261900

Appendix 1: Implications

Legal Implications

It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

Finance

The report considers the Accounting Policies for the County Council's Statement of Accounts for 2019/20.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

None.

Procurement

None.

Appendix 2: Accounting Policies 2019/20

Accounting Policy	New policy	Amended policy	No change	In line with Code
1.1. General Principles			✓	✓
1.2. Accruals of Income and Expenditure			✓	✓
1.3. Business Improvement District Schemes			✓	✓
1.4. Cash and Cash Equivalents			✓	✓
1.5. Exceptional Items			✓	✓
1.6. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors			✓	✓
1.7. Charges to Revenue for Non-Current Assets			✓	✓
1.8. Employee Benefits			✓	✓
1.9. Events After the Reporting Period			✓	✓
1.10. Financial Instruments			✓	✓
1.11. Foreign Currency Translation			✓	✓
1.12. Government Grants and Contributions			✓	✓
1.13. Heritage Assets			✓	✓
1.14. Intangible Assets			✓	✓

Accounting Policy	New policy	Amended policy	No change	In line with Code
1.15. Interests in Companies and Other Entities			✓	✓
1.16. Inventories and Long Term Contracts			✓	✓
1.17. Investment Property			✓	✓
1.18. Joint Operations			✓	✓
1.19. Leases			✓	✓
1.20. Overheads and Support Services			✓	✓
1.21. Property, Plant and Equipment			✓	✓
1.22. Service Concession Arrangements (Private Finance Initiative (PFI) and Similar Contracts)			✓	✓
1.23. Provisions			✓	✓
1.24. Contingent Liabilities			✓	✓
1.25. Contingent Assets			✓	✓
1.26. Reserves			✓	✓
1.27. Revenue Expenditure Funded from Capital under Statute (REFCUS)			✓	✓
1.28. Value Added Tax (VAT)			✓	✓
1.29. Schools			✓	✓
1.30. Collection Fund Statement			✓	✓

Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the council's financial performance for the 2019/20 financial year and its position at the year-end of 31 March 2020. The council is required by the Accounts and Audit Regulations 2015 to prepare an annual Statement of Accounts. In line with the Regulations, the Statement of Accounts is prepared in accordance with proper accounting practices.

Those practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and the Service Reporting Code of Practice 2019/20 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Code requires that a local authority's Statement of Accounts is prepared on a 'going concern' basis, that is, the accounts are based on the assumption that the council will continue in operational existence for the foreseeable future.

1.2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate

for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The council has a policy of not accruing for manual sundry creditor or sundry debtor provisions for less than £10,000, other than in exceptional circumstances.

1.3. Business Improvement District Schemes

A Business Improvement District (BID) scheme applies across Durham City centre. The scheme is funded by a BID levy paid by city centre non-domestic ratepayers. The council acts as the billing authority for the scheme (collecting and distributing the levy income). The BID levy income is revenue due to The Durham BID Company Limited (the BID body) and as such the council has nothing to show in its Comprehensive Income and Expenditure Statement, since it is collecting the BID levy income as an agent on behalf of the BID body.

1.4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

1.5. Exceptional Items

When exceptional items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the council's financial performance.

1.6. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.7. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue to reduce the overall borrowing requirement calculated by the council on a prudent basis and in accordance with statutory guidance. This annual contribution is known as the minimum revenue provision.

Therefore, so that council tax funds only what is required, the charges to the accounts (depreciation, revaluation and impairment losses and amortisations) are replaced by the minimum revenue provision with the difference being transferred to the Capital Adjustment Account in the balance sheet.

1.8. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees. These are recognised as an expense for services in the year in which employees render service to the council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. These benefits are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits. These are replaced with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the council are members of three separate pension schemes:

- The Local Government Pension Scheme, administered by Durham County Council.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by the NHS Business Services Authority.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot

ordinarily be identified specifically to the council. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet.

The Children and Young People's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Adult and Health Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension scheme in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Durham County Council Pension Fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate provided by the actuary.
- The assets of Durham County Council Pension Fund attributable to the council are included in the Balance Sheet at their fair value:
 1. Quoted securities – current bid price.
 2. Unquoted securities – professional estimate.
 3. Unitised securities – current bid price.
 4. Property – market value

The change in the net pensions liability is analysed into the following components:

- Service cost, comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs.

- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Gains or losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs.
- Remeasurements, comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contributions paid to the Durham County Council Pension Fund – cash paid as employer’s contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.9. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.10. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified using an approach that is based on the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The council holds most of its investments solely to collect contractual cash flows, which means that the majority of its financial assets are measured at amortised cost.

There are some exceptions e.g. where the council holds strategic investments to help it meet other policy objectives, such as the support of economic development in the county. With these types of investments, the purpose of the contract is not solely concerned with the payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument). For each of these investments a separate assessment has been made on the appropriate accounting treatment in relation to IFRS 9 for Financial Instruments.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the

Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The council has given small loans to external or voluntary organisations, but these are for trivial amounts. The council has not provided guarantees against loans they have received from financial institutions. However, the council does have deferred payment policies where individuals are allowed to defer payment against an invoice raised by the council, for example where the council holds a legal charge against a property that enable sums to be reimbursed from sale proceeds at a later date. These are similar to loans at less than market rates and are referred to as soft loans. If any of the lost interest against the soft loan was significant then adjustments would be made to the relevant service revenue account and Balance Sheet. However, the impact on the council's revenue account of soft loans and lost interest is not financially significant and the accounts have not been adjusted to reflect these requirements.

Expected Credit Loss Model

The council recognises expected credit losses on all of its financial assets held at amortised cost or FVOCI, either on a twelve month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of twelve month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

An equity instrument can be elected into a FVOCI treatment rather than a FVPL treatment if it is not held for trading. The council has reviewed its assets that would be measured at FVPL on the basis of the business model and has elected to classify instruments as either FVPL or FVOCI on an instrument-by-instrument basis based on the assessed benefit to the council from the chosen classification.

1.11. Foreign Currency Translation

Where the council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.12. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- the council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.13. Heritage Assets

Tangible and Intangible Heritage Assets

A tangible heritage asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

An intangible heritage asset is defined as an intangible asset with cultural, environmental, or historical significance. Examples of intangible heritage assets include recordings of significant historical events. At present, the council has no assets of this nature to be recognised in the Balance Sheet.

A key feature of heritage assets is that they have cultural, environmental or historical associations that make their preservation for future generations important. Heritage assets are maintained principally for their contribution to knowledge and culture. Where an asset meets the definition of a heritage asset but is used for operational purposes, it is not classified as a heritage asset. For example, a historic building used as a museum is classified within land and buildings, as this is its primary purpose, but the exhibits within it may be classified as heritage assets.

Recognition and measurement

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets and the council's approach is as follows:

- Heritage assets' valuations are based on insurance values, where available, as this is the most appropriate and relevant basis. In some cases, these values are supported by professional valuations, for example by auction houses.
- Insurance values are reviewed regularly and assets will be revalued where a change is deemed to be significant.
- In the absence of insurance values, for example where an asset is either not insured or is self-insured, the asset's most recent valuation before reclassification is used. This is usually historic cost but some buildings and monuments were measured on an Existing Use Value (EUV) basis prior to reclassification.
- Where no appropriate valuation, or cost information is available, heritage assets are not recognised on the Balance Sheet, however they are disclosed in the narrative notes to the financial statements.

Items are recognised on the balance sheet where they are held by the council on long-term loan or where the council has the risks and rewards of ownership, as evidenced by the need to insure them. Similarly, items that the council has lent out long-term are not recognised. Items held on short-term loan, for example for temporary exhibitions, are not recognised.

The council is custodian or guardian of a number of monuments or sites. These are considered to be heritage assets; however, they do not usually have any appropriate valuation so they are not recognised on the Balance Sheet.

The council's collections of heritage assets are accounted for as follows:

Museum Collections and Artefacts

This includes museum exhibits and items such as books of remembrance and miners' banners. Some items in this collection are reported in the Balance Sheet at insurance value, others at the amount at which they have been valued by professional valuers.

Artwork, including Public Art and Sculptures

This includes paintings, sculptures and outdoor public art installations around the county. Some items in this collection are reported at insurance value, others at cost and some at the amount at which they have been valued by professional valuers. There are a number for which no value is available so they are not reported on the Balance Sheet.

The distinction between sculptures, monuments and statues can be subjective. However, for the purposes of classification, the council has determined that

sculptures are generally modern, commissioned pieces of art, monuments can be modern or historic and are usually dedicated to people or events and statues are usually historical structures. Monuments and statues are included under the heading “Monuments, Statues and Historic Buildings” below.

Monuments, Statues and Historic Buildings

This includes war and colliery memorials, statues and non-operational historic buildings around the county. Some items in this collection are reported at insurance value, some at existing use value and some at cost. There are a number for which no value is available and they are not reported on the balance sheet.

Civic Regalia and Silverware

This includes civic chains, badges of office and silverware used for civic purposes, and are recorded at insurance value, or the amount at which they have been valued by professional valuers.

Geophysical / Archaeological

This includes pit wheel sites and Roman archaeological sites. No appropriate or relevant valuations are available for these assets so they are not recognised on the Balance Sheet.

Depreciation

Depreciation is not charged on heritage assets which have indefinite lives.

Impairment

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council’s general policies on impairment.

Disposal

Heritage assets are rarely disposed of. However, in such cases, disposal proceeds are accounted for in accordance with the council’s general provisions relating to the disposal of property, plant and equipment. Proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

If you would like more information about Durham County Council’s heritage assets, contact details can be found on the front page of this document.

1.14. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the council can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

1.15. Interests in Companies and Other Entities

The Code requires local authorities to produce group accounts to reflect significant activities provided to council tax payers by other organisations in which an authority has an interest. The council has reviewed its interests in companies and other

entities that have the nature of subsidiaries, associates and joint arrangements against the criteria for group accounts, as set out in the Code, and has concluded that there are no such material interests that require the preparation of group accounts. In the council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

1.16. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

1.17. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

1.18. Joint Operations

Joint operations are arrangements where contractual agreements are in place under which the council and one or more other parties share control. The joint venturers

have rights to assets and obligations in relation to liabilities. The council accounts only for its share of the assets, liabilities, revenue and expenses of the arrangement.

1.19. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The County Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual

contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. This annual contribution is known as the Minimum Revenue Provision. Therefore, as council tax funds only what is required, the charges to the accounts (depreciation, revaluation and impairment losses and amortisations) are replaced by the Minimum Revenue Provision, with the difference being transferred to the Capital Adjustment Account in the balance sheet. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Where there is a material cost or benefit at the start or end of the lease (e.g. a rent free period at the start of the lease) then charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

The County Council as Lessor

Finance Leases

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this

is posted out of the General Fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Operating Leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where there is a material cost in addition to the regular payments (e.g. there is a premium paid at the commencement of the lease or there are costs of negotiating and arranging the lease), then credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

1.20. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2019/20 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of Corporate Costs. These are costs relating to the council's status as a multifunctional, democratic organisation, the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

1.21. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

Donated assets are measured initially at current value. The difference between current value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.

- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

All valuations have been undertaken by or under the supervision of a fully qualified Chartered Surveyor (MRICS – Member of the Royal Institution of Chartered Surveyors). The effective date for valuations is 1 April of the financial year and

assets are revalued on a five-year rolling programme. All valuations undertaken in 2019/20 were carried out by council staff. In addition to this rolling programme, assets which have been subject to potentially material change as a result of transactions in any given year will be revalued as and when such changes occur.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired or revalued. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment or revaluation loss is recognised for the shortfall.

Where impairment or revaluation losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment or revaluation loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer up to a maximum of 50 years.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset as advised by a suitably qualified officer, mainly up to a maximum of 10 years, however, some specialised items are depreciated over periods up to 25 years.
- Infrastructure – straight-line allocation over 40 years.

- Surplus Assets – buildings up to 50 years, land not depreciated

Where an item of Property, Plant and Equipment has a value greater than £5m and major components greater than 20% of the value of the asset, the components are depreciated separately at rates representative of their useful life.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to Non-current Assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current Assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

1.22. Service Concession Arrangements (Private Finance Initiative (PFI) and Similar Contracts)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current Assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council. The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Payment towards liability – applied to write down the Balance Sheet liability (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

1.23. Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For example, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the council settles the obligation.

1.24. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.25. Contingent Assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.26. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the council - these reserves are explained in the relevant policies.

1.27. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.28. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

1.29. Schools

In line with accounting standards on group accounts and consolidation, all maintained schools in the County are now considered to be entities controlled by the council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the council's single entity accounts. The council has the following types of maintained schools under its control:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation/Foundation Trust

Schools Non-Current Assets are recognised on the Balance Sheet where the council directly owns the assets, where the council holds the balance of control of the assets or where the school or the school Governing Body own the assets or have had rights to use the assets transferred to them.

Community schools are owned by the council and are, therefore, recognised on the Balance Sheet.

The council's Voluntary Aided and Controlled schools are owned by the respective Diocese with no formal rights to use the assets through licence arrangements passed to the School or Governing Bodies and as a result these schools are not recognised on the Balance Sheet.

The ownership of the council's Foundation Schools is with the school or the schools' Governing Body and as a result the school is recognised on the council's Balance Sheet.

1.30. Collection Fund Statement

Council Tax Income

Council tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the accrued income for the year and the amount required by regulation to be credited to the General Fund will be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund balance Movement in Reserves Statement. Any balances owed to or from each preceptor will be shown as a creditor or debtor in the council's accounts.

Business Rates Income

Business Rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the accrued income for the year and the amount required by regulation to be credited to the General Fund will be taken to the Collection Fund Adjustment Account and included as a reconciling item in the General Fund balance Movement in Reserves Statement. Any balances owed to or from each preceptor or central government will be shown as a creditor or debtor in the council's accounts.

Audit Committee

27 February 2020

**Final Accounts Timetable for the year
ended 31 March 2020**



John Hewitt, Corporate Director of Resources

Electoral division(s) affected:

None

Purpose of the Report

- 1 The purpose of the report is to provide Members with information regarding the Final Accounts timetable for 2019/20. This timetable details the target dates for key actions in order to complete the Statement of Accounts in line with statutory deadlines.

Executive summary

- 2 It is the responsibility of the Corporate Director of Resources to sign and certify the unaudited Statement of Accounts 2019/20 by no later than 31 May 2020. It is the responsibility of the Audit Committee to approve the final, or audited, set of accounts on or before 31 July 2020.
- 3 The final accounts timetable is the means of communicating and gaining ownership of the deadlines for completing tasks by all involved in the closure of accounts process and serves as a tool for monitoring progress against those target dates.

Recommendation

- 4 Members are asked to note the key dates in the Final Accounts timetable for 2019/20 detailed in Appendix 2.

Background

- 5 The report is presented in accordance with paragraph 4.2.3 of the Committee's operational terms of reference which requires it 'to maintain an understanding of internal and external reporting requirements'.
- 6 The Accounts and Audit Regulations 2015 require 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 County Council for the year to 31 March previous, subject to the views of the External Auditor.
- 7 The regulations then require 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. This approval will take into account the views of the External Auditor.

Main implications

- 8 The Final Accounts timetable is a tool for the effective management and monitoring of the process of closing the accounts.
- 9 Each year the timetable is compiled in Strategic Finance with input from services to ensure that deadlines are achievable and will lead to completion of a Statement of Accounts for signing by the Section 151 Officer (the responsible financial officer) by the statutory deadline. New and amended processes are considered for the impact on the achievement of dates, as well as reference to the previous year's problems and meeting of deadlines.
- 10 Strategic Finance closely monitors the achievement of the dates in the timetable throughout the final accounts period, sending prompts for upcoming deadlines and following up delays and missed deadlines. This helps to ensure that the overall timetable will be achieved, and to identify improvements that can be made to the next year end process.
- 11 Meetings are also held to ensure that practitioners apply accounting procedures consistently; best practice is shared; there is a shared understanding of any difficulties or delays being encountered, and to disseminate updated information quickly and consistently.
- 12 The key dates included in the detailed Final Accounts timetable are attached at Appendix 2 for your information.

Other useful documents

- Audit Committee 31 July 2019 – Statement of Accounts for the Year Ended 31 March 2019

Contact:	Anita Hawkins	Tel: 03000 266242
	Beverley White	Tel: 03000 261900

Appendix 1: Implications

Legal Implications

The Accounts and Audit Regulations 2015 require 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 County Council for the year to 31 March previous, subject to the views of the External Auditor.

Finance

There are no direct financial implications arising for the council as a result of this report, although by implementing the timetable, we are demonstrating efficient arrangements for the proper administration of the County Council's financial affairs and will meet the statutory deadline for the production of the Statement of Accounts.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Climate Change

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

This report requires no decision and so a risk assessment has not been carried out.

Procurement

None.

Appendix 2: Key Dates from the Final Accounts Timetable

Task	Responsibility	Timetabled date 2018/19	Proposed completion date 2019/20
Circulation of Related Party declarations for completion by Members and Senior Officers	Resources – Democratic Services	Fri 1 Mar 2019	Mon 2 Mar 2020
Details of Related Party declarations for Members and Senior Officers to be returned to Democratic Services	Members / Senior Officers	Fri 15 Mar 2019	Mon 16 Mar 2020
Final postings by Benefits section	Finance & Transactional Services - Income & Support	Fri 29 Mar 2019	Tue 31 Mar 2020
Last creditors paysheet for 2019/20	Finance & Transactional Services - Payments & Expenditure	Fri 29 Mar 2019	Tue 31 Mar 2020
All stock checks completed at 31 March	Services	Sun 31 Mar 2019	Tue 31 Mar 2020
All cash posted up to and including 31 March	Finance & Transactional Services - Income & Support	Mon 1 Apr 2019	Wed 1 Apr 2020
Last monthly salaries and wages information for 2019/20 processed into ledger	Payroll / Strategic Finance	Mon 1 Apr 2019	Wed 1 Apr 2020
All bank reconciliations to 31 March completed	Strategic Finance	Tue 23 Apr 2019	Mon 20 Apr 2020

Task	Responsibility	Timetabled date 2018/19	Proposed completion date 2019/20
Service ledgers finalised and final reports produced and net revenue outturn for each service grouping notified to Strategic Finance	Finance & Transactional Services / Strategic Finance	Fri 26 Apr 2019	Fri 24 Apr 2020
Chief Financial Officer to sign the Statement of Accounts	Strategic Finance / Corporate Director of Resources	Fri 31 May 2019	Fri 29 May 2020
Statement of Accounts to External Audit	Strategic Finance	Mon 3 Jun 2019	Mon 1 Jun 2020
Start of Statement of Accounts audit	External Audit	Mon 3 Jun 2019	Mon 1 Jun 2020
Start of Inspection Period (provisional)	Strategic Finance	Mon 3 Jun 2019	Mon 1 Jun 2020
Unaudited Whole of Government Accounts (WGA) return to External Audit and HM Treasury (provisional)	Strategic Finance	Fri 14 Jun 2019	Fri 12 Jun 2020
Cabinet – Overall Outturn Report considered (provisional)	Strategic Finance	Wed 10 Jul 2019	Wed 8 Jul 2020
End of Inspection Period (provisional)	Strategic Finance	Fri 12 Jul 2019	Fri 10 Jul 2020
Audit Committee meeting – approval of Statement of Accounts	Strategic Finance	Wed 31 Jul 2019	Fri 31 Jul 2020
Publication of Accounts	Strategic Finance	Wed 31 Jul 2019	Fri 31 Jul 2020
Audited WGA return to HM Treasury (provisional)	Strategic Finance	Fri 30 Aug 2019	Mon 31 Aug 2020

Audit Committee

27 February 2020

**External Audit: Durham County Council
Audit Strategy Memorandum Year
Ended 31 March 2020**



Report of the External Auditor

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To inform the Audit Committee of the external auditor's strategy for the year ended 31 March 2020.

Executive Summary

- 2 The Audit Strategy Memorandum at Appendix 2 sets out the audit plan in respect of the audit of Durham County Council for the year ending 31 March 2020.
- 3 The report details:
 - The scope, approach and timeline to the auditor's work.
 - The significant risks and key judgements identified alongside the proposed work to address these risks.
 - The approach to the value for money conclusion. This includes details of the auditor's initial risk assessment and proposed work.
 - The fees related to the audit work and other services expected to be carried out.
 - The auditor's commitment to independence.
 - Summary of initial materiality thresholds

Recommendation(s)

- 4 Audit Committee is requested to note the external auditor's strategy for the year ended 31 March 2020.

Contact: James Collins

Tel: 0191 383 6331

Appendix 1: Implications

Legal Implications

None

Finance

There are no direct financial implications associated with this report.

Consultation

Corporate Director of Resources

Equality and Diversity / Public Sector Equality Duty

None

Climate Change

None

Human Rights

None

Crime and Disorder

None

Staffing

There are no staffing implications.

Accommodation

There are no accommodation implications.

Risk

There are no reportable risks associated with the report.

Procurement

None

Audit Strategy Memorandum

Durham County Council

Year ending 31 March 2020





CONTENTS

1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Significant risks and key judgement areas
5. Value for money conclusion
6. Fees for audit and other services
7. Our commitment to independence
8. Materiality and misstatements

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

Appendix C – Mazars' client service commitment [optional]

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

Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS

Audit Committee
Durham County Council
County Hall
DH1 5UQ

February 2020

Dear Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2020

We are pleased to present our Audit Strategy Memorandum for Durham County Council for the year ending 31 March 2020

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

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

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0191 383 6300.

Yours faithfully

Signed: 
Mark Kirkham (Feb 14, 2020)

Mark Kirkham
Mazars LLP

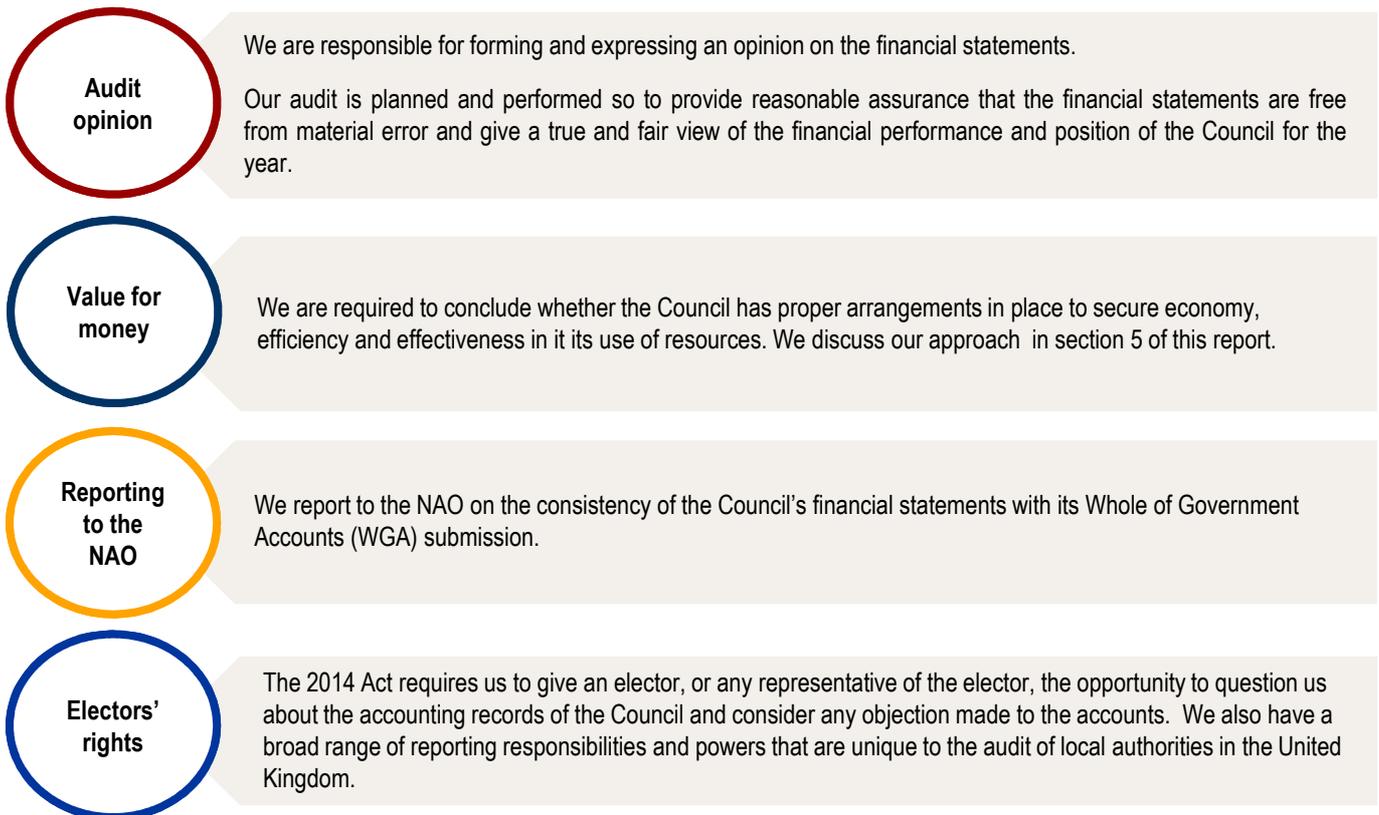
1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of Durham County Council (the Council) for the year to 31 March 2020. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:



Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Audit Committee as those charged with governance.



2. YOUR AUDIT ENGAGEMENT TEAM



- Mark Kirkham, Partner
- Mark.Kirkham@mazars.co.uk
- 0191 383 6300



- James Collins, Senior Manager
- James.Collins@mazars.co.uk
- 0191 383 6331



- Joanne Greener, Assistant Manager
- Joanne.Greener@mazars.co.uk
- 0191 383 6353

In addition an engagement quality control reviewer has been appointed for this engagement.

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

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

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

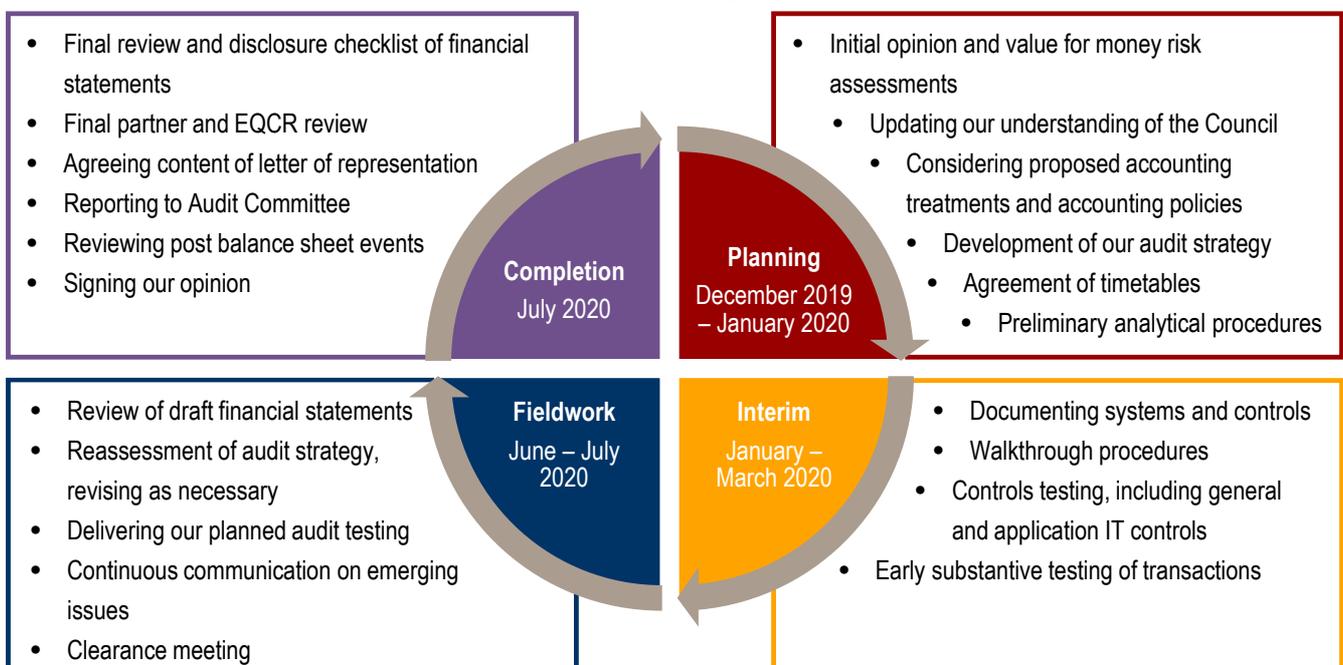
Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider result in a higher risk of material misstatement of the accounts. When we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

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

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

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

Items of account	Management's expert	Our expert
Defined benefit liability	Actuary (Aon Hewitt)	NAO's consulting partner (PWC)
Property, plant and equipment valuation	In-house valuer	We will take into account relevant information which is available from third parties.
Financial instrument disclosures	Link Asset Services	Not required.
Business rates provision	Analyse Local	We will take into account relevant information which is available from third parties.

Service organisations

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. We have not identified any relevant service organisations.



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

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

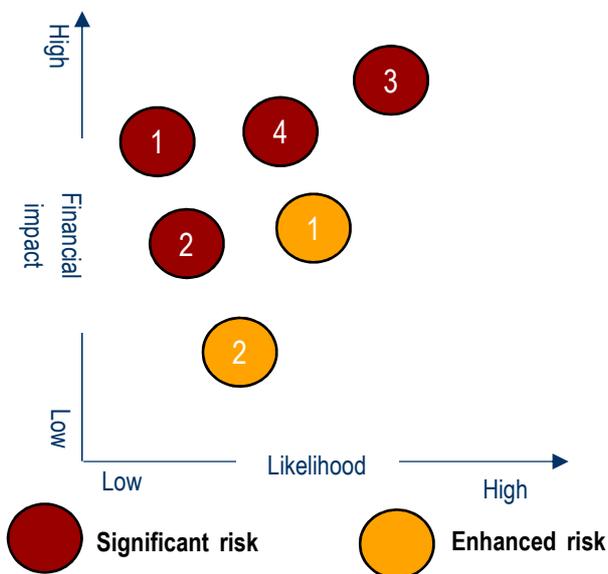
Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

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



Significant Risk	
1	Management override of control
2	Revenue recognition
3	Property, plant and equipment valuation
4	Defined benefit liability valuation
Enhanced risk	
1	Unquoted equity investment valuations
2	Debtors impairment allowance



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process; should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description of risk	Planned response
1	<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries (meeting fraud risk characteristics) and significant transactions outside the normal course of business or otherwise unusual.</p>
2	<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. We have concluded that we can rebut the presumption of a revenue recognition risk for the majority of the Council's revenue streams, consisting largely of taxation, business rates and grant income.</p> <p>We do not, however, consider that sufficient scope exists to rebut this risk in respect of the recognition of fees, charges and other income. 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 plan to address this risk by completing a range of substantive procedures including:</p> <ul style="list-style-type: none"> • testing fees, charges and other non grant and taxation revenue items recorded around year end to ensure they have been recognised in the appropriate year; • testing year end receivables; • testing material income adjustment journals; and • obtaining direct confirmations of year-end bank balances and testing the reconciliations to the ledger.
3	<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 PPE.</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 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 plan to address this risk by completing the following procedures:</p> <ul style="list-style-type: none"> • consider the Council's arrangements for ensuring that PPE values are reasonable; • challenge the reasonableness of the valuations provided by the Council's valuer using other sources of data; • assess the competence, skills and experience of the Valuer and the instructions issued to the valuer; and • where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate

1. Engagement and responsibilities

2. Your audit team

3. Audit scope

4. Significant risks and key judgements

5. Value for money

6. Fees

7. Independence

8. Materiality and misstatements

Appendices

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Significant risks (continued)

	Description of risk	Planned response
4	<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>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and • consider the reasonableness of the Actuary's assumptions that underpin the relevant entries made in your financial statements, through the use of an expert commissioned by the National Audit Office.

Key areas of management judgement

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

	Area of management judgement	Planned response
1	<p>Unquoted equity investment valuations</p> <p>The Council has to make judgements in respect of the fair value measurements of unquoted equity investments it holds, including those in Newcastle Airport and several others.</p> <p>The underlying accounting requirements, which were subject to change in 2018/19, increased the risk in respect of these valuation judgements, therefore they have been assessed as enhanced risks.</p>	<p>We plan to address this judgement by :</p> <ul style="list-style-type: none"> •critically reviewing the basis of valuation for the Council's unquoted equity investments; and •assessing whether disclosures are in line with the Code of Audit Practice
2	<p>Debtors impairment allowance</p> <p>The Council has disclosed its impairment of debtors allowance as an area of estimation uncertainty.</p>	<p>We will critically review the Council's calculation of its impairment of debtors allowance.</p>



5. VALUE FOR MONEY

Our approach

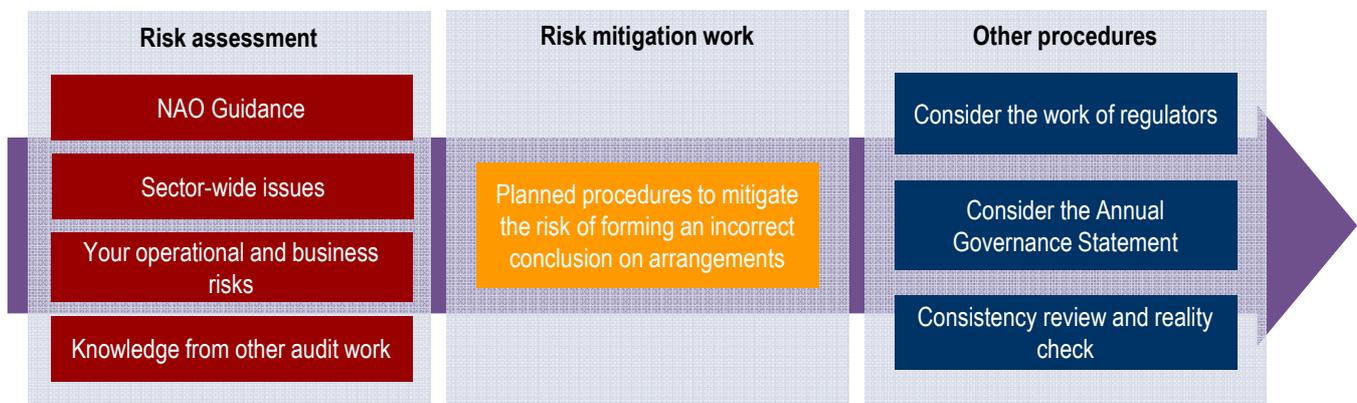
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria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

A summary of the work we undertake to reach our conclusion is provided below:



Significant audit risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a value for money (VFM) audit risk exists. Risk, in the context of our VFM 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. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For the 2019/20 financial year, we have identified the following significant risk to our VFM work:

Description of significant risk	Planned response
<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 appropriate, we need to update our understanding of the Council's MTFP arrangements and how it monitors the planned delivery of savings.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review arrangements for developing the MTFP; • consider the delivery of 2019/20 savings against plans; • review the arrangements for future savings, including review of robustness of identified plans for 2020/21 and beyond; and • review the arrangements for the Transformation Programme.



6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

At this stage of the audit we expect to need to reflect the scale fee set by PSAA as communicated in our fee letter of 17 April 2019 and other matters listed below.

Service	2018/19 fee	2019/20 fee
Code audit work	£193,030	£193,030
Additional work in response to regulatory recommendations to increase level of audit work on defined benefit liability schemes.	-	To be agreed
Additional work in response to regulatory recommendations to increase level of audit work on the valuation of property plant and equipment.	-	To be agreed
Total	£193,030	To be agreed

In common with all local government external auditors we are required to carry out additional procedures which were not expected when fees were set.

Regulatory recommendations

We continually strive to maintain high standards of audit quality. One mechanism for doing this is to consider the outcome of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers. In particular we are planning increases in the level of work we do on:

- defined benefit pension schemes; and
- valuation of property, plant and equipment

We will discuss the driving factors with Council officers and the audit fee for 2019/20 will be revisited to reflect the increased level of work that was not considered when the scale fee was set. Any agreed additional fee is also subject to detailed scrutiny by the PSAA as part of the fee determination process.

Fees for non-PSAA work

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

Service	2018/19 fee	2019/20 fee
Other services: Housing Benefits Subsidy Assurance	£16,500	£18,800*
Other services: Teachers' Pensions	£4,900	TBC*
Other services Skills Funding Agency Review of Subcontracting arrangements	£3,500	£3,850

* Subject to us being engaged to again carry out this work for 2019/20.



7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

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

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

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

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

Prior to the provision of any non-audit services Mark Kirkham will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. Included in this assessment is consideration of Auditor Guidance Note 01 as issued by the NAO, and the PSAA Terms of Appointment.

Principal threats to our independence and identified associated safeguards are set out below.

Area	Perceived threat	Safeguards and procedures
Mazars renting office space at Salvus House, Durham	Self Review	The transaction does not result in the auditor providing accounting services to the Council. The transaction does not have a material impact on the Council's financial statements.
	Self interest	The amount paid to the Council in rent is neither significant to Mazars LLP or the Council. Other office space is available to the auditor were they required to move from the premises. Safeguards to mitigate the risk include: <ul style="list-style-type: none"> • None of the audit team, including the Engagement Lead, were involved in the negotiation of the office lease. The overall decision to rent space in the property was taken by the firm's UK Executive. • The lease is managed by the firm's estates team who are independent of the audit team. • The lease was negotiated on normal commercial terms. There are no favourable treatment or incentives being provided to the auditor by the Council or by Business Durham (who are managing the property). • Like any commercial deal the lease includes break clauses allowing Mazars to move without having to incur costs for the full lease term.
	Management	No threat identified as this business transaction does not see the auditor making decisions on behalf of the Council.
	Advocacy	The transaction does not involve Mazars advocating a position for the client. A threat may exist if the auditor, as tenant of the Council, is asked to take part in any commercial activities undertaken by the Council to encourage new tenants into the building. Safeguards to mitigate the risk include: <ul style="list-style-type: none"> • Mazars will refrain from any marketing activities on behalf of the Council.



7. OUR COMMITMENT TO INDEPENDENCE

Area	Perceived threat	Safeguards and procedures
Mazars renting office space at Salvus House, Durham (<i>continued</i>)	Familiarity	<p>The nature of the transaction does not increase the familiarity threat as the building is one of many owned by the Council and Mazars will be one of many tenants.</p> <p>Safeguards to mitigate the risk would include:</p> <ul style="list-style-type: none"> The negotiation and management of the lease is independent of the audit team. The final decision to rent the office was taken by the firm's UK Executive.
	Intimidation	<p>It could be feasible that the Council use the rent or lease as a means to intimidate the auditor.</p> <p>Safeguards to mitigate the risk would include:</p> <ul style="list-style-type: none"> The lease is negotiated on a commercial basis by officers independent of the audit team. Terms of the lease will give the auditor and the Council rights which are expected in any commercial lease and will therefore reduce the risk of the client using the lease as a threat to the auditor. There is other office accommodation available in the area so the auditor is not restricted to this office location if a threat were to be made. The lease is managed by a separate team within the Council to those responsible for the Council accounts. The auditor has direct access to the Audit Committee as those charged with governance if any threats were to appear.

Area	Perceived threat	Safeguards and procedures
Assurance services: <ul style="list-style-type: none"> Housing Benefits Subsidy Assurance; Skills Funding Agency Review of Subcontracting arrangements; and Teachers' Pension return (if engaged) 	Self Review	No threat identified. None of the engagements result in the auditor providing accounting services to the Council.
	Self interest	No threat identified. The fees for each of the engagements is neither significant to Mazars LLP nor the Council. Safeguards include clear rules set by PSAA which limit additional services an external auditor can provide.
	Management	No threat identified as none of the engagements require the auditor to make decisions on behalf of the Council.
	Advocacy	No threat identified as none of the engagements require the auditor advocating a position on behalf of the Council.
	Familiarity	No threat identified. Safeguards include firm policies and procedures detailed on previous page.
	Intimidation	No threat identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



8. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold (£'000s)
Overall materiality	£26,786
Performance materiality	£21,429
Trivial threshold for errors to be reported to the Audit Committee	£804

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

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

Our provisional materiality is set based on a benchmark of 2018/19 gross expenditure at the surplus on provision of services level. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that gross expenditure at the surplus/deficit on provision of services remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 2% of gross expenditure at the surplus/deficit on provision of services.



8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Based on last years audited accounts we anticipate the overall materiality for the year ending 31st March 2020 to be in the region of £26.786m (£26.786m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £0.804m based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Kirkham.

Reporting to the Audit Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).



APPENDIX A – KEY COMMUNICATION POINTS

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

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓



APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Financial reporting changes relevant to 2019/20

There are no significant changes in the Code of Practice on Local Authority Accounting for the 2019/20 financial year.

Financial reporting changes in future years

Accounting standard	Year of application	Commentary
IFRS 16 – Leases	2020/21	<p>The CIPFA/LASAAC Code Board has determined that the Code of Practice on Local Authority Accounting will adopt the principles of IFRS 16 Leases, for the first time from 2020/21.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes to the way bodies account for leases, which will have substantial implications for the majority of public sector bodies.</p> <p>The most significant changes will be in respect of lessee accounting (i.e. where a body leases property or equipment from another entity). The existing distinction between operating and finance leases will be removed and instead, the new standard will require a right of use asset and an associated lease liability to be recognised on the lessee’s Balance Sheet.</p> <p>In order to meet the requirements of IFRS 16, all local authorities will need to undertake a significant project that is likely to be time-consuming and potentially complex. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed at an early stage of the project.</p>



Audit Committee

27 February 2020

**External Audit: Progress Report –
February 2020**



Report of the External Auditor

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To present to the Committee the external auditor's progress report on the external audit of Durham County Council to date.

Executive Summary

- 2 The report sets out an update of the work completed by Mazars (external auditor).
- 3 The report details:
 - Progress to date on the 2019/2020 external audit.
 - International Auditing Standards require auditors to enquire about arrangements the entity has put in place in regard to fraud, laws and regulations and going concern. The report lists a number of questions that require a response from the Audit Committee at its next meeting.
 - National Publications and other updates that members of the Audit Committee may find useful.

Recommendation(s)

- 4 Audit Committee is requested to note the contents of the external auditor's progress report.

Contact: James Collins

Tel: 03000 267452

Appendix 1: Implications

Legal Implications

None

Finance

There are no direct financial implications associated with this report.

Consultation

Corporate Director of Resources

Equality and Diversity / Public Sector Equality Duty

None

Climate Change

None

Human Rights

None

Crime and Disorder

None

Staffing

There are no staffing implications.

Accommodation

There are no accommodation implications.

Risk

There are no reportable risks associated with the report.

Procurement

None

Audit Update Report

Durham County Council

February 2020





CONTENTS

- 1. Audit and assurance progress**
- 2. Request for information**
- 3. National publications**

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

1. AUDIT AND ASSURANCE PROGRESS

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditor and also for our work in respect of our housing benefit assurance work.

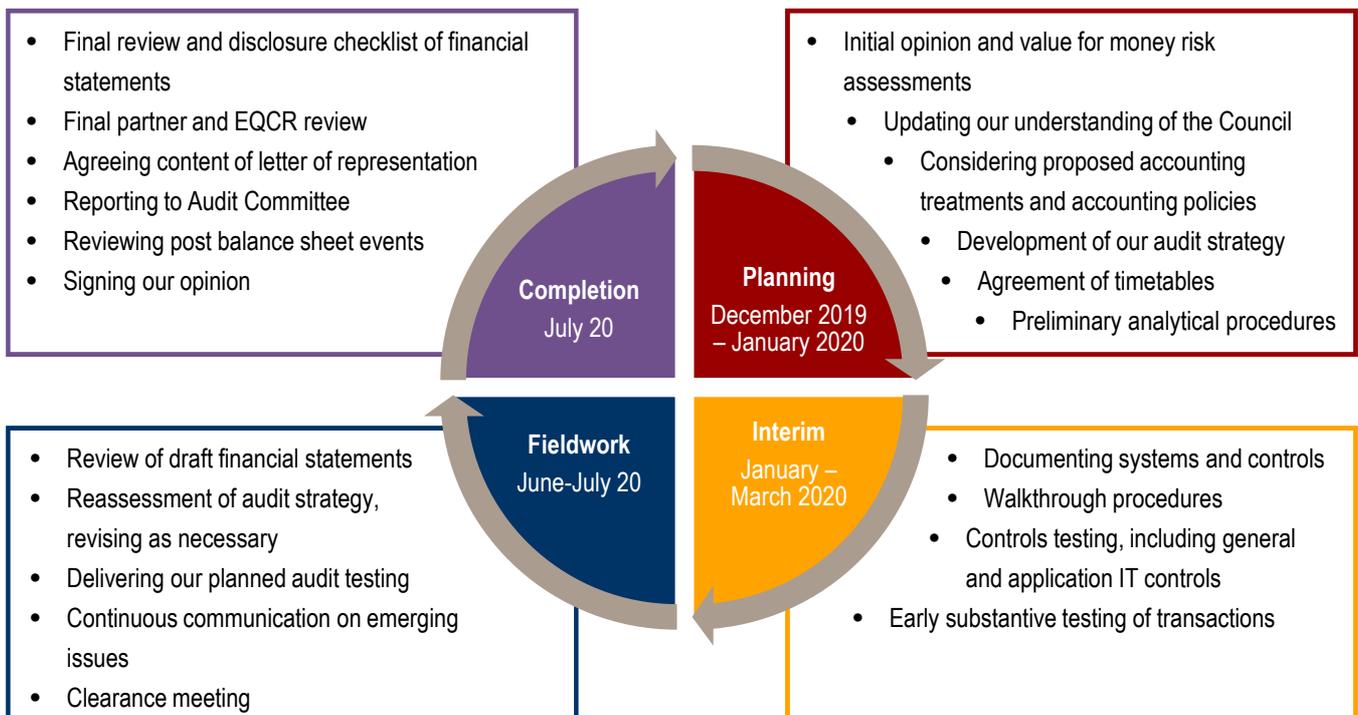
Audit progress

Our key audit stages are summarised in the diagram shown below.

At the time of presenting this report we have completed our audit planning and will present our Audit Strategy Memorandum (ASM) to this Committee. Our ASM will summarise our approach to completing this year's audit, highlighting the significant risks and other areas of focus we will consider.

We are currently completing our interim audit in advance of our year-end fieldwork, which we plan to start in June. This work will reduce the amount of testing to be completed as part of the year-end visit and will focus on transaction testing for income, expenditure, payroll and journals. We also plan to complete some work on property valuations in preparation for the year-end.

There are no significant matters arising from our audit work to report to you at this stage.



1. AUDIT AND ASSURANCE PROGRESS

2018/19 Housing Benefits subsidy assurance

In our November progress report we provided an update on our grants work. In relation to our Housing Benefits assurance work we reported that our work was ongoing and therefore we would provide Members with detailed findings from this work at the next Audit Committee meeting.

This an 'agreed upon procedures' assurance engagement in respect of the Council's annual subsidy claim to the Department of Work and Pensions (DWP) for housing benefits. The requirements of this work are specified in guidance issued by the DWP "Housing Benefits Assurance Process" (HBAP). The Council engaged Mazars as Reporting Accountant for the 2018/19 return. The fee for this work is £16,500 (plus VAT).

The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis. The relevant requirements are set out in the Modules of the HBAP reporting framework and we report the results of those procedures to the Council and the DWP. The guidance is made available on the government's website:

<https://www.gov.uk/government/publications/housing-benefit-assurance-process-hbap>

The value of the subsidy claimed in 2018/19 is £151,017,114. This is split between different benefit types:

- Rent rebates - £502,802; and
- Rent Allowance - £148,500,531;

The subsidy claimed also includes £2,018,235 of administration subsidy less £4,454 of prior year uncashed payments.

The work is split into:

- agreement of the subsidy claim to supporting working papers;
- initial testing (specified sample sizes);
- extended testing (described as "40+" or 'CAKE – Cumulative Knowledge and Experience' testing where there are errors arising or anticipated based on the prior year); and
- reporting of results, including extrapolated errors, to DWP who then assess whether there will be any loss of subsidy.

Matters reported

At the time of writing this report the draft assurance report included the following matters.

Initial testing

Initial testing of 20 rent allowance cases identified an error in one case where benefit had been overpaid as a result of the incorrect State Retirement Pension figure being used in the benefit entitlement calculation. The Council completed testing of a further 40 cases (40+) to determine if State Retirement Pension had been correctly included in benefit calculations. This additional testing identified 4 further fails. Of these, 1 failed case had no impact, 2 resulted in an underpayment of benefit, and 1 resulted in an overpayment of benefit. The value of the overpayments was £21.68. We are required to extrapolate this error over the error population (£17,534,133) and consequently reported an extrapolated error of £3,507 (error rate of 0.02%). We are not required to report the impact of errors resulting in underpayment of benefit.

1. AUDIT AND ASSURANCE PROGRESS

CAKE testing

The DWP's HBAP approach instructs where initial testing does not match with cumulative audit knowledge and experience (CAKE) then additional testing must be completed. As in previous years, additional testing was completed by Council officers who tested a further 40 cases and focusing on specific issues which arose in previous years. We then carried out our own re-performance of a sample of these cases. This additional testing identified errors in 2018/19 relating to:

- Incorrect self-employed client information used in the calculation of rent allowance. Errors resulted in both under and over payment of benefit. We reported in our qualification letter the extrapolated impact of errors resulting in overpayments (error rate of population tested 0.004%). We are not required to extrapolate errors which result in the underpayment of benefits.
- Errors in recording claimant's capital in rent allowance calculations. The errors either had no impact on benefit paid or resulted in an overpayment of benefit. We reported in our qualification letter the extrapolated impact of errors resulting in overpayments (error rate of population tested 0.03%). We are not required to extrapolate errors which result in the underpayment of benefits.
- Incorrect housing association rent used in a rent allowance calculation. Testing identified no fails. As there have been no fails identified as part of either initial testing or additional testing, there were no errors to report in 2018/19.
- Incorrect rent frequency used in rent allowance calculation. Testing of 40 cases identified 1 error which resulted in an underpayment of benefit. As there is no eligibility to subsidy for benefit which has not been paid, the one underpayment identified does not affect the subsidy and was not, therefore, classified as an error for subsidy purposes.
- Errors in the earned income used in the benefit entitlement calculation for rent allowance. Testing of 40 cases identified 2 cases, both of which resulted in an underpayment of benefit. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect the subsidy and has not, therefore, been classified as an error for subsidy purposes.
- Errors in self employed income in rent rebate calculation. Officers identified that, in total, 25 cases had self employed income in the benefit calculation. Officers tested all 25 cases and identified 9 case fails. Of the 9 case fails 7 had no impact and 2 resulted in an overpayment of benefit. The total value of the overpaid benefit was £214.88. As 100% of the population has been tested the claim form was amended to correct this error.

Officers have confirmed that where underpayments were identified they have ensured those claims affected were amended and the entitled benefit was awarded to the claimant. A total of 9 claims with a value of £40.11 were identified as being underpaid. Remedial actions have been taken by officers to prevent similar errors occurring in the future.

We would like to express our thanks for the assistance provided by the Council's Housing Benefits team during this work.

2. REQUEST FOR INFORMATION

International Auditing Standards require auditors to enquire about arrangements the entity has put in place. We list a number of questions below and would be grateful if the Committee could provide a response for the next Audit Committee. The response should consider the Council and the Pension Fund.

The auditor's responsibility to consider fraud in an audit of financial statements

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities if we are to properly discharge our responsibilities under ISA240. We are therefore making requests from the Audit Committee and management on the following, or similar, issues:

1) How does the Audit Committee oversee management's processes to identify and respond to the risk of fraud and possible breaches of internal control? In particular how the Committee oversees managements:

- Assessment of the risk that the financial statements may be materially misstated due to fraud or error;
- Processes for identifying and responding to risks of fraud in the organisation. This includes any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- Processes for communicating to employees the views on business practice and ethical behaviour. For example updating, communicating and monitoring against the Council's code of conduct; and
- Processes for communicating to those charged with governance the arrangements for identifying and responding to fraud or error

2) Has the Audit Committee knowledge of any actual, suspected or alleged fraud during the period 1 April 2019– 31 March 2020?

3) Has the Audit Committee identified any specific fraud risks within the organisation? For example does it have any concerns that specific areas within the organisation are at greater risk of fraud?

4) Is the Audit Committee aware of any significant breaches of internal control during 2019/20?

5) Is the Audit Committee satisfied that internal controls, including segregation of duties, exist and work effectively? If 'yes', please provide details of these controls. If not:

- Where are the risk areas?
- What other controls are in place to prevent, deter or detect fraud?

6) Is the Audit Committee aware of any related party relationships or transactions that could give rise to instances of fraud?

7) How does the Audit Committee mitigate the fraud risks associated with related party relationships and transactions?

8) Is the Audit Committee aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading? In particular:

- Are there particular balances where fraud is more likely to occur?
- Is the Audit Committee aware of any assets, liabilities or transactions that it believes were improperly included or omitted from the accounts of the organisation?
- Are there any external fraud risk factors which create a high risk of fraud?

9) Is the Audit Committee aware of any organisational, or management pressure to meet financial or operating targets?

10) Is the Audit Committee aware of any inappropriate organisational or management pressure being applied, or incentives offered, to employees to meet financial or operating targets?

Consideration of laws and regulations in an audit of financial statements

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA250. We are therefore making requests from the Audit Committee, and will be making similar enquiries of management:

- 1) How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with. In particular:
 - Is the Committee aware of the process management has in place for identifying and responding to changes in laws and regulations? Please provide details.
 - What arrangements are in place for the Committee to oversee this process?
 - Is the Committee aware of the arrangements management have in place, for communicating with employees, non-executive directors, partners and stakeholders regarding the relevant laws and regulations that need to be followed?
- 2) Does the Committee have knowledge of actual or suspected instances where appropriate laws and regulations have not been complied with? If it is, what actions are management taking to address non-compliance?

Specific consideration of the potential for, and actual, litigation and claims affecting the financial statements

We have to obtain evidence of how management and those charged with governance are discharging their responsibilities, if we are to properly discharge our responsibilities under ISA 501. We are therefore making requests from the Audit Committee, and will be making similar enquiries of management:

- Is the Audit Committee aware of any actual or potential litigation and claims involving the Council that would impact on the financial statements?

Consideration of the going concern assumption in an audit of financial statements

We are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements if we are to properly discharge our responsibilities under ISA 570. We are therefore making the following request from the Audit Committee:

- 1) How has the Audit Committee assessed and satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?
- 2) Has the Audit Committee identified any events or conditions since the assessment was undertaken which may cast significant doubt on the organisation's ability to continue as a going concern?

Consideration of related parties

The auditor has a responsibility to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

Therefore we are making the following request from the Audit Committee:

- 1) What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships?
- 2) Confirmation that the Audit Committee have:
 - disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and
 - appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.

3. NATIONAL PUBLICATIONS

	Publication/update	Key points
1.	Local Government Financial Resilience index, CIPFA	Online data tool which measures local authorities against a range of indicators to assess their level of resilience.
2.	Financial Management Code, CIPFA	Guidance for good and sustainable financial management in local authorities.
3.	Prudential Property Investment, CIPFA	Guidance on prudent investments in commercial properties.
4.	Case study: succeeding in viability negotiations - Harborough District Council, Local Government Association	Including summary of learning for local authorities – affordable housing development.
5.	Investigation into the rescue of Carillion’s PFI hospital contracts , NAO	For information
6.	New Code of Audit Practice	Subject to Parliamentary approval, it will come into force on 1 April 2020, and will apply from audits of local bodies’ 2020-21 financial statements onwards

1. Local Government Financial Resilience index, CIPFA, December 2019

The resilience index is an online data tool which measures local authorities against a range of indicators to assess their level of resilience against financial shocks and to support financial decision making. Upper tier authorities are judged against nine indicators including social care. The social care measure is excluded for those authorities without social care responsibilities.

The indicators measured include:

- levels of reserves;
- change in reserves;
- reserves sustainability;
- interest payable/net revenue expenditure;
- gross external debt;
- fees and charges to service expenditure ratio;
- council tax requirement/net expenditure ratio; and
- growth above baseline.

The tool allows for year on year comparisons of each authority’s performance, as well as comparisons with similar and neighbouring authorities. Trend analysis is also available for some of the indicators outlined above.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-launches-local-government-financial-resilience-index>

3. NATIONAL PUBLICATIONS

2. Financial Management Code, CIPFA, October 2019

Strong financial management is an essential part of ensuring public sector finances are sustainable. The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and aims to provide assurance that they are managing resources effectively.

It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

The FM Code built on elements of other CIPFA codes during its development and its structure and applicability will be familiar to users of publications such as The Prudential Code for Capital Finance, Treasury Management in the Public Sector Code of Practice and Code of Practice on Local Authority Accounting in the United Kingdom.

The Code applies to all local authorities, including police, fire and other authorities.

By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements in their jurisdictions.

The first full year of compliance will be 2021/22. This reflects the recognition that organisations will need time to reflect on the contents of the Code and can use 2020/21 to demonstrate how they are working towards compliance.

<https://www.cipfa.org/policy-and-guidance/publications/f/financial-management-code>

3. Prudential Property Investment, CIPFA, November 2019

Increasingly there has been a move towards investments in commercial properties, funded by borrowing, with the key driver of this activity appearing to be the generation of revenue. This publication provides guidance on making the assessments needed to ensure that such acquisitions are prudent and on the risks local authorities must manage when acquiring property.

Statutory investment guidance from the Ministry of Housing, Communities and Local Government (MHCLG) last year set out clearly that local authorities need to consider the long-term sustainability risk implicit in becoming too dependent on commercial income, or in taking out too much debt relative to net service expenditure.

The increased scale of investment in property was recognised by revisions to CIPFA's Prudential Code for Capital Finance and the Treasury Management Code in 2017, but the growing amounts being borrowed for such a purpose are putting a strain on the creditability of the Prudential Framework and reinforce the need to ensure that such acquisitions are affordable, prudent and sustainable.

In addition to the core issue of borrowing in advance of need, which the Prudential Code has very clear provisions on, this publication provides guidance on the risk perspective to the practical assessment of prudence and affordability. Those risks could be very difficult to manage. Even when these issues are managed and there is reliance on investment income, a potential failure or a downturn of the property market may have a direct impact upon local services.

This publication considers such issues and the actions local authorities would need to take to mitigate against such risks.

<https://www.cipfa.org/policy-and-guidance/publications/p/prudential-property-investment>

3. NATIONAL PUBLICATIONS

4. Case study: succeeding in viability negotiations - Harborough District Council, Local Government Association, December 2019

Harborough is a rural district often ranked as one of the best places to live in England. It is noted as a great place to live and work with most people enjoying a high quality of life. House and land prices are, however, the highest in Leicestershire and many residents struggle to get on the housing ladder or even access a suitable and affordable rented property.

Between 2011 and 2018 the District Council identified a policy need for 30-40 per cent of all new housing to be affordable. Between 2011 and 2018 consents have been given for almost 6,000 dwellings but due to viability issues permission has only been secured for 1,000 affordable units of which 500 have been built. This equates to just 16 per cent against a target of 30-40 per cent.

The District Council participated in the Housing Advisors Programme to support the way it approached viability negotiations – exploring the potential to bring this in-house as part of a new commercial assets team and also building on changes to the National Planning Policy Framework around 'viability'. The aim was to build the capacity in-house to undertake appraisal work on developer submissions of viability to appraise them and provide recommendations to allow for planning determinations.

Learning for local authorities

The challenges for local authorities in delivering affordable housing require an understanding of development viability to ensure that local housing strategies are successfully implemented. Developers continue to test adopted policy requirements through the planning process and local authorities require the skills and knowledge to support their position. The lessons from this project are that staff need to be equipped with the necessary skills to procure expert viability support and most importantly to actively manage the resultant contracts.

<https://www.local.gov.uk/topics/housing-and-planning/lga-housing-advisers-programme/housing-advisers-programme-case-15>

5. Investigation into the rescue of Carillion's PFI hospital contracts , NAO, January 2020

The report considers what happened to Carillion's two major public sector construction contracts after it collapsed and how the Private Finance Initiative (PFI) operates in these circumstances. At the time of its collapse Carillion was the main construction contractor for two new hospitals, both being built under PFI:

- the Midland Metropolitan Hospital in Sandwell, West Midlands, to be used by the Sandwell and West Birmingham Hospitals NHS Trust; and
- the Royal Liverpool University Hospital, to be used by the Liverpool University Hospitals NHS Foundation Trust, which was formed on 1 October 2019 through a merger between the Royal Liverpool and Broadgreen University Hospitals NHS Trust and another NHS trust.

The investigation focuses on the role of central government and the trusts in relation to the two hospital projects before, during and after Carillion's failure in January 2018. It sets out:

- the construction problems on each project (Part One);
- how the government and the trusts dealt with the effects of the collapse of Carillion (Part Two); and
- the impact on the schedules and costs of the two projects (Part Three).

<https://www.nao.org.uk/report/investigation-into-the-rescue-of-carillions-pfi-hospital-contracts/>

3. NATIONAL PUBLICATIONS

6. New Code of Audit Practice, NAO, January 2020

The Local Audit and Accountability Act 2014 makes the Comptroller and Auditor General responsible for the preparation, publication and maintenance of the Code of Audit Practice. The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act.

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

Following the public consultation exercises that took place during 2019, the Comptroller and Auditor General (C&AG) has now approved the text for the final draft of the Code of Audit Practice, which has now been laid in Parliament.

Subject to Parliamentary approval, it will come into force on 1 April 2020, and will apply from audits of local bodies' 2020-21 financial statements onwards.

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>

CONTACT

Partner: Mark Kirkham

Phone: 0191 383 6300

Email: mark.kirkham@mazars.co.uk

Senior Manager: James Collins

Mobile: 0191 383 6331

Email: james.collins@mazars.co.uk

Audit Committee

27 February 2020

**Corporate Governance Review 2019/20
– Key Dates**



Report of John Hewitt, Corporate Director, Resources

Purpose of the Report

- 1 To inform Audit Committee of the key dates for the corporate governance review for the 2019/20 financial year.

Executive Summary

- 2 This report informs Audit Committee of the key dates in the annual governance review for the 2019/20 financial year to enable the statutory deadline to be achieved.

Recommendation(s)

- 3 Audit Committee is requested to note the contents of this report.

Background

- 4 The Accounts and Audit Regulations 2015 require the chief financial officer to have published, approved and audited accounts by 31 July. Prior to this, the pre-audited accounts must be made available for public inspection for a period of 30 working days. Effectively, the 2019/20 closure of accounts will need to be achieved by 31 May to achieve the necessary timetable for approval.
- 5 The Regulations also require the Council to prepare an Annual Governance Statement, which is to accompany the Statement of Accounts. For this reason, the approval processes for the two statements needs to be aligned.

Key Dates

- 6 The key dates for the 2019/20 corporate governance review are in Appendix 2 of this report.

Author

Kevin Roberts

Tel: 03000 269648

Appendix 1: Implications

Legal Implications

None

Finance

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

Consultation

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

Equality and Diversity / Public Sector Equality Duty

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

Human Rights

None

Crime and Disorder

None

Staffing

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

Accommodation

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

Risk

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

Procurement

None

Appendix 2: Corporate Governance Review 2019/20 Key Dates

<u>Action</u>	<u>Date</u>
Draft Annual Governance Statement to Resources Management Team for consultation.	24/3/20
Produce Directors Assurance Statements, approved by Directors.	2/4/20
Corporate Director of Resources to approve draft Annual Governance Statement.	7/4/20
Draft Annual Governance Statement to CMT for approval.	29/4/20
Draft Annual Governance Statement to Audit Committee for approval, along with the annual audit opinion, as part of the final accounts process.	29/5/20
Final Annual Governance Statement to Audit Committee for approval and adoption.	31/7/20

Audit Committee**27 February 2020****Strategic Risk Management Progress
Report for 2019/20
Review 3: 1 October – 31 December
2019****John Hewitt, Corporate Director Resources****Purpose of the Report**

- 1 The purpose of this report is to highlight the strategic risks facing the Council and to give an insight into the work carried out by the Corporate Risk Management Group between October and December 2019.

Executive summary

- 2 This report supports the Council's Risk Management Strategy. Audit Committee monitors corporate governance, including risk management activity. Heads of service identify and manage risks that may impede Council objectives and provide assurance that effective controls are in place. Risks are reviewed three times each year, which contributes to improved performance, decision-making and governance.
- 3 One risk, relating to property and land maintenance, has been added to the strategic risk register. Two risks have been removed, one relating to highways damage and one relating to data breaches. A new Brexit Lead Officer has been appointed.
- 4 On 31 December 2019, there were 27 risks on the strategic risk register. There are four key risks, relating to Government funding cuts, medium-term financial plan slippage, child safeguarding and vulnerable adults, for which key mitigating actions have been identified.
- 5 Performance against key indicators is set out to provide assurance that strategic risks are being effectively managed, and that officers and members are appropriately skilled in risk management.

Recommendation(s)

- 6 Audit Committee is requested to confirm that this report provides assurance that strategic risks are being effectively managed within the risk management framework across the Council.

Background

- 7 Each corporate director has a designated service risk manager to lead on risk management at a service grouping level. In addition, the Council has designated the Cabinet Portfolio holder for the Deputy Leader and Finance and the Corporate Director of Resources as member and officer risk champions respectively. Collectively, they meet with the Risk and Governance Manager as a Corporate Risk Management Group (CRMG). A summary setting out how the Council deals with the risk management framework is included in **appendix 2**.
- 8 Throughout this report, both in the summary and the appendices, all risks are reported as 'net risk' (after putting in place mitigating controls to the 'gross risk' assessment), which is based on an assessment of the impact and likelihood of the risk occurring with existing controls in place.

Current status of the risks to the Council

- 9 On 31 December 2019, there were 27 risks on the corporate strategic risk register, one less than on 30 September 2019. During this period, one risk was added, and two were removed.
- 10 In summary, the key risks to the Council are:
- (a) If there was to be slippage in the delivery of the agreed MTFP savings projects, this will require further savings to be made from other areas, which may result in further service reductions and job losses;
 - (b) There is significant uncertainty in relation to future funding settlements from government, which will be impacted by the upcoming Comprehensive Spending Review and the Fair Funding Review;
 - (c) Failure to protect a child from death or serious harm (where service failure is a factor or issue);
 - (d) Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).

Progress on addressing these key risks is detailed in **appendix 3**.

- 11 A list of all the Council's strategic risks as at 31 December 2019 is included in **appendix 4**.

Appendix 1: Implications

Legal Implications

There are no direct implications, but effective risk management helps to ensure compliance with legal and regulatory obligations.

Finance

There are no direct financial implications, but effective risk management helps to avoid or minimise financial loss.

Consultation

None

Equality and Diversity / Public Sector Equality Duty

None

Climate Change

There are no direct climate change implications, but effective risk management helps to avoid or minimise adverse impacts.

Human Rights

None

Crime and Disorder

None

Staffing

Staff training needs are addressed in the risk management training plan.

Accommodation

None

Risk

This report supports the delivery of the objectives of the Council's Risk Management Strategy.

Procurement

None

Appendix 2: How the Risk Management Framework operates

The Cabinet and the Corporate Management Team have designated the Cabinet Portfolio Holder for the Deputy Leader and Finance and the Corporate Director, Resources as Member and Officer Risk Champions respectively. Together they jointly take responsibility for embedding risk management throughout the Council and are supported by the Chief Internal Auditor and Corporate Fraud Manager, the lead officer responsible for risk management, as well as the Risk, Insurance and Governance Manager.

Each service grouping also has a designated service risk manager to lead on risk management at a service grouping level, and act as a first point of contact for staff who require any advice or guidance on risk management. Collectively, the risk champions, service risk managers and the Risk and Governance Manager meet together as a Corporate Risk Management Group. This group monitors the progress of risk management across the Council, advises on strategic risk issues, identifies and monitors corporate cross-cutting risks, and agrees arrangements for reporting and awareness training.

An Audit Committee is in place, and one of its key roles is to monitor the effective development and operation of risk management and overall corporate governance in the Authority.

It is the responsibility of the Corporate Directors and the Director of Transformation and Partnerships to develop and maintain the internal control framework and to ensure that their service resources are properly applied in the manner and to the activities intended. Therefore, in this context, heads of service are responsible for identifying and managing the key risks which may impact on their respective service, and providing assurance that adequate controls are in place, and working effectively to manage these risks where appropriate. In addition, independent assurance of the risk management process, and of the risks and controls of specific areas, is provided by Internal Audit. Reviews by external bodies, such as the Audit Commission, Ofsted and Care Quality Commission, may also provide some independent assurance of the controls in place.

Risks are assessed in a logical and straightforward process, which involves the risk owner (within the service) assessing both the impact on finance, service delivery or stakeholders if the risk materialises, and also the likelihood that the risk will occur over a given period. The assessment is confirmed by the Service Management Team.

An assurance mapping framework is being developed to demonstrate where and how the Council receives assurance that its business is run efficiently and effectively, highlighting any gaps or duplication that may indicate where further assurance is required or could be achieved more effectively.

The Council is also jointly responsible for responding to civil emergencies (such as severe weather events, network power losses and flu epidemics) through the County Durham and Darlington Local Resilience Forum. An explanation of the arrangements for managing the risk of such events and a copy of the latest Community Risk Register can be found on the web page of the County Durham and Darlington [Local Resilience Forum](#).

Appendix 3: Progress on management of the Council’s Strategic Risks

Risks are assessed at two levels:

- Gross impact and likelihood are based on an assessment of the risk without any controls in place;
- Net impact and likelihood are based on the assessment of the current level of risk, taking account of the existing controls/ mitigation in place.

On 31 December 2019, there were 27 risks on the corporate strategic risk register, one less than as at 30 September 2019. During this period, one risk was added, and two were removed.

The following matrix profiles the strategic risks according to their net risk evaluation as at 31 December 2019. To highlight changes in each category during the last period, the number of risks on 30 September 2019 is shown in brackets.

Overall number of Strategic Risks on 31 December 2019

Impact					
Critical	1 (1)		3 (3)		1 (1)
Major		5 (5)	5 (5)		
Moderate			9 (10)	3 (3)	
Minor					
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

In the above matrix, the risk assessed as Critical/Highly Probable is, “There is significant uncertainty in relation to future funding settlements from government, which will be impacted by the upcoming Comprehensive Spending Review and the Fair Funding Review.”

The key risks are reported in more detail below. In summary, key points to draw to your attention are:

New Risks

- 1 One risk was added to the corporate risk register, ***‘Potential serious injury or loss of life due to the Council failing to meet its statutory, regulatory and best practice responsibilities for property and land’***.

Management of the Council’s estate has been unitised under the recently appointed Head of Corporate Property and Land, and a new Corporate Landlord Service Delivery Model is being implemented during 2020/21 **(REAL)**.

Removed Risks

- 2 ***‘Damage to Highways assets as a result of a severe weather event’***. This risk was removed after the likelihood was downgraded from possible to unlikely, taking the net evaluation below the corporate appetite. There are adequate and sufficient inspection and maintenance regimes in place, and this is no longer considered a significant risk. Ongoing impacts will continue to be monitored at operational level, guided by the Council’s Climate Emergency Response Plan **(REAL)**.
- 3 ***‘Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO’***. Following the implementation and embedding of the GDPR changes, this risk Data Breach was closed and merged with the GDPR risk, which covers the general management of data/information, including an unauthorised release requiring notification to the Information Commissioner’s Office **(T&P)**.

- 4 ***‘Potential adverse effects of a "no deal Brexit" on the economy, safety and welfare of the County’*** (appendix 4, risk 4). Jane Robinson, Corporate Director, Adult and Health Services has been designated as the Council’s Brexit Lead Officer. **(AHS)**.

Since the general election in December 2019, the EU Withdrawal Bill has been voted through the House of Commons and received Royal Assent, with the UK due to leave the EU with an agreement in place on 31 January 2020. The agreement includes a transition period which would run through to 31 December 2020, during which most things will remain the same, while the UK and the EU negotiate new trade arrangements.

The risk of the UK ‘crashing out’ of the EU on a ‘no deal’ basis at the end of January subsided significantly following the political development at the end of last year, and the government wrote to all local authorities and local resilience forums to advise that it was formally standing-down Operation Yellowhammer. We have also subsequently been advised that we are no longer to plan for a ‘no deal’ exit from the EU, because the government’s expectation is that a future trading arrangement will be in place by the end of the transition period at the end of 2020. Consequently, the net likelihood of the risk has been downgraded from possible to unlikely.

Key Risks

5 The Council's key risks are shown in the following table.

Key Risks Matrix

Net Impact					
Critical			Risk 1 MTFP Slippage Risk 3 Child Safeguarding Risk 4 Vulnerable Adults		Risk 2 Government Funding cuts
Major					
Moderate					
Minor					
Insignificant					
Net Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

In this matrix, the key risks have been arranged according to the net impact and net likelihood evaluations to illustrate their relative severity. The full title of each risk is shown in the Key Risks Schedule on the following pages.

Key Risks Schedule

The schedule below contains information about how the key risks are being managed, including proposed key actions. Where there have been changes to the risk assessment during the last quarter, these are highlighted in the column headed 'Direction of Travel'. The final column states when it is anticipated that the risk will have been reduced to an acceptable level.

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
1	RES Risk Owner: Jeff Garfoot	Altogether Better Council	If there was to be slippage in the delivery of the agreed MTFP savings projects, this will require further savings to be made from other areas, which may result in further service reductions and job losses.	Critical	Possible	The Delivery plan implementation will be monitored by CMT and Cabinet.		This will be a significant risk for at least the next 4 years. No further mitigation is planned at the current stage.
2	RES Risk Owner: Jeff Garfoot	Altogether Better Council	There is significant uncertainty in relation to future funding settlements from government, which will be impacted by the upcoming Comprehensive Spending Review and the Fair Funding Review.	Critical	Highly Probable	Sound financial forecasting is in place based on thorough examination of the Government's "red book" plans.		This will be a significant risk for at least the next 4 years.
3	CYPS Risk Owner: Helen Fergusson	Altogether Better for Children and Young People	Failure to protect a child from death or serious harm (where service failure is a factor or issue)	Critical	Possible	Actions are taken forward from Serious Case Reviews and reported to the Durham Safeguarding Children Partnership. Lessons learned are fed into training for front line staff and regular staff supervision takes place. Procedures are reviewed on a regular basis.		Nationally there has been a statutory change to when Serious Case Reviews are undertaken. This risk is long term.

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
4	AHS Risk Owner: Lee Alexander	Altogether Safer	Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).	Critical	Possible	<p>As the statutory body, the multi-agency Safeguarding Adults Board has a Business Plan in place for taking forward actions to safeguard vulnerable adults including a comprehensive training programme for staff and regular supervision takes place. Procedures are reviewed on a regular basis.</p> <p>Following allegations of abuse at Whorlton Hall, an independent review the Council's safeguarding adults processes has been commissioned. Any learning will inform actions to reframe and develop practice.</p>		<p>Nationally there has been an increased awareness of potential vulnerabilities relating to adults with care and support needs. High profile exposures heighten awareness of adult safeguarding concerns.</p> <p>This risk is long term.</p>

Appendix 4: List of all Strategic Risks (per Corporate Theme)

Based on the **Net** risk assessment as at 31 December 2019, the following tables highlight the risks for each Corporate Theme.

Corporate Theme – Altogether Better Council

Ref	Service	Risk
1	RES	There is significant uncertainty in relation to future funding settlements from government, which will be impacted by the upcoming Comprehensive Spending Review and the Fair Funding Review.
2	REAL	Potential serious injury or loss of life due to the Council failing to meet its statutory, regulatory and best practice responsibilities for property and land.
3	RES	If there was to be slippage in the delivery of the agreed MTFP savings projects, this will require further savings to be made from other areas, which may result in further service reductions and job losses.
4	T&P	Potential adverse effects of a "no deal Brexit" on the economy, safety and welfare of the County.
5	T&P	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation
6	RES	Potential violence and aggression towards members and employees from members of the public
7	T&P	Risk that Council does not fully respond to the drivers of poverty to help alleviate the impacts on County Durham residents.
8	T&P	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
9	RES	Potential significant size and scope of the liabilities of equal value claims
10	RES	Serious breach of Health and Safety Legislation

Ref	Service	Risk
11	T&P	If the Council suffered a major cyber-attack, then it may be unable to effectively deliver essential services.
12	RES	Due to the current economic climate and amount of change occurring across the Council, there is potential for increases in fraud and corruption.
13	T&P	Failure to prepare for, respond to and recover from a disruptive event, leading to a major interruption to the provision of essential services by the Council.
14	T&P	Potential breach of the EU General Data Protection Regulations

Altogether Better for Children and Young People

Ref	Service	Risk
15	CYPS	Failure to protect a child from death or serious harm (where service failure is a factor or issue)
16	CYPS	Inability to recruit and retain children's social workers and social work managers may seriously inhibit the delivery of services.
17	CYPS	Volatile and high-cost, demographic demands of children looked after on the Children's Social Care budget may result in adverse impacts on the budget and service delivery.
18	CYPS	Financial and other pressures threaten the viability of some educational establishments.
19	CYPS	Increasing demand on the Dedicated Schools Grant budget for High Needs Block special educational needs services and inclusive education services may result in adverse impacts on finance and service delivery.

Altogether Greener

Ref	Service	Risk
20	REAL	Risk of a suspension notice under Regulation 37, Environmental Permitting Regulations 2016, leading to a partial cessation of operations at Mountsett Crematorium.

Altogether Healthier

	Service	Risk
21	AHS	Pressures nationally across residential, nursing and domiciliary care providers, could affect the availability, delivery, continuity, quality, sustainability and capacity of care provision within County Durham.
22	AHS	Risk that the Council is subject to legal challenge by Providers in relation to application of its Residential Care Charging Policy and Deferred Payment Policy.

Altogether Safer

	Service	Risk
23	AHS	Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).
24	T&P	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.
25	REAL	Serious injury or loss of life due to Safeguarding failure (Transport Service)

Altogether Wealthier

	Service	Risk
26	REAL	Future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.
27	REAL	Potential progressive land slippage near the A690 may develop to an extent where a major road closure is necessary for repairs to be undertaken.

Appendix 5: Performance of Risk Management

Performance Indicators - Tangible Measures

Objective: To demonstrate that risks are being effectively managed				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Last Period	This Period
All risks are reviewed on a continual cycle	Service Risk Review completed each quarter	100% (3 times pa)	100%	100%
Risk mitigation is being implemented as planned	Risk actions on high-scoring risks implemented within target date	Target N/A (3 times pa)	No outstanding actions	No outstanding actions
Risks are being effectively managed	Number of current risks where Net risk scores have reduced over the quarter	Target N/A (3 times pa)	None	One, Damage to Highways
Contributing to effective corporate governance	Meeting CIPFA governance principles and objectives on risk management	Confirmed in the annual review of the effectiveness of corporate governance (Annual)	A draft, revised Local Code of Corporate Governance was reported to Transformation & Partnerships and Resources Management Teams	None
Objective: To ensure that Officers and Members are appropriately skilled in risk management				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Last Period	This Period
Appropriate staff are adequately skilled in risk management	Number of officers attending risk management training course	Target N/A	No training provided in this period.	No training provided in this period.
Members are adequately skilled in risk management	New Members attending risk management training course within 6 months of being elected (for co-opted members, within 6 months of being appointed)	75%	No training was provided in this period.	No training was provided in this period.

This page is intentionally left blank

Audit Committee

27 February 2020

**Revised Risk Management
Policy and Strategy**



John Hewitt, Corporate Director Resources

Purpose of the Report

- 1 For Audit Committee to approve the revised Risk Management Policy and Strategy

Executive summary

- 2 A revised version of the Risk Management Policy and Strategy is presented for approval.

Recommendation(s)

- 3 Audit Committee is requested to approve the revised Risk Management Policy and Strategy.

Background

- 4 The Risk Management Policy and Strategy, which has been developed in line with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016, contains a requirement that it should be reviewed annually.
- 5 The document, which was last updated in February 2018, has been revised to reflect guidelines in BS ISO31000:2018. Proposed changes are indicated with grey highlighter.
- 6 Audit Committee is requested to approve the revised version in **appendix 2**.

Appendix 1: Implications

Legal Implications

There are no direct implications, but effective risk management helps to ensure compliance with legal and regulatory obligations.

Finance

There are no direct financial implications, but effective risk management helps to avoid or minimise financial loss.

Consultation

None

Equality and Diversity / Public Sector Equality Duty

None

Climate Change

There are no direct climate change implications, but effective risk management helps to avoid or minimise adverse impacts.

Human Rights

None

Crime and Disorder

None

Staffing

Staff training needs are addressed in the risk management training plan.

Accommodation

None

Risk

This report supports the delivery of the objectives of the Council's Risk Management Strategy.

Procurement

None

Appendix 2: Revised Risk Management Policy and Strategy

Version Date	Version Ref.	Revision History	Reviser	Approved By	Review Date
27 February 2020	8.0	Revision of the previous County Council risk management strategy and policy to reflect risk management guidelines in BS ISO31000:2018.	Dave Marshall	Audit Committee	February 2021

Risk Management Policy Statement

As a modern local authority, Durham County Council is committed to delivering quality services to its communities and is aware that some risks are inherent in innovative service delivery.

The County Council needs to operate within the statutory framework and it recognises risk management is an integral part of all activities and decision making as set out in the Risk Management Strategy, which defines key roles and responsibilities and is reviewed annually, to maintain robust, integrated and effective risk management arrangements.

The Council also needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the creation and protection of value, and achievement of **outcomes objectives**. Risk should be considered and addressed as part of all decision-making activities.

In managing hazards and risks, the Council supports a structured and focused approach facilitated through its Risk Management Strategy.

In line with the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives guidance 'Delivering Good Governance in Local Government Framework', the Council's key purpose in relation to risk management is to establish and maintain a systematic strategy, framework and process for managing risk. This will be delivered by following the principles of: behaving with integrity; demonstrating strong commitment to ethical values; respecting the rule of law; openness; engaging comprehensively with institutional stakeholders; and engaging with individual citizens and service users effectively.

BS ISO31000:2018 (Risk Management Guidelines) lists the following principles in its guidance on the characteristics of effective and efficient risk management, communicating its value and explaining its intention and purpose. The principles are the foundation of managing risk and should be considered when establishing the organisation's risk management framework and processes.

- Integration with all organisational activities
- A structured and comprehensive approach for consistent and comparable results
- Processes that are customised and proportionate to internal and external context
- Appropriate and timely involvement of stakeholders
- Responsiveness to changes and events in an appropriate and timely manner
- Best available information (timely, clear and available to relevant stakeholders)
- Consideration of human and cultural factors
- Continual improvement through learning and experience.

Risk Management Strategy

Aim

The aim of the risk management policy and strategy is to embed risk management into the culture, ethos, policies and practices of the Council.

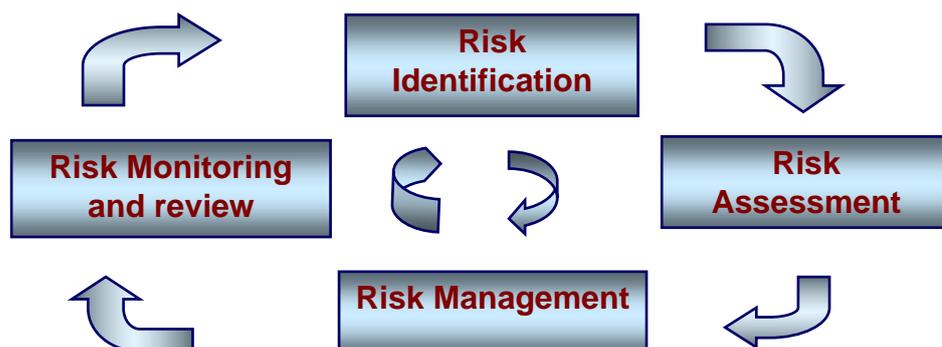
Strategic Objectives

In achieving this aim, we will meet the following strategic objectives:

- Effectively support the Council's Corporate Governance Framework;
- Enable informed, transparent and risk-managed decision making;
- Demonstrate improved outcomes as a result of risk management, including the successful delivery of innovative and challenging projects;
- Inform local communities and other stakeholders of the key risks faced by the Council, and, where appropriate, how it will manage those risks;
- Raise awareness of the need for risk management by all those connected with the delivery of services, including partners;
- Enable the Council to anticipate and effectively respond to changing conditions;
- Ensure that the approach to managing risk is proportionate to the risk involved and provides value for money;
- Meet statutory and best practice requirements in relation to risk management;
- Ensure that all parties understand their roles and responsibilities, and are adequately skilled to perform these roles;
- Consider risks relating to partnerships and collaborative working arrangements to mitigate joint risks.

To deliver these objectives

A systematic approach to the identification, prioritising and mitigation of risk according to the likelihood of occurrence and potential impact on the Council's services will be undertaken. The systematic approach will adopt the following cycle:



- Processes, procedures, roles and responsibilities to support this strategy will be documented in the Risk Management Manual.
- A Member Risk Champion will act as risk management sponsor among elected Members.
- An Officer Risk Champion will act as risk management sponsor among Council officers.
- The Corporate Risk Management Group will oversee the direction and progress of business risk management across the Council.
- Risk management training will be undertaken to ensure that all staff and Members:
 - involved in the council's risk management arrangements receive relevant training and guidance;
 - whether new or promoted, receive risk management awareness training in their induction;
 - effectively undertake their roles and responsibilities for risk management.
- Arrangements will be in place for identifying and managing new and emerging risks.
- Reports supporting a Key Decision will disclose details of the significant risks associated with that decision.
- The Council will work closely with partners to mitigate joint risks.
- For partnerships and collaborative working, services will identify, assess and manage the risk to the Council, using guidance set out in the Partnership Governance Framework. Key areas of concern will be reported to service management teams and where applicable to the Corporate Management Team.
- Named owners will be assigned to each risk, and will be accountable for ensuring that adequate mitigation of that risk is in place.
- The Council will determine the risk appetite, which represents the maximum exposure to risk that it is prepared to tolerate.
- Based on the appetite for risk, management will either tolerate, treat or transfer the risk, or where appropriate, terminate the activity which causes the risk to occur.
- Corporate and service strategic risk registers will be compiled with each risk linked to the relevant strategic objective and analysed in terms of likelihood and impact, with a prioritised action plan to direct its risk management activity.
- Strategic risks will be recorded on Magique, the Council's Risk Management Software.

- Risk management will be embedded in the Council's corporate business processes, including:
 - strategic and service planning;
 - financial planning;
 - policy making and review;
 - performance management;
 - project management;
 - decision making;
 - procurement;
 - bids for external funding;
 - managing partnerships.
- Services consider risks as part of the service planning process and whether any actions resulting from these should be included in the Service Plan. Where these risks are assessed as significant enough to be managed by Corporate Management Team or service management teams, they will be recorded in the corporate and service strategic risk registers.
- Service management teams will review their strategic risks three times each year.
- Corporate Management Team and Cabinet will review the strategic risks of the Council three times each year.
- Reports outlining the status of strategic risks will be produced three times each year to the Cabinet, Corporate Management Team and the Audit Committee.
- To supplement the reviews outlined above, the Audit Committee Chair and Vice-Chair will be given formal briefings by officers, as is necessary, on any risk issues arising between reviews. These briefings will be informed by consultation with Audit Committee members, heads of service and other risk owners.
- The Audit Committee will take appropriate action to ensure that corporate and service strategic risks are being actively managed.
- Internal Audit will ensure that the Audit Plan includes a review of control systems for operational and strategic risk.
- The Council will measure the performance of risk management against measurable outcomes, including finance, service performance, reputation, good governance, stakeholder benefits and lessons learned, and will benchmark risk management performance against other organisations.
- Risk management will contribute to the overall corporate governance framework of the Council, including the Annual Governance Statement and the Code of Corporate Governance.
- Resources will be allocated to embed risk management across the Authority.
- The Risk Management Policy and Strategy will be reviewed at least annually.

Audit Committee

27 February 2020

CIPFA Statement: The Role of the Head of Internal Audit in Public Sector Organisations**Report of John Hewitt, Corporate Director of Resources****Purpose of the Report**

- 1 To inform the committee of the updated statement produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) on the role of the head of internal audit in public sector organisations (attached at Appendix 2). The role of the head of internal audit is carried out by the chief internal auditor and corporate fraud manager.
- 2 The statement supports CIPFA's work to strengthen governance, risk management and internal audit across public services. It is intended to allow the Leadership Teams of public sector organisations to benchmark their existing arrangements against a defined framework.
- 3 The statement sets out what CIPFA considers to be best practice for heads of internal audit by providing a summary of the core responsibilities entailed in the role as well as the personal skills and professional standards necessary to succeed.

Executive summary

- 4 The CIPFA Statement describes in detail five principles that the Head of Internal Audit should be assessed against.
 - (a) Principle 1 – The head of internal audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emergent risks and proposed developments.
 - (b) Principle 2 – The head of internal audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by giving an objective and evidence-based opinion on all aspects of governance, risk management and control.

- (c) Principle 3 – The head of internal audit must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee.
 - (d) Principle 4 – The head of internal audit in a public sector organisation must lead and direct an internal audit service that is resourced and fit for purpose.
 - (e) Principle 5 – The head of internal audit in a public sector organisation must be professionally qualified and suitably experienced.
- 5 CIPFA recommends that organisations should use the statement as a framework to assess their existing arrangements and they should report publicly on compliance to demonstrate their commitment to good practice. Where any areas do not conform to the compliance framework in the statement organisations should explain the reasons for this, and how they achieve the same impact.
- 6 The completed assessment is attached at Appendix 3 which demonstrates the Council's compliance with CIPFA's statement.

Recommendation(s)

- 7 Members are recommended to:
- (a) Endorse the new CIPFA Statement on the role of the head of internal audit in public sector organisations.
 - (b) Consider the result of the assessment of compliance against the framework.

Background

- 8 The head of internal audit occupies a critical position in any organisation, helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role in promoting good governance.
- 9 Internal Audit is one of the cornerstones of effective governance. The head of internal audit is responsible for reviewing and reporting on the adequacy of their organisation's control environment, including the arrangements for achieving value for money. Through the annual internal audit opinion and other reports, the head of internal audit gives assurance to Corporate Management Team and others while making recommendations for improvements.
- 10 The head of internal audit's role is a unique one, providing objective challenge and support and acting as a catalyst for positive change and continual improvement in governance in all its aspects. In fulfilling the role, the head of internal audit requires a range of personal qualities as they must win the support and trust of others, so they are listened to and the head of internal audit's role as a critical friend means that sometimes difficult messages must be given and acted upon.
- 11 It is these expectations, combined with the professional, personal and leadership skills required, that have shaped the CIPFA statement. The audience for the statement is those that rely on the head of internal audit's assurances – the Corporate Management Team and the Audit Committee. CIPFA recommends that each organisation should examine themselves against the statement to satisfy themselves that they have effective head of internal audit arrangements in place.
- 12 The statement supports CIPFA's work to strengthen governance, risk management and internal audit across public services. It is intended to allow the Corporate Management Team to benchmark its existing arrangements against a defined framework. The statement sets out what CIPFA considers to be best practice for heads of internal audit.

Author

Paul Bradley

Tel: 03000 269645

Appendix 1: Implications

Legal Implications

There are no direct legal implications as a result of this report.

The role of the head of internal audit displays good governance and this report demonstrates the Council is performing well against the framework.

Finance

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

Consultation

The Corporate Scrutiny and Strategy Manager has reviewed the self-assessment and comments and suggestions have been incorporated into the self-assessment actions.

Equality and Diversity / Public Sector Equality Duty

There are no Equality and Diversity implications as a result of this report.

Climate Change

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

Human Rights

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

Crime and Disorder

There are no Crime and Disorder implications as a result of this report.

Staffing

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

Accommodation

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

Risk

The role of the head of internal audit is required to objectively assess the management of risk across the Council.

Procurement

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

The role of

the head of internal audit

in public service organisations

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our members and trainees work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a route to qualification and membership for people already working in senior financial management positions. These are taught by our own CIPFA Education and Training Centre, as well as at other places of learning around the world face to face, online and by distance learning.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, counter fraud tools and qualifications, courses and conferences, property and asset management solutions, advisory and recruitment services for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with international aid donors and agencies, partner governments, accountancy bodies and the wider public sector as well as private sector partners around the world to advance public finance and support better public services.

\ foreword

The Head of Internal Audit (HIA) occupies a critical position in any organisation, helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role in promoting good corporate governance. The aim of this Statement is to clarify the role of the HIA in public service organisations and to raise its profile.

Organisations need to know that they have strong arrangements for controlling their resources and for delivering their objectives. CIPFA believes that HIAs have a unique role to play here. They are senior managers whose business is objectively assessing these arrangements and the risks that organisations face and giving appropriate assurances. HIAs must also provide leadership, promoting and helping organisations achieve good governance and address future challenges.

HIAs need to review the whole system of control, both financial and non-financial, and focus on the areas where assurance is most needed. In most public service organisations the HIA has to give an annual opinion on the organisation's governance arrangements, which is used by Chief Executives as a primary source of evidence for their annual governance report.

HIAs must also be able to show that they can meet the needs of stakeholders such as Chief Executives and Audit Committees adding value by helping to

improve services whilst retaining their objectivity. They also need to work well with partners and other auditors.

The Statement is principles based and should be relevant for all public service organisations and their HIAs. It is intended to be helpful to a wide audience including Leadership Teams, including Chief Executives, Audit Committees, other stakeholders as well as HIAs themselves.

We believe organisations should see the Statement as best practice and use it to assess their HIA arrangements to drive up audit quality and governance arrangements.

We also commend the Statement to individual internal audit professionals. It articulates the core responsibilities of the HIA, as well as the personal and professional skills that they need.

\ contents

Definitions used throughout the document	3
Introducing the CIPFA statement	5
The CIPFA Statement	6
Principle 1	8
Principle 2	11
Principle 3	16
Principle 4	19
Principle 5	22

definitions used throughout the document

The public services have a wide variety of organisational structures and governance arrangements. The definitions used in this document are primarily based on those used in CIPFA's Role of the Chief Financial Officer Statement and in CIPFA's Code of Practice for Internal Audit in Local Government. These definitions are broadly consistent with those used by the Institute of Internal Auditors (IIA) and reflected in the standards used in central government and the UK Health Service. Where there are some differences (marked as *) then the alternative IIA definition should be considered when applying the Statement in these sectors.

Head of Internal Audit (HIA)

The executive responsible for the organisation's internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. This could be someone from another organisation where internal audit is contracted out or shared with others.

Leadership Team

Comprises the Board and Management Team.

Board

The group of people charged with setting the strategic direction for the organisation and responsible for its achievement.

Management Team

The group of executive staff comprising the senior management charged with the execution of strategy.

Chief Executive

The most senior executive role in the organisation.

Chief Financial Officer

The organisation's most senior executive role charged with leading and directing financial strategy and operations.

Managers

The staff responsible for the achievement of the organisation's purpose through services/businesses and delivery to its clients/customers.

Governance¹

The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

Control environment*

Comprises the systems of governance, risk management and internal control. The key elements include:

- establishing and monitoring the achievement of the organisation's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement
- the financial management of the organisation and the reporting of financial management
- the performance management of the organisation and the reporting of performance management.

System of internal control

The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

¹ The Good Governance Standard for Public Services (Independent Commission chaired by Sir Alan Langlands, 2004)

Risk management*

A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

Risk based audit*

An audit that:

- identifies and records the objectives, risks and controls
- establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- evaluates the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks
- identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate
- determines an appropriate strategy to test the effectiveness of controls ie through compliance and/or substantive testing
- arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.

Audit Committee

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting.

Internal audit*

An assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the

control environment as a contribution to the proper, economic, efficient and effective use of resources.

Consultancy

Advisory and related client service activities, the nature and scope of which are agreed by the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility.

Annual governance report

The mechanism by which an organisation publicly reports on its governance arrangements each year.

Public service organisation

One or more legal bodies managed as a coherent operational entity with the primary objective of providing goods or services that deliver social benefits for civic society, are not privately owned and receive public and/or charitable funding.

Assurance

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given. The HIA may be unable to give an assurance if arrangements are unsatisfactory.

Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the organisation's policies, processes and controls and the second being managers' own checks of this first line.

Head of Internal Audit Opinion

The opinion issued each year by the HIA on the adequacy and effectiveness of the organisation's control environment and which is used by the Chief Executive in some public service organisations as a key source in drafting the annual governance report.

introducing the CIPFA statement

The public service context

Citizen, service user and taxpayer: all of us occupy one or other of these roles at different times. We all have different priorities and needs, but our common ground is that we expect high standards of service within affordable tax levels. And we demand exemplary standards of behaviour where public money is spent.

The public services also face frequent structural changes and changing models of service delivery and partnerships. Expectations of contestability and competition as drivers of value for money are also blurring the boundaries between the public and private sectors. This has increased the variety of governance arrangements, even among similar types of bodies.

Good governance

The changing political environment within which decisions are taken and services delivered creates a range of stakeholders whose interests and influences must be acknowledged, understood, managed and balanced.

The demand for better public services within a complex environment has strengthened the need for effective governance. Good governance in a public service organisation requires a focus on the organisation's purpose and its intended outcomes. It also carries a specific obligation in relation to citizens, taxpayers and service users to make best use of resources and ensure value for money.

The key role played by the HIA

Internal audit is one of the cornerstones of effective governance. The HIA is responsible for reviewing and reporting on the adequacy of their organisation's control environment, including

the arrangements for achieving value for money. Through the annual internal audit opinion and other reports the HIA gives assurance to the Leadership Team and others, and makes recommendations for improvement.

The HIA's role is a unique one, providing objective challenge and support and acting as a catalyst for positive change and continual improvement in governance in all its aspects. The role is particularly important when organisations are facing uncertain or challenging times. Fulfilling the role requires a range of personal qualities. The HIA has to win the support and trust of others, so that he/she is listened to, and the HIA's role as a critical friend means that sometimes difficult messages must be given and acted on.

It is these expectations, combined with the professional, personal and leadership skills required, that have shaped the CIPFA Statement on the role of the HIA in public service organisations.

Primary audience

The primary audience for this Statement is those who rely on the HIA's assurances – the Leadership Team and the Audit Committee. CIPFA recommends that they should examine their own organisation against this Statement to satisfy themselves that they have effective HIA arrangements in place.

using the CIPFA statement

Statement approach and structure

The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:

- the organisation;
- the role; and
- the individual.

For each principle the Statement sets out the governance arrangements required within an organisation to ensure that HIAs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the HIA.

Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their HIA. These include the requirements of CIPFA and the other professional bodies' codes of ethics and professional standards to which the HIA as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases support other principles as well.

Demonstrating compliance

The Statement supports CIPFA's work to strengthen governance, risk management and internal audit across public services. It is intended to allow the Leadership Team of a public service organisation, whether executive, non-executive or elected, to benchmark its existing arrangements against a defined framework.

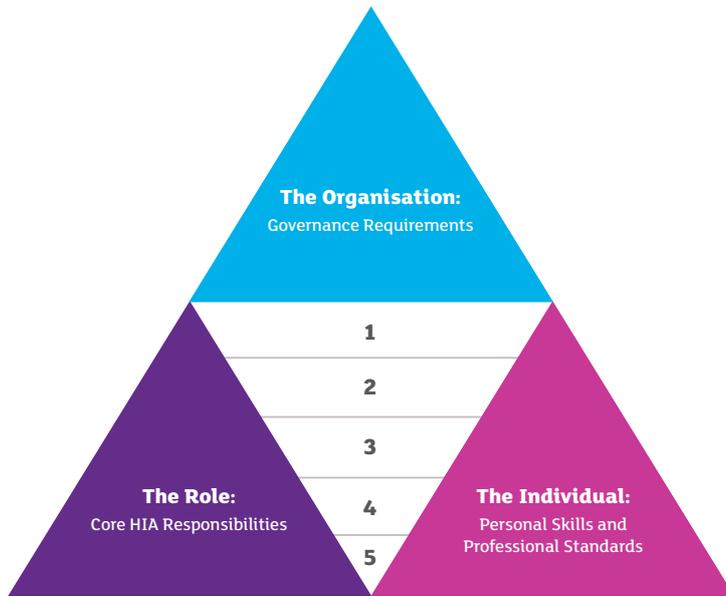
Public service organisations operate within a variety of legal and regulatory structures, and there is a huge range in size and scope of services delivered. The Statement therefore focuses on the principles that capture the essential characteristics of the HIA role in any public service organisation.

CIPFA recommends that organisations should use the Statement as the framework to assess their existing arrangements (linked to any sector specific guidance or standards), and that they should report publically on compliance to demonstrate their commitment to good practice. CIPFA also proposes that organisations should report publicly where their arrangements do not conform to the compliance framework in this Statement, explaining the reasons for this, and how they achieve the same impact.

Status of the Statement

The Statement sets out what CIPFA considers to be best practice for HIAs. It does not have the status of a CIPFA code, nor does it replace the sector-specific guidance or the codes and professional standards that underpin accountancy and internal audit bodies' competency and disciplinary frameworks. The aim is that standard setters and regulators across public services should draw on the Statement when reviewing their own guidance.

The Statement should also help guide both current and aspiring HIAs, by providing a summary of the core responsibilities entailed in the role as well as the personal skills and professional standards necessary to succeed. It should therefore provide a focus for audit professionals' own personal development at all stages of their careers.



CIPFA Statement on the role of the Head of Internal Audit (HIA) in public service organisations

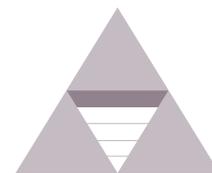
The Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

- 1** championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- 2** giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

To perform this role the Head of Internal Audit:

- 3** must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;
- 4** must lead and direct an internal audit service that is resourced to be fit for purpose; and
- 5** must be professionally qualified and suitably experienced.

\ principle 1



The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.

Promoting good governance

Good governance is fundamental to establishing confidence in public services. All managers have a responsibility for good governance but the HIA has a role in promoting this and spreading good practice. The internal audit strategy must set out how the HIA will fulfil this role.

The Leadership Team collectively needs to set the tone that good governance is core to achieving strategic aims and in demonstrating that public money is used well. The HIA is not responsible for good governance but they do have a role in helping to raise standards. This can be done by promoting the benefits of good governance as well as reporting on system failures. There are also benefits for the HIA in taking such an approach as this helps staff and others see the wider purpose of internal audit's work and the support that they can provide.

There are many ways to champion good governance across the organisation. In many organisations others such as the Chief Financial Officer will lead on promoting good governance. The HIA needs to assess the state of the organisation's governance and what others with an interest are doing. They then need to clarify their role in promoting good governance and how they can make most impact. Benchmarking with other organisations can be helpful and case studies from similar organisations can be useful. The aim should be to show the benefits of good governance for staff and others and using training and guidance to do this. The role of champion also extends to the significant partnerships that the organisation is part of.

Assessing governance and management of existing risks

HIAs must review and make a judgement on the whole range of controls including those relating to achieving value for money and the prevention and detection of fraud and corruption. In reaching the judgement the HIA might want to look at corporate arrangements, for example those regarding data quality and performance management arrangements. They may also want to test how these arrangements work by examining specific topics, for example major projects, decision making and implementation of programmes. Overall, internal audit's objectives must be aligned to the organisation's and should help improve the effectiveness of public service delivery.

There can often be many agencies reviewing controls within organisations. Internally there may be management consultants reviewing operational management. Externally there is a range of inspectors and other review agencies and service delivery partners. The HIA must understand the governance arrangements and assess the strengths of each of the parts. They then need to set out what reliance has been placed on the different elements and why they believe the reliance to be well placed. Setting out this framework should also help in explaining to others how internal audit fits into the wider governance picture.

Advising on proposed developments

HIAs must be asked to consider the impact of proposed policy initiatives, programmes

and projects as well as responses to emerging risks. HIAs should be made aware of major new systems and proposed initiatives to help ensure risks are properly identified and evaluated and appropriate controls built in. The HIA should consider what if any audit work needs to be done and also how the proposals fit with the organisation's strategic objectives. The HIA should be involved at the outset to ensure any advice they give can be actioned. Giving advice over proposed developments is inevitably a less precise business than giving assurances on existing systems. Managers and the HIA must therefore be clear on the scope of any internal audit work here and of the kind of advice that is given.

Internal audit sometimes provide advice on current or proposed arrangements. This is an important role – it makes good use of internal audit's analytical skills and brings value to the organisation. But for this to work well the HIA must ensure that staff carrying out the work have suitable skills and that internal audit's objectivity is not compromised. The HIA must also ensure that there are sufficient resources to do the work and that other work and the HIA annual opinion is not compromised.



Governance requirements

Principle 1

- Set out the HIA's role in good governance and how this fits with the role of others.
- Ensure that the importance of good governance is stressed to all in the organisation, through policies, procedures and training.
- Ensure that the HIA is consulted on all proposed major projects, programmes and policy initiatives.



Core HIA responsibilities

Principle 1

- Helping to promote the benefits of good governance throughout the organisation.
- Working with others in the organisation who have a responsibility for promoting good governance.
- Giving advice to the Leadership Team and others on the control arrangements and risks relating to proposed policies, programmes and projects.
- Promoting the highest standards of ethics and standards across the organisation based on the principles of integrity, objectivity, competence and confidentiality.
- Demonstrating the benefits of good governance for effective public service delivery and how the HIA can help.
- Offering consultancy advice where the HIA considers that it is appropriate, drawing up clear terms of reference for such assignments.



Personal skills and professional standards

Principle 1

- Provide leadership by giving practical examples of good governance that will inspire others.
- Deploy effective facilitating and negotiating skills.
- Build and demonstrate commitment to continuous improvement.
- Demonstrate consultancy skills as appropriate – analytical, problem solving, influencing and communicating.

\ principle 2



The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

Objectivity

The Leadership Team is responsible for the organisation achieving its objectives and for underlying good governance, risk management and internal control. Managers are responsible for this in the areas for which they have responsibility. The HIA's unique role is to provide assurance and guidance on these arrangements and so it is important that the HIA is independent of operational management and is seen to provide objective views and opinions.

Whilst the HIA needs to be objective it is important that they understand the organisation and are pragmatic in their working relationships. The HIA should be concerned with effective action to improve the control environment. They must work to develop strong and constructive working relationships with managers and non-executive directors/elected representatives, creating mutual respect and effective communication. Providing objective information and advice to non-executive directors, elected representatives and others requires an understanding of ethics and the wider public interest as well as diplomacy.

To enable the HIA to be objective, he/she should have no operational responsibilities. In cases where the HIA does have operational responsibilities then alternative assurance arrangements must be made. In particular, the impact of this work and the audit planning and reporting arrangements for these areas must be reported to and agreed by the HIA's line manager and the impact reported to the Audit Committee.

Whole range of controls

The Leadership Team need regular assurance that the organisation has good governance arrangements. The framework that provides this will have a number of sources including line management, external inspectors and agencies and external auditors, but the main objective source is the HIA.

The HIA needs to give the organisation a range of assurances, including reports on specific systems or work areas, new or developing systems (and the risks in areas being considered), partnerships and the overall annual opinion.

The annual HIA opinion is the most important output from the HIA. This is one of the main sources of objective assurance that Chief Executives have for their annual governance report. This opinion must reflect the work done during the year and it must summarise the main findings and conclusions together with any specific concerns the HIA has. Audit planning must be comprehensive and consider the whole control environment, so that the opinion is based on a picture of the whole organisation. The audit work should address key risk areas and draw attention to significant concerns and what needs to be done. The HIA must express concerns where they exist.

Evidence based assurance

The HIA's assurance must be well founded if it is to give proper comfort to those who ask for it, and to improve governance arrangements. This means that internal audit planning must be well

focused. Individual audits must be carried out in a logical and systematic way, based on sufficient, relevant and reliable evidence and with the work being subject to proper supervision and review. HIAs must also ensure that their reports are balanced, focusing on key risks and issues and making practical recommendations.

The HIA may look to partners and other agencies for assurance. Here the HIA must understand the basis for the assurance and its adequacy, and therefore whether the HIA needs to carry out any additional review work.

Sometimes the HIA will be asked to give assurances to partners or other organisations such as government departments on the organisation's own arrangements. The HIA should carefully consider, taking advice as necessary, the scope and extent to which reliance should be placed on it and any potential reputational risks.

In both circumstances the scope and purpose of assurances given and received should be agreed by the Audit Committee. A summary of assurances given and relied upon should also be included in the HIA's annual report.

One of the HIA's key relationships must be with the external auditor. The roles of internal and external audit are different and they must be independent of each other. But both are concerned with the organisation's control environment and both use an objective, risk based approach in coming to their conclusions. The HIA must liaise closely with external audit in drawing up strategies and plans and understand where and how the external auditor will be relying on the HIA. This should help ensure that audit resources are used most effectively.

Develop and implement a risk based audit strategy

Risk management is key to the effective delivery of public services. Organisations are taking a more positive view of risk and are becoming more mature in how they identify, measure, and manage risks.

The HIA must ensure that the internal audit strategy reflects risk management best practice. The starting point is to review the organisation's strategic objectives and how it plans to achieve these. The risks to achieving these must be considered and the HIA needs to review how the risks are captured in risk registers and the action plans that are in place. The HIA will draw on the organisation's risk register when drawing up the internal audit strategy and plans. The extent to which he or she does this will depend on how mature the organisation is at identifying key risks and taking appropriate action to address them.

The audit strategy must identify the priorities for internal audit based on an assessment of the key risks to the organisation and the extent of alternative sources of assurance, as well as the resources and skills needed to deliver it. The responsibility for effective governance arrangements (including risk management) remains with managers; the HIA cannot be expected to prevent or detect all weaknesses or failures in internal control nor can the internal audit strategy cover all areas of risk across the organisation.



Governance requirements

Principle 2

- Set out the responsibilities of the HIA, which should not include the management of operational areas.
- Ensure that internal audit is independent of external audit.
- Where the HIA does have operational responsibilities the HIA's line manager and the Audit Committee should specifically approve the IA strategy for these and associated plans and reports and ensure the work is independently managed.
- Establish clear lines of responsibility for those with an interest in governance (eg Chief Executive, Chief Legal Officer, Chief Financial Officer, Audit Committee, non-executive directors/elected representatives). This covers responsibilities for drawing up and reviewing key corporate strategies, statements and policies.
- Establish clear lines of reporting to the Leadership Team and to the Audit Committee where the HIA has significant concerns.
- Agree the terms of reference for internal audit with the HIA and the Audit Committee as well as with the Leadership Team.
- Set out the basis on which the HIA can give assurances to other organisations and the basis on which the HIA can place reliance on assurances from others.
- Ensure that comprehensive governance arrangements are in place, with supporting documents covering eg risk management, corporate planning, anti fraud and corruption and whistleblowing.
- Ensure that the annual internal audit opinion and report are issued in the name of the HIA.
- Include awareness of governance in the competencies required by members of the Leadership Team.
- Set out the framework of assurance that supports the annual governance report and identify internal audit's role within it. The HIA should not be responsible for preparing the report.
- Ensure that the internal audit strategy is approved by the Audit Committee and endorsed by the Leadership Team.



Core HIA responsibilities

Principle 2

- Giving assurance on the control environment. This includes risk and information management and internal controls across all systems.
- Reviewing the adequacy of key corporate arrangements including eg risk strategy, risk register, anti fraud and corruption strategy, corporate plan.
- Producing an evidence based annual internal audit opinion on the organisation's control environment.
- Working closely with others to ensure that sufficient and relevant evidence is used. Where relying on others, clarifying the degree and basis for the reliance.
- Reviewing significant partnership arrangements and major services provided by third parties and the controls in place to promote and protect the organisation's interests. Assessing whether lines of responsibility and assurance are clear.
- Liaising closely with the external auditor to share knowledge and to use audit resources most effectively.
- Producing an internal audit strategy that fits with and supports the organisation's objectives.
- Reviewing the organisation's risk maturity (including the organisation's own assessment) and reflecting this in the strategy.
- Consulting stakeholders, including senior managers and non-executive directors/elected representatives on the internal audit strategy.
- Setting out how the HIA plans to rely on others for assurance on the organisation's controls and risks and taking account of any limitations in assurance given by others.
- Liaising with external inspectors and review agencies where appropriate when drawing up the internal audit strategy.
- Liaising with the external auditor on the internal audit strategy, but not being driven by external audit's own priorities.



Personal skills and professional standards

Principle 2

- Give clear, professional and objective advice.
- Report on what is found, without fear or favour.
- Demonstrate integrity to staff and others in the organisation.
- Exercise sound judgement in identifying weaknesses in the organisation's control environment and a balanced view on how significant these are.
- Work well with others with specific responsibilities for internal control, risk management and governance including (as appropriate to the sector) Chief Executive, Chief Legal Officer, Chief Financial Officer, Audit Committee, non-executive directors/elected representatives.
- Be concerned for action - influencing the Leadership Team, Audit Committee and others to ensure that the HIA's recommendations are implemented.
- Be a role model, dynamic, determined, positive, robust and with resilient leadership, able to inspire confidence and respect and exemplify high standards of conduct.

\ principle 3



The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee.

Senior manager

HIAs face increasing challenges and higher expectations from stakeholders, especially in helping organisations look forward. The HIA must be at the heart of the organisation, challenging and supporting the Leadership Team with authority and credibility. He or she should also be seen as a leader, promoting improvement and good governance. To do this effectively, making an impact and adding value, the HIA position must be a senior manager.

There is a range of guidance concerning line management responsibility for the HIA. What is paramount is that the reporting line must leave the HIA free from interference in setting the scope of internal audit's work, in coming to conclusions and in reporting the results. They must also have unfettered access across the organisation, especially to the Chief Executive, Board and Audit Committee Chair. In practice this is most likely to be achieved by the HIA reporting to the Chief Executive or to the Chief Financial Officer.

The HIA role must be filled by a nominated individual so that all are clear about lines of responsibility. Where the service is provided in-house this should be straightforward. Where the service is contracted out or shared with others then the organisation must decide whether the HIA should come from within the organisation or from the supplier of the audit service. In the latter case the relationship between the HIA and the organisation, including the Audit Committee, must be clearly set out as part of the organisation's governance framework. In practice it is likely that the HIA should be the person who is responsible for drawing up the internal audit strategy and plan and for issuing the HIA annual internal audit opinion.

Engagement with the Leadership Team

The Leadership Team in public service organisations takes many forms, with different mixes of executive and non-executive members, as well as elected representatives. Collectively the Leadership Team is responsible for setting the strategic direction for the organisation, its implementation and the delivery of public services. The HIA must also have a right of access to individual members of the Leadership Team. Whilst it is not appropriate for the HIA to be a member of the Leadership Team it is vital that the HIA attends key meetings where they consider it necessary. The HIA should be well placed to support the Leadership Team in understanding the governance, risk management and control arrangements. Examples of this might include presenting the internal audit strategy or the annual internal audit opinion or taking part in discussions about the annual governance report or planned major policies, projects or system changes.

Engagement with the Audit Committee

The HIA's relationship with the Audit Committee and especially the Chair is crucial. They should be mutually supportive in their aim to be objective and to provide challenge and support across the organisation and improve governance, risk management and internal control. The HIA must work closely with the Audit Committee Chair so that they are clear about their respective roles and make best use of the available resources. For some areas of the public services it may be appropriate for the Audit Committee Chair to have a role in the appointment of the HIA.



Governance requirements

Principle 3

- Designate a named individual as HIA in line with the principles in this Statement. The individual could be someone from another organisation where internal audit is contracted out or shared. Where this is the case then the roles of the HIA and the client manager must be clearly set out in the contract or agreement.
- Ensure that where the HIA is an employee that they are sufficiently senior and independent within the organisation's structure to allow them to carry out their role effectively and be able to provide credibly constructive challenge to the Management Team.
- Ensure that where the HIA is an employee the HIA is line managed by a member of the Management Team. Where the HIA is not an employee then the reporting line must be clearly set out in the contract or agreement with the internal audit supplier.
- Establish an Audit Committee in line with guidance and good practice.
- Set out the HIA's relationship with the Audit Committee and its Chair, including the Committee's role (if any) in appointing the HIA.
- Ensure that the organisation's governance arrangements allow the HIA:
 - to bring influence to bear on material decisions reflecting governance;
 - direct access to the Chief Executive, other Leadership Team members, the Audit Committee and external audit; and
 - to attend meetings of the Leadership Team and Management Team where the HIA considers this to be appropriate.
- Set out unfettered rights of access for internal audit to all papers and all people in the organisation, as well as appropriate access in (significant) partner organisations.
- Set out the HIA's responsibilities relating to partners including joint ventures and outsourced and shared services.



Core HIA responsibilities

Principle 3

- Escalating any concerns through the line manager, Chief Executive, Audit Committee and Leadership Team, legal officers, external auditor as appropriate.
- Supporting the Audit Committee in reviewing its own effectiveness and advising the Chair and line manager of any suggested improvements.
- Consulting stakeholders, including senior managers and non-executive directors/elected representatives on the internal audit strategy.



Personal skills and professional standards

Principle 3

- Network effectively to raise the profile and status of internal audit.
- Adopt a flexible style, being able to collaborate and advise but also able to challenge as appropriate.
- Build productive relationships both internally and externally.
- Work effectively with the Leadership Team and Audit Committee with political awareness and sensitivity.
- Be seen to be objective and independent but also pragmatic where appropriate.

\ principle 4



The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose.

Meeting the needs of the business

Effective governance is critical in public service organisations and internal audit needs to play its part. The HIA must have a clear but wide ranging brief. This includes reviewing the key underlying systems and controls, reviewing arrangements for preventing fraud and corruption and also the arrangements for achieving value for money.

The HIA must have a firm grasp and understanding of the organisation's business as well as its control environment. This will allow HIAs to give an opinion to the Leadership Team on how well these arrangements are working. The HIA must ensure that there is sufficient depth of internal audit expertise and experience to do this well, so that he/she is able to engage effectively with managers and others and challenge where appropriate.

The internal audit resources available must be proportionate to the size, complexity and risk profile of the organisation and must be enough for the HIA to give a reliable opinion on the organisation's control environment. Responsibility for ensuring that an effective and appropriately resourced internal audit service is in place rests with the organisation. The organisation needs independent assurance over the quality of internal audit's work and should ensure that a regular external assessment is carried out.

The HIA must ensure that the Audit Committee has a clear understanding of the requirement for internal audit to review the whole system of internal control. The HIA must set out the audit coverage and audit resources needed to give a sound, evidence based annual audit opinion. The HIA must advise the Audit Committee and the Leadership Team where the available resources are inadequate and the consequences for the level of assurance that the HIA is able to give.

Appropriately developed internal audit skills

A great deal of reliance is placed on the work of internal audit and the HIA must ensure that all the work, including planning and individual assignments, is consistently of a high quality and in line with professional standards. The HIA must also ensure that all staff demonstrate the highest ethical standards. The HIA therefore has a responsibility to ensure that internal audit staff have appropriate qualifications, knowledge, skills and competencies and are continuously developed. The HIA must assess the staffing needed to make sound judgements on the whole range of the organisation's governance arrangements.

The HIA needs well developed, motivated staff to make an impact at senior levels in the organisation. There may also be a need to buy in specialist skills which are not frequently used. The challenge for the HIA is to have the right mix and for the service to operate as a team, with staff being effective ambassadors for internal audit. The HIA has a particular responsibility to promote internal audit as a good career development opportunity.

The HIA must provide clear guidance for internal audit staff with appropriate quality assurance for internal audit as a whole and for each audit assignment. The HIA has a duty to see that their staff comply with the relevant internal audit standards and must have systems to verify this. More widely the HIA should work with colleague HIAs and others to ensure that they and the team are up to date on current issues affecting their organisation and on internal audit techniques and developments.



Governance requirements

Principle 4

- Provide the HIA with the resources, expertise and systems necessary to perform their role effectively.
- Ensure that the Audit Committee sets out a performance framework for the HIA and their team and assesses performance and takes action as appropriate.
- Ensure that there is a regular external review of internal audit quality.
- Ensure that where the HIA is from another organisation that they do not also provide the external audit service.



Core HIA responsibilities

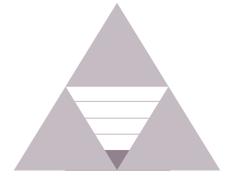
Principle 4

- Leading and directing the internal audit service so that it makes a full contribution to and meets the needs of the organisation and external stakeholders.
- Determining the resources, expertise, qualifications and systems for the internal audit service that are required to meet internal audit's objectives; using a full range of resourcing options including consultancy, working with others and buying in where appropriate.
- Informing the Leadership Team and Audit Committee if there are insufficient resources to carry out a satisfactory level of internal audit, and the consequence for the level of assurance that may be given.
- Implementing robust processes for recruitment of internal audit staff and/or the procurement of internal audit services from external suppliers.
- Ensuring that the professional and personal training needs for staff are assessed and seeing that these needs are met.
- Developing succession plans and helping staff with their career progression.
- Establishing a quality assurance and improvement programme that includes:
 - Ensuring that professional internal audit standards are complied with.
 - Reviewing the performance of internal audit and ensuring that the service provided is in line with the expectations and needs of its stakeholders.
 - Providing an efficient and effective internal audit service – demonstrating this by agreeing key performance indicators and targets with the line manager and Audit Committee; annually reporting achievements against targets.
 - Putting in place adequate ongoing monitoring and periodic review of internal audit work and supervision and review of files, to ensure that audit plans, work and reports are evidence based and of good quality.
 - Ensuring that any internal auditors declare any interests that they have.
 - Seeking continuous improvement in the internal audit service.
- Keeping up to date with developments in governance, risk management, control and internal auditing, including networking with other HIAs and learning from them, implementing improvements where appropriate.
- Demonstrating how internal audit adds value to the organisation.



- Demonstrate leadership and be an ambassador for internal audit.
- Create, communicate and implement a vision for the internal audit service.
- Create a customer focused internal audit service.
- Establish an open culture, built on effective coaching and a constructive approach.
- Promote effective communication within internal audit, across the broader organisation and with external stakeholders.
- Set and monitor meaningful performance objectives for staff.
- Manage and coach staff effectively.
- Comply with professional standards and ethics.
- Require the highest standards of ethics and standards within internal audit based on the principles of integrity, objectivity, competence and confidentiality. In particular, ensuring that internal auditors identify and report any conflicts of interest and act appropriately.
- Ensure, when necessary, that outside expertise is called upon for specialist advice not available within the internal audit service.
- Promote discussion on current governance and professional issues and their implications.

\ principle 5



The HIA in a public service organisation must be professionally qualified and suitably experienced

Demonstrating professional and interpersonal skills

The HIA must be able to demonstrate his/her own professional credibility to exercise influence throughout the organisation. The HIA must be professionally qualified. In the UK, for example, this means holding a full Consultative Committee of Accountancy Bodies (CCAB) qualification or being a chartered member of the Chartered Institute of Internal Auditors (CMIIA). As a member of a professional body, the HIA's skills, knowledge and expertise will have been tested by examination and must be continuously developed in a structured and monitored context. The HIA must adhere to the professional values of accuracy, honesty, integrity, objectivity, impartiality, transparency, confidentiality, competence and reliability and promote these throughout the internal audit service.

The HIA must communicate complex information in a clear and credible way. He/she must be able to operate effectively in different modes including directing, influencing, evaluating and informing. The HIA must be able to give objective opinions and advice even if this may be unwelcome, and be sufficiently forceful to intervene with authority if governance or ethical principles need to be asserted or defended. The HIA must work in partnership with a wide range of people and organisations and winning their confidence is key. He/she must be able to challenge the status quo and be a catalyst for change, achieving results through influence, without direct authority.

The HIA must be sensitive to the complexities and pressures facing organisations. He/she must build effective working relationships with the Audit Committee without damaging relationships with the Leadership Team. This requires tact and diplomacy.

Applying business and professional experience

The HIA must have an understanding and commitment to the organisation's wider business and its delivery objectives, to inspire respect, confidence and trust amongst colleagues, with the Leadership Team, the Audit Committee and other stakeholders.

The HIA must have a good understanding of business processes and governance including strategic planning and performance, and financial and risk management. He/she must also be aware of current issues facing organisations and internal auditors. The HIA should be seen as a catalyst in improving governance and internal control and also supporting the organisation in its wider business objectives. To do this the HIA needs to look forward as well as at the organisation as it currently operates. The HIA must demonstrate leadership by personally setting a tone for the organisation that good governance, risk management and internal control matter to everyone in the organisation.



Governance requirements

Principle 5

- Appoint a professionally qualified HIA whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the organisation.
- Ensure that the HIA has the skills, knowledge, experience and resources to perform effectively in his or her role.



Personal skills and professional standards

Principle 5

- Be a full member of an appropriate professional body and have an active programme for personal professional development.
- Adhere to professional internal auditing (and where appropriate accounting and auditing) standards.
- Demonstrate a range of skills including communicating, managing and influencing, as well as an understanding of IT and consultancy.
- Have prior experience of working in internal audit.
- Understand and have experience of strategic objective setting and management.
- Understand the internal audit and regulatory environment applicable to public service organisations.
- Demonstrate a comprehensive understanding of governance, risk management and internal control.
- Undertake appropriate development or obtain relevant experience as appropriate in order to demonstrate an understanding of the full range of the organisation's activities and processes.



Registered office:

3 Robert Street, London WC2N 6RL

T: 020 7543 5600 F: 020 7543 5700

www.cipfa.org

The Chartered Institute of Public Finance and Accountancy.

Registered with the Charity Commissioners of England and Wales No 231060

From 1 January 2015:

77 Mansell Street, London E1 8AN

T: +44 (0)20 7543 5600 F: +44 (0)20 7543 5700

www.cipfa.org



The Role of the Head of Internal Audit in Public Service Organisations

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Principle 1				
The Organisation: Governance Requirements				
Sets out the HIA's role in good governance and how this fits with the role of others.		X		The HIA has a clear job and role description, this details relationships with other senior managers and services. The constitution is to be amended to include the role of the HIA specifically and how it fits with the roles of statutory officers and members.
Good governance is stressed to all in the organisation, through policies, procedures and training.	X			Evident in all policies, procedures and training courses available to employees and members.
The HIA is consulted on all proposed major projects, programmes and policy initiatives.	X			The HIA has access to all papers and officers as appropriate to request details on all major projects, programmes and policy initiatives.
The Role: Core HIA Responsibilities				
Helps promote the benefits of good governance throughout the organisation.	X			Through reports, briefings and discussions with officers. This includes being represented on project groups and delivery of specific training to managers as part of the Learning and Development programme.
Works with others in the organisation who have a responsibility for promoting good governance.	X			This is to be formally articulated through a change in the constitution that spells out the role of the HIA and the relationship with Statutory Officers and members. This is delivered in practice on a daily basis with the HIA sitting on Resources Management Team and having access to all senior managers as applicable and reports and papers as appropriate.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Gives advice to CMT and others on the control arrangements and risks relating to proposed policies, programmes and projects.	X			This is completed through quarterly reporting to service grouping management teams, Corporate Management Teams and Audit Committee. It forms a fundamental part of the internal audit planning.
Promotes the highest standards of ethics and standards across the organisation based on the principles of integrity, objectivity and confidentiality.	X			Delivered through guidance on policies and procedures e.g. Gifts and Hospitality, Code of Values, Behaviour and Conduct. Verbal presentations on the role of managers contained within the training course within the Leadership and Development framework.
Demonstrates the benefits of good governance for effective public service delivery and how the HIA can help.	X			Through reports, briefings and discussions with officers. Input and advice into policy development. Training delivered to managers through the Leadership and Development Programme
Offers consultancy advice where the HIA considers that it is appropriate, drawing up clear terms of reference for such assignments.	X			Through reports, briefings and discussions with officers. Any advice and consultancy agreements have appropriate Terms of Reference to accompany the work. Examples include review of CIPFA's Financial Management Code and Company Governance Arrangements.
The Individual: Personal Skills and Professional Standards				
Provides leadership by giving practical examples of good governance that will inspire others.	X			Through reports, briefings and discussions with officers.
Deploys effective facilitating and negotiating skills.	X			Through reports, briefings and discussions with officers.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Builds and demonstrates commitment to continuous improvement.	X			Through reports, briefings and discussions with officers.
Demonstrates consultancy skills as appropriate - analytical, problem solving, influencing and communicating	X			Through reports, briefings and discussions with officers.
Principle 2				
The Organisation: Governance Requirements				
Sets out the responsibilities of the HIA, which should not include the management of operational areas.		X		Has operational responsibility for Risk, Corporate Fraud and Insurance. Internal Audit work in these areas is appropriately managed
Ensures that internal audit is independent of external audit.	X			Internal and External Audit are entirely separate. Regular scheduled meetings take place with external audit to share information and best practice.
Where the HIA does have operational responsibilities the HIA's line manager and the Audit Committee should specifically approve the IA Strategy for these associated plans and reports and ensure the work is independently managed.	X			Appropriate safeguards are in place and are referenced in reports to the Audit Committee and discussions with the Chair of Audit Committee.
Establish clear lines of responsibility for those with an interest in governance (e.g. Chief Executive, Chief Legal Officer, Chief Financial Officer, Audit Committee and Elected Representatives).	X			Responsibilities are clearly set out in Council's constitution.
Establish clear lines of reporting to CMT and to the Audit Committee where the HIA has significant concerns.	X			The HIA has an excellent working relationship with both the Chair and Vice Chair of Audit Committee and regular meetings are held with both where ongoing work is discussed.
Agree the terms of reference for internal audit with the HIA and the Audit Committee as well as with CMT.	X			Agreed by both CMT and Audit Committee annually in the Internal Audit Strategy and Charter
Set out the basis on which the HIA can give assurances to other organisations and the basis on which the HIA can place reliance on assurances from others.	X			An Assurance Framework is in place where the work of other agencies that assurance can be relied upon and ultimately inform the annual audit opinion.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Ensure that comprehensive governance arrangements are in place, with supporting documents covering e.g. risk management, corporate planning, anti fraud and corruption and whistleblowing.	X			All governance arrangements are in place and appropriately documented. All policies and strategies are approved by CMT and Audit Committee / Cabinet / Council as appropriate.
Ensure that the annual internal audit opinion and report are issued in the name of the HIA	X			Both are in the name of the HIA
Include awareness of governance in the competencies required by members of CMT	X			Included in job roles and descriptions
Set out the framework of assurance that supports the Annual Governance Statement and identifies internal audit's role within it. The HIA should not be responsible for preparing the report.	X			Framework is set out in the Code of Governance and sits alongside the Constitution of the Council. This is reported at the highest level to CMT and Cabinet / Council.
Ensure that the internal audit strategy is approved by the Audit Committee and endorsed by CMT	X			Internal Audit Strategy is annually approved by Audit Committee and endorsed by CMT
The Role: Core HIA Responsibilities				
Gives assurance on the control environment. This includes risk and information management and internal controls across all systems.	X			This is reported through individual audit reports, quarterly reports to CMT and Audit Committee. At the end of the year this forms a key part of the annual internal audit opinion.
Reviewing the adequacy of key corporate arrangements including e.g. Risk Strategy, Risk Register, Anti-Fraud and Corruption Strategy, Corporate Plan	X			The adequacy of key corporate arrangements are reviewed regularly by Internal Audit and are documented in the audit plan and subsequent quarterly reports on progress.
Producing an evidence based annual internal audit opinion on the organisation's control environment.	X			The annual opinion is presented at CMT and Audit Committee in line with reporting guidance and supports the Council's Annual Governance Statement.
Working closely with others to ensure that sufficient and relevant evidence is used. Where relying on others, clarifying the degree and basis for the reliance.	X			The annual opinion documents the use of other assurance providers and the HIA has a clear link to partner organisations and external inspectorates where information can be shared and reliance on assurance can be taken.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Reviewing significant partnership arrangements and major services provided by third parties and the controls in place to promote and protect the organisation's interests. Assessing whether lines of responsibility and assurance are clear.	X			This is covered through Audit Planning and subsequent progress reports to both CMT and Audit Committee. Any significant partnerships or services provided by third parties are considered and points of contact are established to discuss assurance as required.
Liaising closely with the external auditor to share knowledge and to use audit resources most effectively.	X			Regular meetings are held with the external auditor.
Producing an internal audit strategy that fits with and supports the organisation's objectives.	X			Internal Audit Strategy is annually approved by Audit Committee and endorsed by CMT
Reviewing the organisation's risk maturity (including the organisation's own assessment) and reflecting on this strategy.	X			Reviewed as part of Internal Audit Planning and assessed as part of Risk Management audits when completed. The HIA receives all papers from Corporate Risk Management Group and provides advice and feedback as appropriate.
Consulting stakeholders, including senior managers and elected representatives on the internal audit strategy.	X			This is completed as part of the Internal Audit Planning work. All Heads of Service management teams, Service Grouping Management Teams, CMT and Audit Committee are consulted as part of the process. This formulates the Audit Strategy which sits alongside the Audit Charter and annual plan, which is formally approved by CMT and Audit Committee.
Setting out how the HIA plans to rely on others for assurance on the organisation's controls and risks and taking account of any limitations in assurance given by others.	X			This is documented in the Annual Internal Audit Opinion report which considers the work of external inspectorate agencies including for example HSE, Ofsted, CQC, External Audit etc. Any limitations to the assurance provided are also further documented.
Liaising with external inspectors and review agencies where appropriate when drawing up the internal audit strategy.	X			Review of the Assurance Framework is assessed annually. Contacts at external agencies is reviewed regularly due to changes in key contacts.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Liaising with the external auditor on the internal audit strategy, but not being driven by external audit's own priorities.	X			Regular meetings are held with the external auditor and both parties contribute to the agenda and discussions.
The Individual: Personal Skills and Professional Standards				
Give clear, professional and objective advice.	X			This is demonstrated through individual audit reports, management updates and committee papers. The HIA also either sits or has representation on major project/change groups.
Report on what is found, without fear or favour.	X			This is demonstrated through individual audit reports, briefings and discussions with officers. Where applicable this is formally documented in the annual internal audit opinion and any issues are raised with Senior Management in the appropriate way.
Demonstrate integrity to staff and others in the organisation.	X			The HIA declares all interests both corporately and within the service to avoid any potential conflicts. It is essential in terms of corporate performance that the Internal Audit Service sets a positive example in terms of compliance.
Exercise sound judgement in identifying weaknesses in the organisation's control environment and a balanced view on how significant these are.	X			This is evidenced through individual audit reports and the recommendations made within them. The statistic of 100% acceptance and 94% of implementation of recommendations demonstrates that judgement in identifying weaknesses and balancing their significance is recognised across the organisation.
Work well with others with specific responsibilities for internal control, risk management and governance including, Chief Executive, Chief Legal Officer, Chief Financial Officer, Audit Committee, elected representatives.	X			The HIA has positive relationships with all statutory officers, senior managers, Audit Committee and elected representatives.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Be concerned for action - influencing CMT, Audit Committee and others to ensure that the HIA's recommendations are implemented.	X			Any issues or concerns are raised with the appropriate senior officers prior to any formal reporting into CMT and Audit Committee in order to maintain positive relationships with all senior managers and members. This ensures buy in and action is undertaken and understood by all concerned.
Be a role model, dynamic, determined, positive, robust and with resilient leadership, able to inspire confidence and respect and exemplify high standards of conduct.	X			The HIA is well respected across the organisation, regionally and nationally. The HIA represents the authority and the region on a number of Internal Audit groups, specifically the CIPFA Internal Audit Special Interest Group and the Local Authority Chief Auditors Network. The HIA attempts to demonstrate high standards of conduct in all aspects of their work, whilst achieving and maintain corporate performance targets that demonstrate the conformance of the service. The HIA is subject to an annual Performance Development Review completed by the Chief Finance Officer and input from the Chief Executive.
Principle 3				
The Organisation: Governance Requirements				
Designate a named individual as HIA in line with the principles of this statement.	X			The Chief Internal Auditor and Corporate Fraud Managers is the named individual.
Ensure that the HIA is sufficiently senior and independent within the organisation's structure to allow them to carry out their role effectively and be able to provide credibly constructive challenge to the Management Team	X			The HIA is independent within the structure and reports accordingly to the Corporate Director of Resources but has unfettered access to all senior managers including the Chief Executive and Senior Members should it be required..
Ensure the HIA is line managed by a member of the Management Team.	X			Line managed by the Corporate Director of Resources

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Establish an Audit Committee in line with guidance and good practice.	X			Audit Committee established and has self-assessed itself against good practice during 2019.
Set out the HIA's relationship with the Audit Committee and its Chair, including the Committee's role (if any) in appointing the HIA.	X			HIA role with the committee is clear in the scheme of delegation.
Ensure that the organisation's governance arrangements allow the HIA:				
to bring influence to bear on material decisions reflecting governance;	X			Policies and guidance are referred to the HIA for input and direction as appropriate.
direct access to the Chief Executive, other CMT members, the Audit Committee and external audit and;	X			The HIA has direct access to all officers, Audit Committee and External Audit.
to attend meetings of CMT where the HIA considers this to be appropriate.	X			Should the need arise the HIA would be welcome to present at CMT.
Set out unfettered rights of access for internal audit to all papers and all people in the organisation, as well as appropriate access in (significant) partner organisations.	X			Set out in Constitution and scheme of delegation. Significant partners depend on contracts and SLA's in place.
Set out the HIA's responsibilities relating to partners including joint venture and outsourced and shared services.		X		Whilst not formally documented, the HIA has rights of access to all associated companies and vehicles the Council leads. Currently being developed as part of Company Governance Arrangements Review.
The Role: Core HIA Responsibilities				
Escalating any concerns through the line manager, Chief Executive, Audit Committee and CMT, legal officers, external auditor as appropriate.	X			Any concerns would be escalated in the appropriate manner.
Supporting the Audit Committee in reviewing its own effectiveness and advising the Chair and line manager of any suggested improvements.	X			Review of effectiveness completed in May 2019
Consulting stakeholders, including senior managers and elected representatives on the internal audit strategy.	X			All stakeholders are contacted annually when compiling the Internal Audit Strategy, Charter and Plan

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
The Individual: Personal Skills and Professional Standards				
Network effectively to raise the profile and status of internal audit.	X			HIA chaired the national Local Authority Chief Auditor Network and is still a member of the core group. The HIA also sits as a member on CIPFA's Internal Audit Special Interest Group which influences standards and policies.
Adopt a flexible style, being able to collaborate and advise but also able to challenge as appropriate.	X			This is demonstrated through individual audit reports, attendance at management teams and reports to both CMT and Audit Committee. The Council by its nature is a diverse organisation and as a result the HIA must be flexible to engage with a variety of employees at all levels across a range of different professions and skills.
Build productive relationships both internally and externally.	X			Good relationships with officers and members and professional bodies both internally and externally.
Work effectively with CMT and Audit Committee with political awareness and sensitivity.	X			Good relationships with CMT and Audit Committee.
Be seen to be objective and independent but also pragmatic where appropriate.	X			This again is demonstrated in individual audit reports, management reports including CMT and Audit Committee reports. The HIA considers the reality of situations facing employees, groups and services when reporting and this is effectively demonstrated through the 100% acceptance of recommendations and the 94% implementation rate.
Principle 4				
The Organisation: Governance Requirements				
Provide the HIA with the resources, expertise and systems necessary to perform their role effectively.	X			The HIA has an appropriate budget and reports annually to CMT and Audit Committee on its suitability

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Ensure that the Audit Committee sets out a performance framework for the HIA and their team and assesses performance and takes action as appropriate.	X			Quality Assurance and Improvement Plan in place and performance management is reported appropriately.
Ensure that there is a regular external review of internal audit quality.	X			Regular external review required every 5 years, last completed in July 2016
The Role: Core HIA Responsibilities				
Leading and directing the internal audit service so that it makes a full contribution to and meets the needs of the organisation and stakeholders.	X			This is confirmed through the Annual Internal Audit Planning and Opinion processes.
Determining the resources, expertise, qualifications and systems for the internal audit service that are required to meet internal audit's objectives; using a full range of resourcing options including consultancy, working with others and buying in where appropriate.	X			This is confirmed through the Annual Internal Audit Planning and Opinion processes. It is also reported in the effectiveness of the Internal Audit Service review completed via self assessment annually and via external assessment every five years.
Informing CMT and Audit Committee if there are insufficient resources to carry out a satisfactory level of internal audit, and the consequences for the level of assurance that may be given.	X			This would be reported through the annual internal audit planning and budget planning process.
Implementing robust processes for recruitment of internal audit staff.	X			All Job Roles and Profiles are clearly set out and are assessed when recruitment activity is carried out.
Ensuring that the professional and personal training needs for staff are assessed and seeing that these needs are met.	X			An adequate training budget is identified within the service and requirements are set out in individual employee 121's and Performance Development Reviews.
Developing succession plans and helping staff with their career progression.	X			An adequate training budget is identified within the service and requirements are set out in individual employee 121's and Performance Development Reviews.
Establishing a quality assurance and improvement programme that includes:				
Ensuring that professional internal audit standards are complied with.	X			A Quality Assurance and Improvement Programme is in place and will be reviewed in 2020.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Reviewing the performance of internal audit and ensuring that the service provided is in line with the expectations and needs of its stakeholders.	X			A Quality Assurance and Improvement Programme is in place and is reviewed annually. It is reported on through the Annual Internal Audit Opinion and the Effectiveness of Internal Audit reports. This is externally assessed every five years.
Providing an efficient and effective internal audit service - demonstrating this by agreeing key performance indicators and targets with the line manager and Audit Committee; annually reporting achievements against targets.	X			A Quality Assurance and Improvement Programme is in place and is reviewed annually. It is reported on through the Annual Internal Audit Opinion and the Effectiveness of Internal Audit reports. This is externally assessed every five years.
Putting in place adequate ongoing monitoring and periodic review of internal audit work and supervision and review of files, to ensure that audit plans, work and reports are evidence based and of good quality.	X			A Quality Assurance and Improvement Programme is in place and is reviewed annually. It is reported on through the Annual Internal Audit Opinion and the Effectiveness of Internal Audit reports. This is externally assessed every five years.
Ensure that any internal auditors declare any interests that they have.	X			Declarations of interests are kept on file within the Internal Audit Service where this would impact on an individual auditors ability to independently and objectively report on an area under review. This is completed annually.
Seeking continuous improvement in the internal audit service.	X			A Quality Assurance and Improvement Programme is in place and is reviewed annually. It is reported on through the Annual Internal Audit Opinion and the Effectiveness of Internal Audit reports. This is externally assessed every five years.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Keeping up to date with developments in governance, risk management, control and internal auditing, including networking with other HIA's and learning from them, implementing improvements where appropriate.	X			The HIA is an honorary member of the Institute of Internal Auditor, is a member of the CIPFA Better Governance Forum, CIPFA Internal Audit Special Interest Group, Local Authority Chief Auditor Network and meets regularly with regional HIA's to keep across key issues and developments.
Demonstrating how internal audit adds value to the organisation.	X			This is demonstrated through individual audit reports, management updates and committee papers. The HIA also either sits or has representation on major project/change groups.
The Individual: Personal Skills and Professional Standards				
Demonstrate leadership and be an ambassador for internal audit.	X			The HIA speaks is recognised nationally and sits on CIPFA's Internal Audit Special Interest Group, previous Chair of the Local Authority Chief Auditor Network (LACAN) and current core group member.
Create, communicate and implement a vision for the internal audit service.	X			Increased use of data analytics as an audit tool and a rise in commercial revenue for the service is demonstrating the added value the service is bringing to its clients. This has been achieved through the audit strategy and vision of the HIA.
Create a customer focussed internal audit service.	X			Increased number of customers using the internal audit service both internally and commercially as the reputation of the service increases and is built around a customer focussed approach. In addition the service boasts a 100% achievement for recommendations accepted by its clients and a 94% implementation of recommendation performance indicator.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Establish an open culture, built on effective coaching and a constructive approach.	X			The service has become extremely successful in its approach to giving advice and guidance to the organisation and being seen to add value and act as the organisations critical friend. Due to the scale and pace of change across the organisation resources have to be deployed strategically so that maximum benefit can be gleaned for both the Council and the service in order to deliver an internal audit opinion at the end of the year. These requirements are considered at the audit planning stage so that the service has a clear direction and expectations which are understood across the Council.
Promote effective communication within internal audit, across the broader organisation and with external stakeholders.	X			Demonstrated through team briefings, emails, regular meetings across the organisation and with relevant stakeholders.
Set and monitor meaningful performance objectives for staff.	X			This is demonstrated through the 121 process, Performance Development Review process as well as continuing to use and develop CIPFA's Excellent Internal Auditor toolkit which sets out the qualities and expectations of all Internal Auditors at various levels in the service.
Manage and coach staff effectively.	X			This is demonstrated through the 121 process, Performance Development Review process as well as continuing to use and develop CIPFA's Excellent Internal Auditor toolkit which sets out the qualities and expectations of all Internal Auditors at various levels in the service.
Comply with professional standards and ethics.	X			This is demonstrated through the 121 process, Performance Development Review process as well as continuing to use and develop CIPFA's Excellent Internal Auditor toolkit which sets out the qualities and expectations of all Internal Auditors at various levels in the service.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Require the highest standards of ethics and standards within internal audit based on the principles of integrity, objectivity, competence and confidentiality. In particular, ensuring that internal auditors identifying and report any conflicts of interest and act appropriately.	X			This is demonstrated through the 121 process, Performance Development Review process as well as continuing to use and develop CIPFA's Excellent Internal Auditor toolkit which sets out the qualities and expectations of all Internal Auditors at various levels in the service.
Ensure, when necessary, that outside expertise is called upon for specialist advice not available within the internal audit service.	X			Should additional expertise be required the HIA will call upon this as necessary. The HIA has a wide and diverse network of contacts across the Public Sector and Internal Audit specifically.
Promote discussion on current governance and professional issues and their implications.	X			Discussion on current governance and professional issues are discussed within the service, Resources Management Team and reported through both CMT and Audit Committee regularly so that there is a clear understanding of the role of Internal Audit and their requirements.
Principle 5				
The Organisation: Governance Requirements				
Appoint a professionally qualified HIA whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the organisation.	X			Individual in post is suitably professionally qualified. (15 Years post qualified).
Ensure that the HIA has the skills, knowledge, experience and resources to perform effectively in their role.	X			HIA has extensive experience in local government and internal audit (25 years Local Government Experience)
The Individual: Personal Skills and Professional Standards				
Be a full member of an appropriate professional body and have an active programme for personal professional development.	X			The HIA is a full member of a CCAB (CIPFA)
Adhere to professional internal auditing (and where appropriate accounting and auditing) standards.	X			Public Sector Internal Audit Standards apply across the Internal Audit Service and are regularly quality checked.

Assessment Criteria	Complies	Partly Complies	Does not comply	Comments
Demonstrate a range of skills including communicating, managing and influencing, as well as an understanding of IT and consultancy.	X			Through reports, briefings and discussions with officers.
Have prior experience of working in internal audit.	X			HIA has a number of years experience working at various levels in Internal Audit
Understand and have experience of strategic objective setting and management.	X			HIA is a member of Resources Management Team and is a Strategic Manager within the Council and is developed accordingly
Understand the internal audit and regulatory environment applicable to public service organisations.	X			The HIA has a full understanding of the IA and regulatory environment of Local Government.
Demonstrate a comprehensive understanding of governance, risk management and internal control.	X			Understanding regularly demonstrated and captured in reports, briefings and discussions.
Undertake appropriate development or obtain relevant experience as appropriate in order to demonstrate an understanding of the full range of the organisation's activities and processes.	X			Development and experience gaps are discussed regularly at one to one's with Corporate Director of Resources and through the Council's PDR process.

This page is intentionally left blank

Audit Committee

27 February 2020

Emergent Internal Audit Plan 2020/2021



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

Electoral division(s) affected:

Countywide.

Purpose of the Report

- 1 This report provides the Committee with details of the emergent Internal Audit Plan for 2020/2021 (attached as Appendix 2).
- 2 The purpose of this report is to update and engage Members of the Audit Committee in the development of the 2020/2021 Internal Audit Plan.

Executive Summary

- 3 This report sets out the first formal iteration of the Internal Audit Plan for 2020/2021 and describes:
 - (a) The basis of the plan.
 - (b) The approach taken to develop the plan.
 - (c) The key characteristics which include:
 - The scale and pace of change
 - The structure of the plan
 - The content of the plan
 - The scale of the plan
- 4 As described this is the first formal iteration of the Internal Audit Plan for 2020/2021 with the final version to be approved by the Audit Committee at its meeting on 29 May 2020 and will be monitored throughout the year.

Recommendation

- 5 Members are requested to comment on the proposed direction and process for the development of the emergent Internal Audit Plan attached at Appendix 2, which will be brought back for formal approval on 29 May 2020.

Background

- 6 From April 2013, CIPFA and the Chartered Institute of Internal Auditors launched a common set of Public Sector Internal Audit Standards (PSIAS) to be adopted across the public sector. The PSIAS which were further revised in 2017 set out the standards for Internal Audit and have been adopted by the service in Durham.
- 7 The principles in the PSIAS are consistent with the previous CIPFA Code for Internal Audit that applied across Local Government. They include the need for 'risk based plans' to be developed for Internal Audit and for plans to receive input from management. This process also includes the development of an emergent Internal Audit Plan designed to invite comment from management and the Audit Committee.

Basis for the Plan

- 8 The PSIAS (section 2000) states that the 'Chief Audit Executive' must 'establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisations goals'. They refer to the need for the plan to reflect the assurance framework, risk management arrangements and input from management. These principles have been applied in the development of the 2019/2020 Internal Audit plan as follows:

A. Annual Internal Audit Opinion (PSIAS 2010)

- The Chief Internal Auditor and Corporate Fraud Manager forms an annual assurance opinion based on the annual programme of audit work as well as assurance obtained by other means. The current audit approach contains five main types of audit. It is not considered cost effective or necessary to obtain coverage of all strategies, business units and risks so these are reviewed on a risk basis each year.
- In addition to audit the Chief Internal Auditor and Corporate Fraud Manager considers any issues identified through fraud and corruption or developing systems work insofar as they impact on the effective operation of governance, risk management or internal control within the Council.
- The service provides advice and consultancy to all services and partnerships where appropriate. This is an increasing area of focus given the amount of change ongoing across the Council and our partners. Time is also allocated to support developing systems and a range of emerging projects, ensuring early engagement and audit support across the Council.

- The Chief Internal Auditor and Corporate Fraud Manager also seeks to place reliance on assurance mechanisms within the Council as well as the findings of other auditors and inspectors in reaching an annual opinion.
- The plan is flexible and is reviewed and adjusted throughout the year, as necessary, in response to changes in policies, systems, processes, risks and controls across the Council.

B. Based on a Risk Assessment (PSIAS 2010.A1)

- The Internal Audit Section works closely with the Council's Risk Management and Governance Team. The Audit Managers liaise formally and informally with the Risk and Governance Manager and Auditors work with the Risk and Governance section to share intelligence, information and issues of concern. Internal Audit also regularly engages with Corporate Directors and Heads of Service, as well as colleagues across Human Resources, Legal, Performance, Finance and ICT, to ensure that known and emerging unregistered risks are considered in annual audit planning.
- Audit planning considers key risks and the focus of audit work is tailored accordingly to ensure that local and national issues and risks are addressed.
- The Chief Internal Auditor and Corporate Fraud Manager ensures a culture of risk awareness is maintained within the service so that all members of the team are aware of local, regional and national risks in the performance of their duties.
- Through regular liaison and the sharing of Internal Audit Plans with colleagues across the North East and Local Authority Chief Auditors Network, Internal Audit ensures that it is aware of emerging risks in other Council's and considers these as part of the audit planning.

C. Informed by Expectations (PSIAS 2010.A2)

- The Internal Audit Service is aligned to service and service grouping structures, ensuring teams engage positively with Corporate Directors and their teams.
- The annual plan is based on consultation and discussion with management teams and key officers to ensure it is focused on key risks, core systems and areas where Internal Audit can effectively contribute to the effectiveness and efficiency of governance, risk management and control processes.

- An emergent plan is produced to help ensure early engagement with Members represented on the Council's Audit Committee.

Audit Planning

- 9 The approach to audit planning in the Council for 2020/2021 has been based largely, but not exclusively, on the following:
- Review of the Strategic Risk Register
 - Review of the assurance map compiled during the year taking into account the work of other assurance providers.
 - Cumulative audit knowledge and experience.
 - Findings and outcomes from audit and investigation work in 2019/2020 and earlier years.
 - Engagement with Heads of Service and their management teams.
 - Engagement with audit colleagues across the North East and Local Authority Chief Auditor Network.
 - Engagement with the Risk, Insurance and Governance teams within the Audit and Risk Management Division.
- 10 On this basis, an emergent plan of areas for audit coverage has been developed. Areas have been considered on a risk basis and a plan for consultation has been produced. This has initially been presented to Corporate Directorate management teams for comment, to ensure that the risks identified are consistent with their understanding and assessment.

Key Characteristics of the Annual Plan

Scale and Pace of Change

- 11 Austerity continues to be top of the agenda for local government. 2018/2019 saw the first financially failing Councils, some issuing section 114 notice, others providing only statutory services and auditors issuing warnings on the financial management of others. With a £16bn reduction of government funding to councils this decade and Public Sector Executive warning of a £8bn funding black hole by 2025.
- 12 In order to manage austerity, to meet changing and increasing demand pressures and to keep pace with demographic and technological changes, local government continues to undergo fundamental change.

- 13 The National Audit Office 'Financial sustainability of local authorities 2018' report quantifies and details taken by local authorities, which have included a reduction of non-statutory and discretionary services, greater income generation and a greater use of reserves. Furthermore, the report identifies there has also been a desire to better leverage savings or efficiencies through greater or better use of technology.
- 14 The national context is important to consider whilst assessing the local issues as Durham County Council continues to go through a period of continuous change. Since the beginning of austerity in 2010 there has been a significant reduction in the workforce and this may continue for the foreseeable future. Changes are taking place in the design, commissioning and delivery of services, with ongoing activity to deliver savings across all areas of the Council. The implementation of changes and public service reform, with a reduced workforce whilst delivering business as usual and achieving key priorities remains a key challenge for the Council during 2019/2020 and must be reflected in the Internal Audit Plan.
- 15 Internal audit planning therefore must take into account the above changes, while also considering that:
- Austerity is a driver for change – where there is change, there is risk.
 - With workforce cuts and re-organisations, there is a risk of dissatisfied staff and a loss of experience.
 - Cutting costs can also lead to cutting of control; and
 - The organisation needs to be more inventive, which needs to be taken into account when conducting audits.
- 16 The Internal Audit Plan must continue to be sufficiently flexible to enable assurance to be obtained over current as well as emerging risks, as well as those risks yet to be identified. This is particularly relevant for 2020/2021 as changes are agreed with more detailed work ongoing to confirm how these will be delivered. As such there are areas where Internal Audit work cannot be fully defined at this stage but where allocation of resource are required to help support good governance, risk management and control. Whilst Internal Audit adds value and provides assurance in these areas, the detailed areas for focus are the subject of ongoing discussions with the business. Rather than define specific audits and then change them, the plan includes allocations of work which will be applied to specific aspects of audit activity throughout the year. There will be similar allocations in other areas with details of

specific audit activities reported to Corporate Directors, Heads of Service and the Audit Committee throughout the year.

- 17 Periods of change inevitably increase the potential for risks, both positive (opportunities) and negative (hazards). The reduction in workforce for example provides opportunity for breakdown in control as well as an opportunity to consider new, more efficient ways of organising people, systems and processes without impacting adversely on internal control. The PSIAS have recently been amended to reflect more the need for a modern, professional Internal Audit Service to actively engage with the organisation and be seen to add value. To reflect this risk the audit plan will continue to allocate time for advice and consultancy and developing systems support to officers to support and challenge them in the establishment and development of their systems of governance, risk management and internal control. We will also deliver work on the core financial systems and a number of proactive counter fraud, irregularity and probity audits to provide assurance that the basic governance and control arrangements are continuing to operate effectively, minimising the risks of misappropriation, loss and error.
- 18 The continued pace of change across the Council requires assurance that is prioritised and timely. The Internal Audit Plan must provide for this assurance, to enable remedial actions or controls to be implemented on a timely basis. Based on experience and feedback from Service Grouping Management Teams there is a continued need for shorter, more focused and practical audits in areas of emerging risk.
- 19 The characteristics of the plan: flexible, supportive, challenging, prioritised and timely are not new however, it remains critical that these principals are maintained if Internal Audit is to help the Council to continue to respond effectively to the scale of change during 2019/2020 and beyond.
- 20 Based on the above, the Chief Internal Auditor and Corporate Fraud Manager considers that assurance is best obtained through a combination of different audits and other sources of assurance. This is not an uncommon approach but it has been tailored to reflect the specific needs of the Council. It is consistent with the approach taken in the development and delivery of the 2019/2020 Internal Audit Plan. With the greater need to add value it is the intention for the service to increase its advice and consultancy work whilst still balancing the need for assurance.

Plan Structure

- 21 There are four different types of audit activity in the plan.
- Key System
 - Assurance Review
 - Advice and Consultancy
 - Grant Certification
- 22 This approach of using different types of audits and other work is considered the most effective way to deliver the strategy for Internal Audit.

Plan Content

- 23 In summary, there is focus on risk based audits and providing assurance over key systems. This reflects the need to focus on the management of emerging risks and ensure the continued operations of controls within the Council's overall governance arrangements, its systems and its processes.
- 24 There is time allocated to developing systems and supporting service groupings with new initiatives and any changes in service delivery.
- 25 The emergent plan has been compiled to reflect the Corporate Management Team and Service Grouping structure in the Council as follows:
- Adult and Health Services (AHS)
 - Children and Young People Service (CYPS)
 - Regeneration and Local Services (REAL)
 - Resources (RES)
- 26 To help ensure that the plan is flexible and the service is able to respond to any key risks in the year, the emergent plan includes a block of contingency time from which specific audits can be delivered in the year. Further details will be provided to the Audit Committee in the finalised plan in May and throughout the year.

Scale of the Plan

- 27 The annual internal audit plan needs to be deliverable within available resources. The Internal Audit Team has an approved establishment of 18 employees, equivalent to 16.35 FTE. In addition, there is one apprentice allocated to the Internal Audit Service.

- 28 As a result of this planning, the latest forecast of available resources to be allocated to the management and delivery of the audit plan is 4,484 days. 482 days of this relate to work for external clients. The detail of this allocation is shown in the table below.

Estimated Gross Days Available (17.35 FTE)	4,484
Non – Productive Time (Annual Leave, Sickness, Training, Office Duties etc.)	1,029
Productive Time – not allocable to services, e.g. Audit Planning, Supporting Audit Committee, Quality Assurance and Contingency	1,108
Productive Days 2020 / 2021	
Audit days required to complete and close audit reports relating to 2019/20	274
Adult and Health Services (AHS)	173
Children and Young People Service (CYPS)	248
Regeneration and Local Services (REAL)	373
Resources (RES)	407
Schools	390
Durham Police and Crime Commissioner / Durham Constabulary	158
Durham and Darlington Fire & Rescue Authority	71
Pension Fund	50
Durham Joint Crematorium	19
Mountsett Joint Crematorium	19
Aim High Academy Trust	15
Beamish Museum	55
Peterlee Town Council	29
Spennymoor Town Council	23
Monk Hesledon Parish Council	2
Shotton Parish Council	1.5
Horden Parish Council	11
Trimdon Parish Council	2.5
Durham City Charter	6
Association of North East Councils	20
TOTAL GROSS DAYS REQUIRED	4,484

Emergent Plan Content

- 29 Within this framework an emergent work programme of potential work has been developed. This is based on an assessment of risk.
- 30 Consultation is ongoing with Corporate Directorate Management Teams and Corporate Directors. It is likely that elements of the plan will be changed as part of this overall process of engagement and reconciling proposed audit work with available resources.

Background papers

- Public Sector Internal Audit Standards
- Strategic Internal Audit Plan

Other useful documents

- None

Contact: Paul Bradley Tel: 03000 269645

Paul Monaghan Tel: 03000 269662

Appendix 1: Implications

Legal Implications

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

Finance

There are no specific financial implications associated with this report. 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.

Climate Change

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

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

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

Procurement

None.

EMERGENT INTERNAL AUDIT PLAN - SERVICE GROUPING BREAKDOWN

APPENDIX 2

Service Grouping	Service	Audit Title	Estimated Days
Adult and Health Services	Adult Care	Section 117 Process (<i>Deferred from 2019/20</i>)	10
Adult and Health Services	Commissioning	Post Contract Arrangements (<i>Deferred from 2019/20</i>)	15
	Commissioning	Commissioning of Residential Care (<i>Deferred from 2019/20</i>)	20
Adult and Health Services	Commissioning	Personalisation – Alternative Commissioning Arrangements (<i>Deferred from 2019/20</i>)	10
Adult and Health Services	Public Health	Suicide Early Alert (<i>Deferred from 2019/20</i>)	10
Adult and Health Services	Adult Care	Continuing Health Care	20
Adult and Health Services	Adult Care	Adaptations - Funded through Disabled Facilities Grant (DFG)	10
Adult and Health Services	Adult Care	Hawthorn House (Financial Systems Review)	5
	Adult Care	AzeusCare Implementation - Project Board	6
Adult and Health Services	Adult Care	AzeusCare Implementation - Workstreams	30
Adult and Health Services	Commissioning	Alliance Contracting Steering Group	5
Adult and Health Services	Commissioning	Integration of Health and Care in County Durham	5
Adult and Health Services	Commissioning	Care Academy Governance	5
Adult and Health Services	Public Health	Pharmoutcomes - Data Matching	6
Adult and Health Services	Public Health	Stop Smoking Service	10
Adult and Health Services	Partnerships and Community Engagement	Community Grants Sample	6
TOTAL ESTIMATED DAYS FOR ADULTS AND HEALTH SERVICES			173
Children and Young People's Services	Children's Social Care	Review of the Petty Cash Arrangements across CYPS Locality Offices, One Point Hubs and Children's Centres	5
Children and Young People's Services	Children's Social Care	Special Guardianship and Child Arrangement Orders (<i>Deferred from 2019/20</i>)	10
Children and Young People's Services	Children's Social Care	Children's Homes (<i>Deferred from 2019/20</i>)	15
Children and Young People's Services	Children's Social Care	Children's Hubs (<i>Deferred from 2019/20</i>)	10
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Children's Centres (<i>Deferred from 2019/20</i>)	10
Children and Young People's Services	Education and Skills	Adult Learning Services (<i>Deferred from 2019/20</i>)	10
Children and Young People's Services	Children's Social Care	Liquidlogic - Board Meetings	6
Children and Young People's Services	Children's Social Care	Adoption Payments	15
Children and Young People's Services	Children's Social Care	Placement Resource Panel (PRP) Arrangements	5
Children and Young People's Services	Children's Social Care	Placement Resource Panel (PRP) Arrangements	10
Children and Young People's Services	Commissioning	Disability Commissioning Arrangements (Short Breaks)	5
Children and Young People's Services	Commissioning	In & Out of County Placements	10
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	High Needs Budget	5
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Aycliffe Secure Services Contract with YJB	5
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Troubled Families Programme	10
Children and Young People's Services	Education and Skills	Academy Transfer Arrangements	10
Children and Young People's Services	Education and Skills	Synergy - Audit of access to data arrangements	5
Children and Young People's Services	Education and Skills	Youth Employment Initiative - Durham Enable	10
Children and Young People's Services	Education and Skills	SFVS	20
Children and Young People's Services	Education and Skills	Governor Training	6
Children and Young People's Services	Education and Skills	Developing Financial Management Standards in Durham Schools	4
Children and Young People's Services	Operational Support	Caldicott Compliance	10
Children and Young People's Services	Operational Support	Caldicott Group	2

EMERGENT INTERNAL AUDIT PLAN - SERVICE GROUPING BREAKDOWN

APPENDIX 2

Service Grouping	Service	Audit Title	Estimated Days
Children and Young People's Services	Children's Social Care	Local Adoption Governance	10
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Pupil Referral Unit	10
Children and Young People's Services	Children's Social Care	Home to School Transport	10
Children and Young People's Services	Children's Social Care	Liquidlogic Developments	20
TOTAL ESTIMATED DAYS FOR CHILDREN AND YOUNG PEOPLE'S SERVICE			248
Regeneration and Local Services	Corporate Property and Land	Asset Valuation	15
Regeneration and Local Services	Corporate Property and Land	Property Help Desk	10
Regeneration and Local Services	Development & Housing	Section 106	10
Regeneration and Local Services	Development & Housing	International Relations	10
Regeneration and Local Services	Development & Housing	Bishop Auckland Heritage Action Zone	2
Regeneration and Local Services	Development & Housing	Disabled Facilities Grant	6
Regeneration and Local Services	Development & Housing	Gypsy, Roma and Traveller Sites	10
Regeneration and Local Services	Development & Housing	Local Lettings Agency Governance	10
Regeneration and Local Services	Development & Housing	Milburngate Development Governance	10
Regeneration and Local Services	Business Durham	County Durham Growth Fund	5
Regeneration and Local Services	Business Durham	Local Growth Fund - Grow On Space (Explorer)	5
Regeneration and Local Services	Business Durham	Local Growth Fund - Durham City Incubator (Salvus House)	5
Regeneration and Local Services	Business Durham	Stephanie (Claim 1)	5
Regeneration and Local Services	Business Durham	Stephanie (Claim 2)	5
Regeneration and Local Services	Community Protection Services	Online Licence Applications (<i>Deferred from 2019/20</i>)	7
Regeneration and Local Services	Community Protection Services	Intelligence Handling	10
Regeneration and Local Services	Community Protection Services	Fees and Charges	10
Regeneration and Local Services	Community Protection Services	Civil Penalties	10
Regeneration and Local Services	Community Protection Services	Anti Social Behaviour	10
Regeneration and Local Services	Transport and Contract Services	Local Transport Capital Block Funding	3
Regeneration and Local Services	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	5
Regeneration and Local Services	Transport and Contract Services	Public Right of Way	10
Regeneration and Local Services	Transport and Contract Services	On Street and Off Street Parking	10
Regeneration and Local Services	Transport and Contract Services	Telecare Services & Care Connect	10
Regeneration and Local Services	Environment	Carbon Reduction Commitment	5
Regeneration and Local Services	Environment	Utility Bills - Contract Management (<i>Deferred from 2019/20</i>)	10
Regeneration and Local Services	Environment	LoCarbo (Claim 1)	5
Regeneration and Local Services	Environment	LoCarbo (Claim 2)	5
Regeneration and Local Services	Environment	Rebus (Claim 1)	5
Regeneration and Local Services	Environment	Rebus (Claim 2)	5
Regeneration and Local Services	Environment	AONB Partnership - Atlantic Geoparks (Claim 1)	5
Regeneration and Local Services	Environment	AONB Partnership - Atlantic Geoparks (Claim 2)	5
Regeneration and Local Services	Environment	Carbon Connects (Claim 1)	5
Regeneration and Local Services	Environment	Carbon Connects (Claim 2)	5
Regeneration and Local Services	Environment	SME Power (Claim 1)	5
Regeneration and Local Services	Environment	SME Power (Claim 2)	5
Regeneration and Local Services	Environment	Trade Waste	15
Regeneration and Local Services	Environment	Pest Control	10
Regeneration and Local Services	Culture, Sport and Tourism	Rolling Programme of Leisure Centres	25
Regeneration and Local Services	Culture, Sport and Tourism	Compliance with Leisure Centre procedures on holidays and TOIL (<i>Deferred from 2019/20</i>)	8
Regeneration and Local Services	Culture, Sport and Tourism	CLUK Income Share Agreement	7

EMERGENT INTERNAL AUDIT PLAN - SERVICE GROUPING BREAKDOWN

APPENDIX 2

Service Grouping	Service	Audit Title	Estimated Days
Regeneration and Local Services	Culture, Sport and Tourism	Stanley Bowls	1
Regeneration and Local Services	Culture, Sport and Tourism	Killhope	15
Regeneration and Local Services	Culture, Sport and Tourism	Gala Hospitality and Catering	15
Regeneration and Local Services	Culture, Sport and Tourism	Theatre Asset / Inventory Review	15
Regeneration and Local Services	Technical Services	Local Transport Capital Block funding for NECA	4
TOTAL ESTIMATED DAYS FOR REGENERATION AND LOCAL SERVICES			373
Resources	Legal & Democratic Services	Electoral Services (Election Payments)	10
Resources	Legal & Democratic Services	RIPA Officers group	1
Resources	Legal & Democratic Services	Fee Recovery	10
Resources	Corporate Finance and Commercial Services	MTFP Arrangements	10
Resources	Corporate Finance and Commercial Services	Journal Transfers	5
Resources	Corporate Finance and Commercial Services	Bank Reconciliation	5
Resources	Corporate Finance and Commercial Services	Short Term Investments	10
Resources	Corporate Finance and Commercial Services	Finance Durham	10
Resources	Corporate Finance and Commercial Services	Leases	15
Resources	Corporate Finance and Commercial Services	Tendering System	5
Resources	Corporate Finance and Commercial Services	Contract Management	15
Resources	Corporate Finance and Commercial Services	Off Contract Spend	10
Resources	Corporate Finance and Commercial Services	Potentially Violent Persons Register	10
Resources	People and Talent Management	Flexible Working Policy	10
Resources	Finance and Transactional Services	Section 256 Agreements	10
Resources	Finance and Transactional Services	Revenues and Benefits Reconciliations	5
Resources	Finance and Transactional Services	Better Care Fund and Improved BCF	5
Resources	Finance and Transactional Services	Creditors - Overarching Report	1
Resources	Finance and Transactional Services	Creditors - Supplier Masterfile (<i>Deferred from 2019/20</i>)	10
Resources	Finance and Transactional Services	Creditors - Interest on Late Payments	2
Resources	Finance and Transactional Services	Creditors - Processing of Payments through Azeus	10
Resources	Finance and Transactional Services	Petty Cash and Payment Card Workstream	20
Resources	Finance and Transactional Services	Payroll - Overarching Report	1
Resources	Finance and Transactional Services	ResourceLink Programme Board	2
Resources	Finance and Transactional Services	Payroll - Preparation and Corrections (<i>Deferred from 2019/20</i>)	10
Resources	Finance and Transactional Services	Payroll - Recruitment and Selection: Identification Verification	10
Resources	Finance and Transactional Services	Business Rates - Overarching Report	1
Resources	Finance and Transactional Services	Business rates - Liability	10
Resources	Finance and Transactional Services	Housing Benefit and Council Tax Reduction - Overarching Report	1
Resources	Finance and Transactional Services	Housing Benefit and Council Tax Reduction - New Claims and Change in Circumstances	15
Resources	Finance and Transactional Services	Welfare Rights	3
Resources	Finance and Transactional Services	Enforcement Programme Board	5
Resources	Finance and Transactional Services	Council Tax - Overarching Report	1
Resources	Finance and Transactional Services	Council Tax - Billing and Refunds	10
Resources	Finance and Transactional Services	Council Tax - Quality Assurance and Appeals	10
Resources	Finance and Transactional Services	Cash Management - Overarching Report	20
Resources	Finance and Transactional Services	Debtors - Overarching Report	15
Resources	Finance and Transactional Services	Debtors - Write Off Relief	5
Resources	Finance and Transactional Services	Deputies and Appointees - Personal Allowance Payments (<i>Deferred from 2019/20</i>)	15
Resources	Digital and Customer Services	IT Asset Management	10

EMERGENT INTERNAL AUDIT PLAN - SERVICE GROUPING BREAKDOWN

APPENDIX 2

Service Grouping	Service	Audit Title	Estimated Days
Resources	Digital and Customer Services	Backup Procedures	10
Resources	Digital and Customer Services	Mobile Device Security	10
Resources	Digital and Customer Services	Business Continuity for ICT	10
Resources	Digital and Customer Services	Software Licence Compliance	10
Resources	Digital and Customer Services	Digital Durham	2
Resources	Strategy	Data Quality	15
Resources	Strategy	Police and Crime Panel	2
Resources	Transformation	Transformation	2
Resources	Transformation	Data Protection	10
Resources	Transformation	Information Governance Group	3
TOTAL ESTIMATED DAYS FOR RESOURCES			407

Audit Committee

27 February 2020

**Internal Audit Progress Report Period
Ended 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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)	2	2	10	0	5
Children and Young People's Services (CYPS) *Excluding Schools	6	2	7	1	15
Regeneration and Local Services (REAL)	15	6	9	0	31
Resources (RES)	9	8	29	2	41
Schools	0	7	10	4	36
TOTAL	32	25	65	7	128

- 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 31 December 2019, the service had delivered 3,248 productive days, representing 70% of the total plan. The target at the end of the quarter was for 67.5% 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 The following 24 reviews were removed from the approved Internal Audit Plan in the quarter, following agreement between Corporate Directors and the Chief Internal Auditor and Corporate Fraud Manager.

Service Grouping	Audit	Audit Type	Reason
Adult and Health Services (AHS)	Personalisation	Assurance	The review was to consider delivery of Services via virtual budgets and through traditionally commissioning services. However, given the ongoing work linked to the Azeus implementation and intended changes in working arrangements, it has been agreed that the review be deferred to 2020/21.
Adult and Health Services (AHS)	Commissioning of Residential Care	Assurance	Residential & Domiciliary Care commissioning arrangements to be split into two discrete activities with Residential Care and deferred to 2020/21.
Adult and Health Services (AHS)	Post Contract Arrangements	Assurance	Agreed with key contact that Internal Audit in looking to prioritise commissioning work undertaken, attention would be focused elsewhere, and this review deferred to 2020/21.
Adult and Health Services (AHS)	Social Care Direct	Advice & Consultancy	Further to attendance at Social Care Direct Workstream meeting where the focus of the Group was towards professional practice, it was agreed with key contact that Internal Audit representation was not required, and the review was cancelled as a result.
Adult and Health Services (AHS)	Suicide Early Alert	Advice & Consultancy	Service has developed a Standard Operating procedure on the Real Time Data Surveillance System (RTDSS) which went live in September. Audit deferred to 2020/21 to enable system to embed.

Service Grouping	Audit	Audit Type	Reason
Children and Young People's Services (CYPS)	MTFP Arrangements	Assurance	Activity cancelled further to discussion with the Head of Corporate Finance and Commercial Services and in having already / planning to undertake more focused reviews in specific areas of budget concern.
Children and Young People's Services (CYPS)	Safe Recruitment & Selection	Assurance	CYPS School Leadership Advisors already undertake Safeguarding reviews at Schools. Internal Audit, rather than duplicate work, will look to take reasonable assurances that this work provides.
Children and Young People's Services (CYPS)	Children's Homes Children's Centres & Hubs Petty Cash Arrangements across CYPS Locality Offices (Follow Up)	Assurance	Finance based reviews across these three activities have been deferred to 2020/21 awaiting the outcome of the Corporate Working Group and potential that some of the current working arrangements are likely to need to change.
Children and Young People's Services (CYPS)	Special Guardianships and Child Arrangement Orders	Assurance	Revised policy is due to be finalised in January 2020. Activity deferred to 2020/21 to enable arrangements to embed prior to their being subject to review.
Children and Young People's Services (CYPS)	SBM Training Head Teacher Induction to Finance and Budgeting	Advice & Consultancy	Activities have now been replaced by Developing Financial Management Standards in Durham Schools training programme.
Children and Young People's Services (CYPS)	School User Provider Group	Advice & Consultancy	Group membership to be refreshed and reformed to incorporate participation with a wider range of DCC School service providers.
Regeneration and Local Services (REAL)	Utility Bills - Contract Management	Assurance	Agreed with Service to defer the review to 2020/21.
Regeneration and Local Services (REAL)	Capital Programme Management	Assurance	Review cancelled with the agreement of the service as scope covered within a separate review.
Regeneration and Local Services (REAL)	Stores Management	Assurance	Review cancelled with the agreement of the service.

Service Grouping	Audit	Audit Type	Reason
Regeneration and Local Services (REAL)	Online Applications	Assurance	Agreed with Service to defer the review to 2020/21.
Regeneration and Local Services (REAL)	Road Safety Capital Grant	Grant	Review cancelled as certification is no longer required.
Regeneration and Local Services (REAL)	Leisure Centre Procedures	Assurance	Agreed with Service to defer the review to 2020/21.
Resources (RES)	Contract Management	Assurance	Agreed with Service to cancel the audit, as scope of review was covered by recent Internal Audit work.
Resources (RES)	Off Contract Spend	Assurance	Agreed with Service to cancel the audit, as scope of review was covered by recent Internal Audit work.
Resources (RES)	Creditors - Supplier Masterfile	Assurance	Agreed with the service to defer the audit to 2020/21.
Resources (RES)	Payroll – Preparation and Corrections	Assurance	Agreed with the service to defer the audit to 2020/21.
Resources (RES)	Deputies and Appointees – Personal Allowance Payments	Assurance	Agreed with the service to defer the audit to 2020/21.
Resources (RES)	Property Investment Fund	Advice & Consultancy	Agreed with the service to cancel the review, as the fund has not yet been used.
Resources (RES)	Tender Opening Arrangements	Assurance	Agreed with the service to cancel the review, as all tenders are now opened electronically.

- 12 Eight 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)	Social Care Direct: Data Protection	Assurance	Caldicott compliance review as requested by Caldicott Group.
Children and Young People's Services (CYPS)	Support Packages Working Group	Advice & Consultancy	Cross Service Working Group established to consider a range of current support package payment arrangements and alternatives that could improve effectiveness in terms of workflow and budget monitoring

Service Grouping	Audit	Audit Type	Reason
Regeneration and Local Services (REAL)	Local Growth Fund – NETPark Phase 3 infrastructure	Grant	Grant review added at the request of the service.
Regeneration and Local Services (REAL)	Management of Gym Memberships	Advice & Consultancy	Review added, with the agreement of the Service, to ensure that all gym membership funds due are collected.
Regeneration and Local Services (REAL)	Assets of Community Value	Assurance	Service request to add review to the plan.
Resources (RES)	CIPFA Financial Management Code	Advice & Consultancy	Agreed with service for the review to be added to the plan.
Resources (RES)	Police and Crime Panel Grant	Grant	Grant review added at the request of the service.
Resources (RES)	Fuel Cards	Assurance	Agreed with service for the review to be added to the plan.

Outstanding Management Responses to Draft Internal Audit Reports

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

Survey Response Rate

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

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Adult and Health Services (AHS)	3	2	67	4.4
Children and Young People's Services (CYPS) *Excluding Schools	5	4	80	4.1
Regeneration and Local Services (REAL)	14	12	86	4.8
Resources (RES)	33	33	100	4.6
Schools	31	20	65	4.6
TOTAL	86	71	83	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 31 December 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)	67	64	3 (4%)	3	0
Children and Young People's Services (CYPS) [Excluding Schools]	166	162	4 (2%)	4	0
Regeneration and Local Services (REAL)	361	351	10 (3%)	10	0
Resources (RES)	269	257	12 (4%)	12	0
TOTAL	863	834*	29 (3%)	29	0

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

- 17 It is encouraging to note that, of the 863 actions due to be implemented, 834 (97%) have been implemented.
- 18 Details of the actions that are overdue, following their agreed original target dates, are included at Appendix 6.

Limited Assurance Audit Opinions

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

Service Grouping	Service Area	Audit
Children and Young People's Services (CYPS)	Education Service	One Primary School
Children and Young People's Services (CYPS)	Early Help, Inclusion and Vulnerable Children	High Needs Budget
Resources	Finance and Transactional Services	Welfare Rights

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 December 2019, compared with our agreed targets, is detailed in Appendix 5.

Background papers

- Specific Internal Audit reports issued and working papers.
- Public Accounts Committee Paper: Local Government Governance and Accountability – 15 May 2019

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.

Climate Change

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

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

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

Procurement

None.

INTERNAL AUDIT PLAN PROGRESS AS AT 31 DECEMBER 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	Defer to 2020/21	
Adult and Health Services	Commissioning	CHC	Assurance	Not yet started	
Adult and Health Services	Adult Care	Social Care Direct	Advice & Consultancy	Defer to 2020/21	
Adult and Health Services	Commissioning	Supplier Masterfile Commissioning - SSID Independent Sector Suppliers (Follow Up)	Assurance	Final Report	N/A
Adult and Health Services	Commissioning	Direct Payments Cards	Advice & Consultancy	In progress	
Adult and Health Services	Commissioning	Development of a Direct Payment Audit Risk Tool	Advice & Consultancy	In progress	
Adult and Health Services	Public Health	Pharmoutcomes - Data Matching	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Education	High Needs Budget	Assurance	Final Report	Limited
Children and Young People's Services	Locality and Operational Support	Petty Cash Arrangements across CYPS Locality Offices (Follow Up)	Follow Up	Defer to 2020/21	N/A
Children and Young People's Services	Education	Adult Learning Services - Apprentices	Advice & Consultancy	Final Report	N/A
Children and Young People's Services	Locality and Operational Support	Caldicott	Assurance	Final Report	Moderate
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Troubled Families Programme - Claim 04	Grant	Final Report	N/A
Children and Young People's Services	Locality and Operational Support	Section 17 Follow Up	Assurance	Final Report	N/A
Children and Young People's Services	Schools	Safe Recruitment & Selection	Assurance	Cancelled	N/A
Children and Young People's Services	Schools	Award of Additional Pay in Schools	Assurance	Planning and Preparation	
Regeneration and Local Services	Corporate Property and Land	Asset Valuation	Assurance	Final Report	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	Final Report	N/A
Regeneration and Local Services	Corporate Property and Land	Single Use Plastics	Advice and Consultancy	Final Report	N/A
Regeneration and Local Services	Development and Housing	Safety at Sports Grounds	Assurance	Final Report	Substantial
Regeneration and Local Services	Development and Housing	Financial Assistance Policy and Private Sector Housing	Assurance	Planning and Preparation	
Regeneration and Local Services	Business Durham	Business Durham	Advice and Consultancy	Final Report	N/A
Regeneration and Local Services	Transport & Contract Services	Safer Roads Fund (Road Safety Capital Grant)	Grant	Final Report	N/A
Regeneration and Local Services	Transport & Contract Services	LGF Forest Park	Grant	Final Report	N/A
Regeneration and Local Services	Transport & Contract Services	LGF Bishop Auckland Market Place	Grant	Final Report	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 Report	N/A
Regeneration and Local Services	Environment	Durham Crematorium	Assurance	Final Report	Substantial
Regeneration and Local Services	Environment	Mountsett Crematorium	Assurance	Final Report	Substantial
Regeneration and Local Services	Culture and Sport	Leisure Centre Timesheets	Assurance	Final Report	Limited
Regeneration and Local Services	Culture and Sport	Events Management	Assurance	Planning and Preparation	
Regeneration and Local Services	Culture and Sport	Louisa Centre	Assurance	Final Report	Moderate
Regeneration and Local Services	Culture and Sport	Consett Leisure Centre	Assurance	Final Report	Moderate
Regeneration and Local Services	Culture and Sport	Stanley Bowls	Advice and Consultancy	Final Report	N/A
Resources	Legal & Democratic Services	Coroner	Assurance	Planning and Preparation	
Resources	Legal & Democratic Services	Gifts and Hospitality	Advice and Consultancy	Final Report	N/A
Resources	People and Talent Management	Apprentices	Assurance	Final Report	Moderate
Resources	People and Talent Management	Attendance Management Framework	Assurance	Final Report	Moderate
Resources	Corporate Finance and Commercial Services	VAT	Key System	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Review of Commercial Services	Assurance	Planning and Preparation	
Resources	Corporate Finance and Commercial Services	Contract Management	Assurance	In Progress	
Resources	Corporate Finance and Commercial Services	Variations	Assurance	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Off Contract Spend	Assurance	Final Report	Moderate
Resources	Corporate Finance and Commercial Services	Contract Procedure Rules	Assurance	Final Report	Moderate
Resources	Corporate Finance and Commercial Services	Procurement Cards (Further Follow Up)	Follow Up	Final Report	N/A
Resources	Finance and Transactional Services	Budgetary Control and Financial Reporting	Key System	Planning and Preparation	
Resources	Finance and Transactional Services	Agency System	Assurance	In Progress	
Resources	Finance and Transactional Services	Council Tax	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Council Tax: Valuation - Empty Homes Review	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Council Tax: Recovery	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Business Rates	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Business Rates - Valuation	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Business Rates - Recovery	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Housing Benefits and Council Tax Reduction	Key System	Final Report	Substantial

INTERNAL AUDIT PLAN PROGRESS AS AT 31 DECEMBER 2019

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Finance and Transactional Services	Housing Benefits: Overpayment Recovery	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Welfare Rights	Assurance	Final Report	Limited
Resources	Finance and Transactional Services	Creditor Payments	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Creditors - Supplier Masterfile	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Creditors - System access	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Creditors - Oracle Requisition Approver Hierarchy	Advice and Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	Transparency Agenda - Interest on Late payments	Advice and Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	Payroll	Key System	In Progress	
Resources	Finance and Transactional Services	Payroll : Taxation (PAYE)	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Payroll - Processing	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Payroll - Mileage Expenses	Key System	Draft Report	
Resources	Finance and Transactional Services	Debtors	Key System	In Progress	
Resources	Finance and Transactional Services	Debtors - Customer Masterfile	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Debtors - Standing Charges	Key System	Draft Report	
Resources	Finance and Transactional Services	FST Debit Card Cash Accounts and Shared Lives (Follow Up)	Follow Up	Final Report	N/A
Resources	Finance and Transactional Services	Financial Deputees (Compliance with OPG Standards)	Assurance	Final Report	Substantial
Resources	Finance and Transactional Services	Financial Assessments	Advice and Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	Section 256 agreements	Advice and Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	Caspar System	Advice and Consultancy	Final Report	N/A
Resources	Digital and Customer Services	Vulnerability Management	Assurance	In Progress	
Resources	Digital and Customer Services	Unix - Linux Security	Assurance	Planning and Preparation	
Resources	Digital and Customer Services	Oracle Licences	Assurance	Final Report	Moderate
2019 / 2020 Internal Audit Plan					
Adult and Health Services	Adult & Health Services	Integration of Health and Care Plan for County Durham	Advice & Consultancy	In progress	
Adult and Health Services	Adult Care	SSID Replacement - Design Authority / Project Board	Advice & Consultancy	In progress	
Adult and Health Services	Adult Care	SSID Replacement - Workstream / Process Mapping	Advice & Consultancy	In progress	
Adult and Health Services	Commissioning	Personalisation - Delivery of Services via virtual budgets and through traditionally	Assurance	Defer to 2020/21	
Adult and Health Services	Commissioning	Commissioning of Learning Disability Services	Assurance	In Progress	
Adult and Health Services	Commissioning	Commissioning of Learning Disability Services - Advice	Advice & Consultancy	Complete	
Adult and Health Services	Commissioning	Post Contract Arrangements	Assurance	Defer to 2020/21	
Adult and Health Services	Commissioning	Commissioning of Mental Health Services	Assurance	Planning and Preparation	
Adult and Health Services	Commissioning	Commissioning of Domiciliary Care	Assurance	Planning and Preparation	
Adult and Health Services	Commissioning	Commissioning of Residential Care	Assurance	Defer to 2020/21	
Adult and Health Services	Public Health	Support to the DPH - Health Protection	Advice & Consultancy	Cancelled	
Adult and Health Services	Public Health	Stop Smoking Service	Advice & Consultancy	In progress	
Adult and Health Services	Public Health	Pharmoutcomes - Data Matching	Advice & Consultancy	In progress	
Adult and Health Services	Public Health	Suicide Early Alert	Advice & Consultancy	Defer to 2020/21	
Adult and Health Services	Partnerships Community Engagement	Community Grants Sample	Assurance	Not yet started	
Adult and Health Services	Partnerships Community Engagement	Community Grants - Monitoring Arrangements	Advice and Consultancy	Final Report	N/A
Adult and Health Services	Adult Care	Adult Mental Health Social Work Service	Advice & Consultancy	Complete	N/A
Adult and Health Services	Adult Care	Caldicot Compliance (Social Care Direct)	Assurance	In Progress	
Adult and Health Services	Commissioning	Alliance Contracting Steering Group	Advice & Consultancy	In Progress	
Children and Young People's Services	CYPS	MTFP Arrangements	Assurance	Cancelled	N/A
Children and Young People's Services	CYPS	Liquidlogic - Board Meetings	Advice & Consultancy	In Progress	
Children and Young People's Services	CYPS	Liquidlogic: Phase 1 Implementation - Looked After Process Workflow	Advice & Consultancy	Planning and Preparation	
Children and Young People's Services	CYPS	Liquidlogic: Phase 2 Implementation - SEND	Advice & 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	Defer to 2020/21	N/A
Children and Young People's Services	Children's Social Care	Supervised Spend - Leaving Care Service	Advice & Consultancy	Not yet started	
Children and Young People's Services	Children's Social Care	First Contact Service - Data Protection Issues	Assurance	Final Report	Moderate
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	Defer to 2020/21	N/A
Children and Young People's Services	Children's Social Care	Children's Centres and Hubs	Assurance	Defer to 2020/21	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Troubled Families Programme - Claim 01 (July 2019)	Grant Certification	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Troubled Families Programme - Claim 02 (September 2019)	Grant Certification	Final Report	N/A

INTERNAL AUDIT PLAN PROGRESS AS AT 31 DECEMBER 2019

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Troubled Families Programme - Claim 03 (October 2019)	Grant Certification	Final Report	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Troubled Families Programme - Claim 04 (December 2019)	Grant Certification	Final Report	N/A
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	Defer to 2020/21	N/A
Children and Young People's Services	Education	DurhamWorks	Advice & Consultancy	Complete	
Children and Young People's Services	Education - Schools	SFVS	Assurance	In Progress	
Children and Young People's Services	Education - Schools	Governor Training	Advice & Consultancy	In Progress	
Children and Young People's Services	Education - Schools	SBM Training	Advice & Consultancy	Cancelled	
Children and Young People's Services	Education - Schools	Head Teacher Induction to Finance and Budgeting	Advice & Consultancy	Cancelled	
Children and Young People's Services	Education - Schools	School User Provider Group	Advice & Consultancy	Cancelled	
Children and Young People's Services	Education - Schools	Developing Financial Management Standards in Durham Schools	Advice & Consultancy	In Progress	
Children and Young People's Services	Locality and Operational Support	Caldicott Compliance (Social Care Direct - Report to Adult & Health Services)	Assurance	In Progress	
Children and Young People's Services	Locality and Operational Support	Caldicott Group	Advice & Consultancy	In Progress	
Children and Young People's Services	Schools	School Programme (governance and financial management)	Assurance	8 Substantial 19 Moderate 4 Limited 5 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	44 Complete	
Children and Young People's Services	Schools	DfE Collaborative Fund Grant - Wingate Infants	Grant Certification	Final Report	N/A
Children and Young People's Services	Schools	DfE Collaborative Fund Grant - Durham Teaching School Alliance	Grant Certification	Final Report	N/A
Children and Young People's Services	Schools	DfE Tailored Support Programme Grant	Grant Certification	Not yet started	
Children and Young People's Services	Schools	DfE English Hubs Programme - St Michael's C of E Primary School	Grant Certification	Final Report	N/A
Children and Young People's Services	Children's Social Care	Support Packages Working Group	Advice & Consultancy	In Progress	
Children and Young People's Services	Education	DurhamWorks Grant for Employers	Advice & Consultancy	Draft Report	N/A
Children and Young People's Services	Operational Support	Anonymisation and Pseudonymisation	Advice & Consultancy	Final Report	N/A
Regeneration and Local Services	Development and Housing / Corporate Land and P	Capital Programme Management	Assurance	Cancelled	
Regeneration and Local Services	Development and Housing	Housing Solutions	Assurance	Not yet started	
Regeneration and Local Services	Development and Housing	Disabled Facilities Grant	Grant	Final Report	N/A
Regeneration and Local Services	Development and Housing	Bishop Auckland Heritage Action Zone	Grant	Final Report	N/A
Regeneration and Local Services	Business Durham	Stephanie 5	Grant	Final Report	N/A
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	Defer to 2020/21	
Regeneration and Local Services	Environment, Health and Consumer Protection	Fair Trading - Consumer Complaints	Assurance	Final Report	Substantial
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	Final Report	N/A
Regeneration and Local Services	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	Grant	Final Report	N/A
Regeneration and Local Services	Transport and Contract Services	Road Safety Capital Grant	Grant	Cancelled	
Regeneration and Local Services	Transport and Contract Services	Park and Ride	Assurance	Final Report	Substantial
Regeneration and Local Services	Transport and Contract Services	Concessionary Fares	Assurance	In Progress	
Regeneration and Local Services	Environment	Carbon Reduction Commitment	Grant	Final Report	N/A
Regeneration and Local Services	Environment	Utility Bills - Contract Management	Assurance	Defer to 2020/21	
Regeneration and Local Services	Environment	LoCarbo 6	Grant	Final Report	N/A
Regeneration and Local Services	Environment	Rebus 6	Grant	Final Report	N/A
Regeneration and Local Services	Environment	Atlantic Geoparks 3	Grant	Not yet started	
Regeneration and Local Services	Environment	Carbon Connects 2	Grant	Final Report	N/A
Regeneration and Local Services	Environment	Carbon Connects 3	Grant	Not yet started	
Regeneration and Local Services	Environment	SMEPower	Grant	Planning and Preparation	
Regeneration and Local Services	Environment	Public Health Funerals	Assurance	Final Report	Substantial
Regeneration and Local Services	Environment	Durham Crematorium	Assurance	Planning and Preparation	
Regeneration and Local Services	Environment	Mountsett Crematorium	Assurance	Planning and Preparation	
Regeneration and Local Services	Environment	Neighbourhood Wardens - Enforcement and Education	Assurance	Not yet started	
Regeneration and Local Services	Environment	Driver Checks	Assurance	Final Report	Moderate
Regeneration and Local Services	Environment	Fuel Stocks and Stores	Assurance	In Progress	
Regeneration and Local Services	Culture and Sport	Rolling Programme of Leisure Centres - Abbey	Assurance	In Progress	
Regeneration and Local Services	Culture and Sport	Rolling Programme of Leisure Centres - Meadowfield	Assurance	In Progress	
Regeneration and Local Services	Culture and Sport	Rolling Programme of Leisure Centres - Riverside	Assurance	In Progress	
Regeneration and Local Services	Culture and Sport	Compliance with new Leisure Centre procedures on holidays and TOIL	Assurance	Defer to 2020/21	

INTERNAL AUDIT PLAN PROGRESS AS AT 31 DECEMBER 2019

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
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	Final Report	Substantial
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	Final Report	N/A
Regeneration and Local Services	Technical Services	Stores Management	Assurance	Cancelled	
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	
Regeneration and Local Services	Corporate Property and Land	Asset Valuation	Assurance	In Progress	
Regeneration and Local Services	Transport and Contract Services	Local Growth Fund - Station Cycle Links	Grant	Final Report	N/A
Regeneration and Local Services	Business Durham	Local Growth Fund - NETPark Phase 3 infrastructure	Grant	Not yet started	
Regeneration and Local Services	Culture and Sport	Management of Gym Memberships	Advice and Consultancy	In Progress	
Regeneration and Local Services	Corporate Property and Land	Assets of Community Value	Assurance	Planning and Preparation	
Resources	Legal & Democratic Services	Members Expenses	Assurance	Final Report	Substantial
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	Cancelled	
Resources	Corporate Finance and Commercial Services	Capital Accounting	Assurance	Not yet started	
Resources	Corporate Finance and Commercial Services	Property Investment Fund	Advice and Consultancy	Cancelled	
Resources	Corporate Finance and Commercial Services	Contract Management	Assurance	Cancelled	
Resources	Corporate Finance and Commercial Services	Off Contract Spend	Assurance	Cancelled	
Resources	Corporate Finance and Commercial Services	Electrical Components Contract	Assurance	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Oracle Programme Board	Advice and Consultancy	Complete	
Resources	People and Talent Management	Disciplinary Policy	Assurance	In Progress	
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	Grant	In Progress	
Resources	Finance and Transactional Services	Creditors	Key System	In Progress	
Resources	Finance and Transactional Services	Creditors - Supplier Masterfile	Key System	Defer to 2020/21	
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	Final Report	Moderate
Resources	Finance and Transactional Services	Creditors - Receipting of Goods	Key System	Not yet started	
Resources	Finance and Transactional Services	Procurement Cards	Assurance	In Progress	
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)	Grant	In Progress	
Resources	Finance and Transactional Services	Payroll	Key System	In Progress	
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	Defer to 2020/21	
Resources	Finance and Transactional Services	Payroll - System Implementation	Advice and Consultancy	In Progress	
Resources	Finance and Transactional Services	Cash Management	Key System	In Progress	
Resources	Finance and Transactional Services	Debtors	Key System	In Progress	
Resources	Finance and Transactional Services	Debtors Working Group	Advice and Consultancy	In Progress	
Resources	Finance and Transactional Services	Financial Deputies	Assurance	Planning and Preparation	
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	Defer to 2020/21	
Resources	Digital and Customer Services	Change Management	Assurance	Not yet started	
Resources	Digital and Customer Services	Incident Management	Assurance	Final Report	Substantial
Resources	Digital and Customer Services	Office 365	Advice and Consultancy	In Progress	
Resources	Digital and Customer Services	IT Governance	Assurance	In Progress	
Resources	Digital and Customer Services	ICT Purchasing	Assurance	Planning and 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	Strategy	Data Quality - System Process Review	Assurance	Not yet started	
Resources	Transformation	Transformation	Advice and Consultancy	In Progress	

INTERNAL AUDIT PLAN PROGRESS AS AT 31 DECEMBER 2019

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Transformation	Business Support Process Reviews	Advice and Consultancy	In Progress	
Resources	Transformation	GDPR compliance	Assurance	Planning and Preparation	
Resources	Transformation	Freedom of Information (FOI)	Assurance	Planning and Preparation	
Resources	Transformation	Information Governance Group	Advice and Consultancy	In Progress	
Resources	Legal & Democratic Services	Beamish Museum – Review of internal control procedures (1)	Advice and Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	Miscellaneous Income Working group	Advice and Consultancy	In Progress	
Resources	Legal & Democratic Services	Beamish Museum – Review of internal control procedures (2)	Advice and Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	Cash Management - Meadowfield Depot	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Cash Management - Proceeds of Crime Act	Key System	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	CIPFA Financial Management Code	Advice and Consultancy	Not yet started	
Resources	Strategy	Police and Crime Panel Grant	Grant	Final Report	N/A
Resources	Finance and Transactional Services	Fuel Cards	Assurance	Not yet started	

FINAL REPORTS ISSUED IN PERIOD ENDING 31 DECEMBER 2019

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
ADULT AND HEALTH SERVICES (AHS)		
Community Grants Monitoring Arrangements	Advice & Consultancy review that looked at the current monitoring arrangements of Area Budget and Neighbourhood Budget grants awarded against proposed new monitoring arrangements to confirm that the new arrangements have adequate controls in place.	N/A
CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)		
Adult Learning and Skills Service Apprenticeship Programme	An Advice and Consultancy review that considered whether ALSS arrangements are fit for purpose in fulfilling ESFA Apprenticeship Funding requirements.	N/A
Anonymisation and Pseudonymisation	An 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.	N/A
Troubled Families Programme – Claim 03 2019/20	Verification of October grant claim.	N/A
Troubled Families Programme – Claim 04 2019/20	Verification of December grant claim.	N/A
High Needs Budget	<p>Assurance review of the arrangements in place to mitigate against the risks of:</p> <ul style="list-style-type: none"> - Children/young people with SEND are not provided with appropriate support to achieve their goals in life; - Non-compliance with Contract Procedure Rules; - SEN funding paid to Schools is inappropriate; - The Panels in place for SEND are ineffective; - Ineffective decision making; - Unauthorised payments are made; - Employees do not have the skills to carry out their budget monitoring responsibilities / do not utilise the system as expected; - Budget forecasting and modelling is inaccurate. 	Limited

REGENERATION AND LOCAL SERVICES (Real)		
Park and Ride Scheme	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - Income is not accounted for or is misappropriated; - Service is not delivered in line with the contracts; - Performance is reported inaccurately. 	Substantial
Competition Line UK (CLUK) Income Share Agreement	Assurance review of the arrangements in place to mitigate against the risk of incorrect payments being made.	Substantial
Public Health Funerals	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - Authority is unable to fulfil its statutory duty; - Public Health Funerals are carried out where assets are available or next of kin have assets to pay; - Value for money not achieved in purchase of funeral services; - Authority is unable to provide statutory information on Public Health Funerals. 	Substantial
Trading Standards – Consumer Complaints	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - Complaints are not properly received, investigated, and enforced in accordance with legislation and in a consistent manner; - Complaints records are not properly logged, maintained and managed; - Complaints handling performance is not known; - Insufficient resources to handle complaints; - Remedial actions agreed with offenders not implemented; - Prosecuted traders who continue to trade or trade under another name; - Investigators placed at risk while lone working; - Breaches of the Data Protection Act; - Referrals from CAB don't contain adequate information to progress case; - Public are unaware of how to report concerns and traders remain in business. 	Substantial
Single Use Plastics – Process Review	Advice and consultancy review to evaluate the benefits from actions taken to remove unnecessary single use plastics from the authority's catering provision.	N/A
Facilities Management – Repairs and Maintenance	Advice and consultancy review to identify improvement opportunities around the cash flow from the lifts and gas maintenance contracts and the reconciliation of the general ledger to repairs and maintenance contracts.	N/A
LoCarbo– supporting a low carbon economy (6)	Grant Certification	N/A

RESOURCES		
Incident Management	Assurance review of the arrangements in place to mitigate against the risk of ICT not being able to respond to incidents efficiently, effectively and on a timely basis.	Substantial
Electrical Components Contract	Assurance review of the arrangements in place to mitigate against the risk of the award of the contract not achieving, or being seen to achieve, value for money, transparency, equal treatment, or compliance with legislation.	Substantial
VAT	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - The VAT return is not completed correctly or is not submitted within the required timescales; - Non-compliance with partial exemption refund regulations within the VAT Act 1994 (Section 33a); - Opportunities to reclaim additional VAT are not identified and managed 	Substantial
Members Expenses	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - Failure to adhere to legislative requirements; - Incorrect payments are made. 	Substantial
Cash Management – Proceeds of Crime Act (POCA)	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - Non-compliance with financial regulations; - Theft or Misappropriation; - Information and data are not protected from loss, damage or unauthorised disclosure. 	Substantial
Off Contract Spend	Assurance review of the arrangements in place to mitigate against the risk of not achieving, or being seen to achieve, value for money, transparency, fairness, or compliance with legislation.	Moderate
Apprentices	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - The Council's workforce requirements are not known or anticipated; - New starters are engaged in roles that are not correctly identified as apprenticeships; - Potential candidates are not aware of apprenticeships or do not apply for apprenticeships offered by the Council; - Apprentices join but leave before the end of the apprenticeship; - Appropriate retention arrangements are not in place; - Apprenticeship levy is not fully utilised; - Apprentices do not fulfil the required minimum 20% off-the-job training; - The Apprenticeship levy is not calculated or is paid incorrectly; - Apprentices are added to the levy account incorrectly resulting in ineligible use of the levy. 	Moderate

RESOURCES (Contd.)		
Creditors – Invoice and PO Authorisation	Assurance review of the arrangements in place to mitigate against the risk of invoices not being authorised in line with the Oracle approver hierarchy or of not being processed for payment within 30 days.	Moderate
Cash Management – Meadowfield Depot	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> - Non-compliance with financial regulations; - Theft or Misappropriation; - Information and data are not protected from loss, damage or unauthorised disclosure. 	Moderate
Attendance Management Framework	Assurance review of the arrangements in place to mitigate against the risk employee absences not being appropriately managed.	Moderate
Debtors – Customer Masterfile	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; - The masterfile contains inaccurate data leading to loss of income or a delay in recovery; - Information is not held securely and appropriately retained. 	Moderate
Welfare Rights	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; - Users have access to, and the ability to amend, data which they do not require; - Information is not held securely and appropriately retained; - Appeals case management and tribunal representation are inadequate or insufficiently recorded and evidenced; - Performance is not adequately managed or reported. 	Limited
Financial Assessments	Advice and consultancy review on ensuring that service user finances are promptly and accurately assessed so that they are appropriately charged for service provisions.	N/A
Police and Crime Panel Grant	Grant Certification	N/A

	Actions Due	Actions Implemented	Overdue Actions by original target date	Number of Actions where the original target has been revised	Overdue Actions following a revised target date
ADULT AND HEALTH SERVICES (AHS)					
2017/18					
High	10	10	0	0	0
Medium	19	19	0	0	0
Total	29	29	0	0	0
2018/19					
High	0	0	0	0	0
Medium	36	34	2	2	0
Total	36	34	2	2	0
2019/20					
High	0	0	0	0	0
Medium	2	1	1	1	0
Total	2	1	1	1	0
Overall Total	67	64	3	3	0
CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)					
2017/18					
High	2	2	0	0	0
Medium	63	61	2	2	0
Total	65	63	2	2	0
2018/19					
High	1	1	0	0	0
Medium	71	71	0	0	0
Total	72	72	0	0	0
2019/20					
High	0	0	0	0	0
Medium	29	27	2	2	0
Total	29	27	2	2	0
Overall Total	166	162	4	4	0
REGENERATION AND LOCAL SERVICES (REAL)					
2016/17					
High	9	9	0	0	0
Medium	193	193	0	0	0
Total	202	202	0	0	0
2017/18					
High	3	3	0	0	0
Medium	56	54	2	2	0
Total	59	57	2	2	0
2018/19					
High	0	0	0	0	0
Medium	67	64	3	3	0
Total	67	64	3	3	0
2019/20					
High	2	2	0	0	0
Medium	31	26	5	5	0
Total	33	28	5	5	0
Overall Total	361	351	10	10	0
RESOURCES (RES)					
2017/18					
High	11	11	0	0	0
Medium	131	129	2	2	0
Total	142	140	2	2	0
2018/19					
High	3	3	0	0	0
Medium	78	74	4	4	0
Total	81	77	4	4	0
2019/20					
High	0	0	0	0	0
Medium	46	40	6	6	0
Total	46	40	6	6	0
Overall Total	269	257	12	12	0
TOTAL COUNCIL					
2016/17					
High	9	9	0	0	0
Medium	193	193	0	0	0
Total	202	202	0	0	0
2017/18					
High	26	26	0	0	0
Medium	269	263	6	6	0
Total	295	289	6	6	0
2018/19					
High	4	4	0	0	0
Medium	252	243	9	9	0
Total	256	247	9	9	0
2019/20					
High	2	2	0	0	0
Medium	108	94	14	14	0
Total	110	96	14	14	0
OVERALL TOTAL	863	834	29	29	0

Performance Indicators as at 31 December 2019

Page 212

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)	70% at 31 December 2019
Timeliness of Draft Reports	% of draft reports issued within 30 calendar days of end of fieldwork/closure interview	90% (Quarterly)	84% (78 out of 93)
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response	95% (Quarterly)	100% (97 out of 97)
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 of 4.6
Customers providing feedback Response	% of customers returning satisfaction returns	70% (Quarterly)	83%
Cost			
Objective: To ensure that the service is cost effective			
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Cost per chargeable audit day	CIPFA Benchmarking Club – Comparator Group (Unitary)	Lower than average (Annually)	Yes (2015/16 exercise) £226 cost per chargeable audit day

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

Document is Restricted

This page is intentionally left blank