



Audit Committee

Date Monday 28 February 2022

Time 9.30 am

Venue Council Chamber, 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 29 November 2021 (Pages 5 - 10)
3. Declarations of interest, if any
4. 2021/22 Quarter 3 Health, Safety and Wellbeing Performance Report - Report of the Occupational Health and Safety Manager (Pages 11 - 32)
5. Changes to the Code of Practice for Local Authority Accounting in the UK for 2021/22 - Report of Corporate Director of Resources (Pages 33 - 40)
6. Agreement of Accounting Policies for Application in the 2021-22 Financial Statements - Report of Corporate Director of Resources (Pages 41 - 76)
7. Final Accounts Timetable for the Year Ended 31 March 2022 - Report of Corporate Director of Resources (Pages 77 - 82)
8. External Audit 2020/21 - Progress Report - Report of the External Auditor (Pages 83 - 98)
9. External Audit - Durham County Council Audit Strategy Memorandum Year Ending 31 March 2022 - Report of the External Auditor (Pages 99 - 130)

10. External Audit - Durham County Council Pension Fund Audit Strategy Memorandum Year Ending 31 March 2022 - Report of the External Auditor (Pages 131 - 158)
11. Corporate Governance Review 2021/22 - Key Dates - Report of Corporate Director of Resources (Pages 159 - 162)
12. Strategic Risk Management Progress Report for 2021/22 - Review 3: 1 October – 31 December 2021 - Report of Corporate Director of Resources (Pages 163 - 198)
13. Risk Management Policy and Strategy - Report of Corporate Director of Resources (Pages 199 - 210)
14. Internal Audit Progress Update Report - Period Ended 31 December 2021 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 211 - 226)
15. Emergent Internal Audit Plan for the period from 01 April 2022 to 31 March 2023 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 227 - 242)
16. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
17. 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)

18. Internal Audit Progress Report - Period Ended 31 December 2021 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 243 - 254)
19. 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
18 February 2022

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

Councillor A Watson (Chair)
Councillor L Fenwick (Vice-Chair)

Councillors A Jackson, M Johnson, B Kellett, M McGaun,
R Ormerod and T Smith

Co-opted Members:

Mr C Robinson and Mr I Rudd

Contact: Jo March

Tel: 03000 269 709

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DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in **Council Chamber, County Hall, Durham** on **Monday 29 November 2021 at 9.30 am**

Present:

Councillor A Watson (Chair)

Members of the Committee:

Councillors A Jackson, M Johnson, B Kellett, M McGaun and T Smith

Co-opted Members:

Mr C Robinson and Mr I Rudd

1 Apologies for Absence

Apologies for absence were received from Councillors L Fenwick and R Ormerod.

2 Minutes

The minutes of the meeting held on 30 September 2021 were agreed as a correct record and signed by the Chair.

3 Declarations of Interest

There were no declarations of interest.

4 2021/22 Quarter 2 Health, Safety and Wellbeing Performance

The Committee received a report of the Occupational Health and Safety Manager which provided an update on the council's Health, Safety and Wellbeing (HSW) performance for Quarter two 2021/22 (for copy see file of minutes).

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

- Incidents numbers;
- COVID 19 Health and Safety Update;
- Fire Incidents;
- HSE Inspections;
- Audit and Inspections;
- Employee Health and Wellbeing;

- Occupational Health Service;
- Management Referrals and Health Surveillance;
- COVID 19 Response;
- Open Water Safety;
- Potentially Violent Persons Register.

Mr Robinson referred to non-attendances at Occupational Health appointments following management referral and asked if there was anything the Committee could do to help address the issue. The Occupational Health and Safety Manager acknowledged the ongoing challenge which has intensified by Covid related factors. He advised that operational shortages in some areas were also a challenge with service pressures due to managers releasing staff to attend appointments. However, it was noted that it is a legislative requirement, and every case is followed up and action is taken by Occupation Health staff.

Resolved:

That the report be noted.

5 External Audit Progress Report

The Committee received a report of the External Auditor which provided a progress update (for copy see file of minutes).

Mr Collins, Mazars confirmed that the financial statement was signed off on 30 September 2021. He reported that no significant weaknesses were identified and that an update would be provided in relation to work with the National Audit Office around whole of government accounts when that was complete.

Mr Robinson referred to the Council's Transformation Programme and asked if it was possible for the Committee to receive an update on how value for money is measured across the authority. The Corporate Director of Resources confirmed that an update would be provided at a future meeting.

Mr Rudd noted the instances where declarations of interests had not been received and asked if any sanctions were imposed on Members for not providing the information. The Corporate Director of Resources advised that a number of non-returned forms were from Members that did not stand for re-election which was a contributing factor and it was noted that the process had been strengthened with support from Group Leaders. He added that declaring interests was a requirement of the Council's Constitution and there would be issues around participating in Council meetings which would be addressed by Legal and Democratic Services. He anticipated a full complement of pecuniary and non-pecuniary interest would be recorded and published on the Council's website next year.

The Corporate Director of Resources advised that 91% of Local Authorities failed to meet the statutory reporting deadline and thanked Mr Collins and his team for concluding Durham County Council's audit process within the deadline.

Resolved:

That the report be noted.

6 Decision to Opt-in to the National Scheme for Auditor Appointments managed by Public Sector Audit Appointments (PSAA)

The Committee considered a report of the Corporate Director of Resources which sought approval to accept the invitation from the Public Sector Audit Appointments (PSAA) to opt into the national sector-led arrangements for the appointment of external auditors with effect from 1 April 2023 (for copy see file of minutes).

In response to a query from Mr Rudd regarding the PSAA process, the Corporate Director of Resources advised that authorities who wish to participate in the scheme must register their interest by 11 March 2022. When appointing an auditor, the PSAA will match auditors that have the capacity to provide the service in a particular area and take into account the current auditor and rotate between authorities. A request will be made for PSAA to appoint the same auditor to undertake the audit of Durham County Council, the Combined Authority and Nexus to provide continuity.

Resolved:

That the report be agreed.

7 Local Code of Corporate Governance

The Committee considered a report of the Corporate Director of Resources, which sought the approval of the updated Local Code of Corporate Governance following an annual review (for copy see file of minutes).

Resolved:

That the report be approved.

8 Strategic Risk Management Progress Report for 2021/22 - Review 2: Period 1 June - 30 September 2021

The Committee considered a report of the Corporate Director of Resources which highlighted the strategic risks facing the Council and to give an insight into the work carried out by the Corporate Risk Management Group between June and September 2021 (for copy see file of minutes).

In response to queries from Mr Robinson regarding high-scoring risks for which the controls are considered adequate and how the Audit Committee consider external assurance reports from independent bodies, the Risk, Insurance and Governance Manager explained that he would link in with the responsible risk owners to confirm the adequacy of internal controls in place and would provide further detail to the committee as may be applicable. In relation to the assurance reports from independent bodies, the Interim Chief Internal Auditor and Corporate Fraud Manager advised that Audit capture the outputs from external reviews through the Council's Annual Governance Statement and added that he would look to see whether more detail could be included about these as they are reported to the Council in the Risk Management report.

Resolved:

That the report be agreed.

9 Annual Governance Statement for the year ended 31 March 2021: Actions Update

The Committee received a report of the Corporate Director of Resources which provided an update on the progress made in relation to the actions arising from the of the Annual Governance Statement (AGS) for 2021/22 (for copy see file of minutes).

Resolved:

That the report be noted.

10 Protecting the Public Purse - Update Activity Report as at 30 September 2021

The Committee received a report of the Interim Chief Internal Auditor and Corporate Fraud Manager which provided the update activity and informed Members of the work that has been carried out as at 30 September 2021 (for copy see file of minutes).

Mr Rudd referred to the referrals and fraud investigation figures and queried why in some instances there were no prosecution or sanctions enforced. The Fraud Manager explained that all reports of fraud were classified as criminal investigation in the first instance and evidence is gathered to determine whether it remains a criminal investigation or should be downgraded to a compliance issue or controls put in place to retrieve money, therefore not all cases result in prosecution. He added that more serious cases are referred to the police or colleagues in Legal Services and there were several ongoing cases that he anticipated would increase the number of prosecutions and sanctions, with a focus going forward on criminal workloads.

Resolved:

That the report be noted.

11 Internal Audit Progress Report Period Ending 30 September 2021

The Committee received a report of the Interim Chief Internal Auditor and Corporate Fraud Manager which provided information relating to the work that had been carried out by Internal Audit during the period 1 April 2021 to 30 September 2021 as part of the six- month Internal Audit Plan to September 2021 (for copy see file of minutes).

Referring to the audit table and the additional resources required, Councillor McGaun asked if there had been more audits required than expected. The Audit Manager advised there had been staffing issues and delivering the nature of the work remotely had been more time consuming which impacted the number of audits conducted than originally planned.

Mr Robinson congratulated the team on the new tender work for New College Durham. In relation to resources and the impact of remote working, he asked if the FTE equivalent should be increased to be able to deliver the level of service that would be required if remote working was to continue. The Interim Chief Internal Auditor and Corporate Fraud Manager advised that work was ongoing to identify how to best deliver services now staff are able to access establishments again. It was noted that a Senior Auditor position on a permanent and temporary basis and employing agency staff were being considered to help bridge the gap to deliver the plan and part time employees were being offered to increase hours temporarily.

The Corporate Director of Resources added that working from home has resulted in audits taking longer to complete. The new model in terms of delivery is a hybrid approach with a mix of people working from home and attending the office would improve efficiency. Establishments have re-opened allowing access to carry out audits and he did not anticipate an ongoing issue in the future.

Resolved:

That the report be noted.

12 Exclusion of the public

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 paragraphs 1,2,3 and 5 of Schedule 12A of the Act.

13 Protecting the Public Purse - Update Activity Report as at 30 September 2021

The Committee received a report of the Interim Chief Internal Auditor and Corporate Fraud Manager which provided an update on activity to 30 September 2021 (for copy see file of minutes).

Resolved:

That the report be noted.

14 Internal Audit Progress Report Period Ending 30 September 2021

The Committee received a report of the Interim Chief Internal Auditor and Corporate Fraud Manager which provided internal audit progress to 30 September 2021 (for copy see file of minutes).

The Corporate Director of Resources advised that progress had been made to reduce overdue figures which was raised regularly through Management Team meetings and assured the Committee that progress to reduce the figures further is a priority and monitoring each quarter would continue.

Resolved:

That the report be noted.

Report of Corporate Management Team

Report of Kevin Lough, Occupational Health and Safety Manager.

Electoral division(s) affected:

Countywide.

Purpose of the Report

1. To provide an update to Audit Committee on the council's Health, Safety and Wellbeing (HSW) performance for Quarter three 2020/21.

Executive summary

2. The government announced the COVID Autumn and winter plan and this resulted in further planning regarding return to workplaces and implementation of 'safer behaviours and actions' guidance. However, an increase in infection rates due to the emerging omicron variant during the quarter prevented this from being progressed. The government introduced Plan B was introduced which meant a work from home wherever possible restriction was reimplemented along with other national COVID controls.
3. The Council continued to provide a vaccination hub at county hall for vaccinations, including boosters, to be provided to health and social care staff from within the NHS and also Council services.
4. Risk assessments and safe working procedures were reviewed to reflect the various changes in government guidance and also to reinforce the Council own safe working procedures. Further assurance assessments of ventilation and Co2 levels in schools and non-schools settings were undertaken.
5. A number of schools in the county continued to experience COVID outbreaks during this quarter and these continued to be supported, managed and monitored by the Education oversight multi agency group.
6. There were two fire related incidents at Spennymoor Leisure Centre and Spennymoor Branch Library. There were no injuries and limited property damage and actions have been taken following investigations into these incidents.

7. There were three Fire and Rescue Service inspections of Council premises during quarter three. These were at the Empire Theatre, Prince Bishop's Community School and Windlestone School and outcomes were positive premises being broadly compliant with fire safety legislative standards.
8. There was a completion of the employee health and wellbeing engagement survey which was undertaken as part of the Better Health at Work award. Work was undertaken to analyse the results and report findings and recommendations to CMT and EMT at the beginning of 2022.
9. There was a positive outcome in relation to student induction week and planning which had taken place was successful in the delivery of a safe week for new and existing students within the city.
10. Arrangements were made with RoSPA to schedule the independent assessments of the new Milburngate development, wider city centre and the river corridor following previous assessments.

Recommendation(s)

11. That Audit Committee note and agree the contents of this report.

Health, Safety & Wellbeing Quarter 3 2021/22 in Numbers

379

Accidents, incidents
and near misses
reported
(271 in Q2 2021/22, 329
in Q1 2021/22, 229 in Q4
2020/21)



96%

Of all reported accidents are
either no injury or near miss



Main Accident/Incident Causes



0 RIDDOR
'specified' injury,
and 10 over 7 days
absence RIDDOR
injuries

162 statutory
Health
Surveillance
appointments
attended



39 psychological work-related
incidents in Q3 2021/22 (compared
to 36 in Q2 2021/22, 48 in Q1
2021/22, 16 in Q4 2020/21)

- Better Health at Work Maintaining Excellence Award status application submitted

2 fire
related
incidents

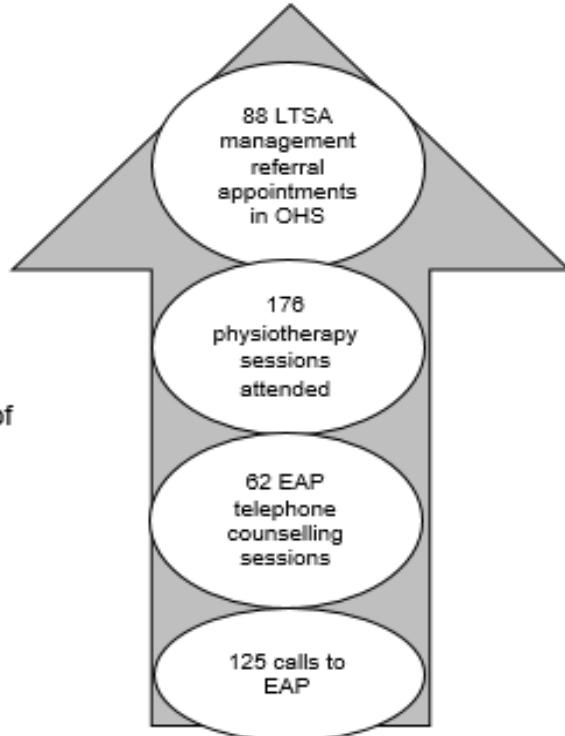


3 CDDFRS
inspections of
council
premises



127 H&S Safety
Audits and inspections of
DCC premises and
activities

0 Enforcement related actions or
advice from HSE/CDDFRS following
inspections and audit activity at various
DCC sites



Background

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

COVID 19 H&S Update

13. During Quarter three, the government announced the COVID Autumn and winter plan which was aimed at progression from previous COVID roadmap stages 1 to 4. This plan was aimed at sustaining the progress made and to prepare the country for future challenges, while ensuring the NHS did not come under unsustainable pressure.
14. The Government announced that this was to be achieved during autumn and winter by:
 - Building our defences through pharmaceutical interventions: vaccines, antivirals and disease modifying therapeutics.
 - Identifying and isolating positive cases to limit transmission: Test, Trace and Isolate.
 - Supporting the NHS and social care: managing pressures and recovering services.
 - Advising people on how to protect themselves and others: clear guidance and communications.
 - Pursuing an international approach: helping to vaccinate the world and managing risks at the border.
15. The autumn and winter plans were caveated with a number of variables including levels of vaccination; the extent to which immunity wanes over time; how quickly, and how widely social contact returns to pre-pandemic levels as schools return and offices reopen; and whether a new variant emerges which fundamentally changes the Government's assessment of the risks.
16. The Council commenced with further planning regarding return to workplaces following the completion of stage 4 of the COVID roadmap. These plans were based on the general government 'safer behaviours and actions' guidance which changed restrictions from mandated to personal choice in terms of restrictions such as social distancing and wearing of face coverings.
17. Despite progress with the return to workplaces planning, an increase in infection rates during the quarter prevented this from being implemented. A focus therefore remained on mandated restrictions in accordance with public health advice in relation to social distancing and use of face coverings within workplaces and vehicles.

18. During this quarter the government guidance changed in several key areas in relation to rules for self-isolation and those who were close contacts of positive COVID cases. There was also a campaign to increase vaccination uptake for those who had not had first or second doses and offering a first dose to 12–15-year-olds. Further guidance was issued in terms of offering booster doses to individuals who received vaccination in Phase 1 of the COVID-19 vaccination programme (priority groups 1-9).
19. The Council continued to provide a vaccination hub at county hall for vaccinations to be provided to health and social care staff from within the NHS and also Council services. This was supported by general public related comms at a local level regarding the importance of vaccination uptake ahead of the winter period when rates were expected to rise as in previous years.
20. The risk assessments and safe working procedures were reviewed to reflect the changes in government guidance and also to reinforce the Council own safe working procedures. Further assurance assessments of Co2 levels in Council workplaces were undertaken to ensure that the ventilation standards within buildings were suitable and sufficient in terms of guidance and preventing virus spread. Also within schools, via the department for education, access to Co2 monitors for educational settings was established and all schools within the County commenced with obtaining monitors, supported by user guidance and information.
21. A number of schools in the county continued to experience COVID outbreaks during this quarter and these continued to be supported, managed and monitored by the Education oversight multi agency group. It was positive to report that during this reporting period there were no other non-schools workplace related outbreaks to report.
22. During the reporting quarter there was a continuation of council and elected member related meetings and committees. Reviews were undertaken to ensure that meeting venues had adequate COVID safety arrangements to ensure that social distancing in particular could be maintained. Spennymoor leisure centre was again utilised for full council meetings in accordance with public health advice.

Management of Health and Safety Procedures

23. Between October and December 2021, reviews of various current H&S procedures have commenced and are in various stages of development. During the quarter reviews have commenced in relation to working at height, unknown and suspicious packages, infection control and immunisation, consultation with employees regarding health and safety matters, lone working procedures and confined spaces.

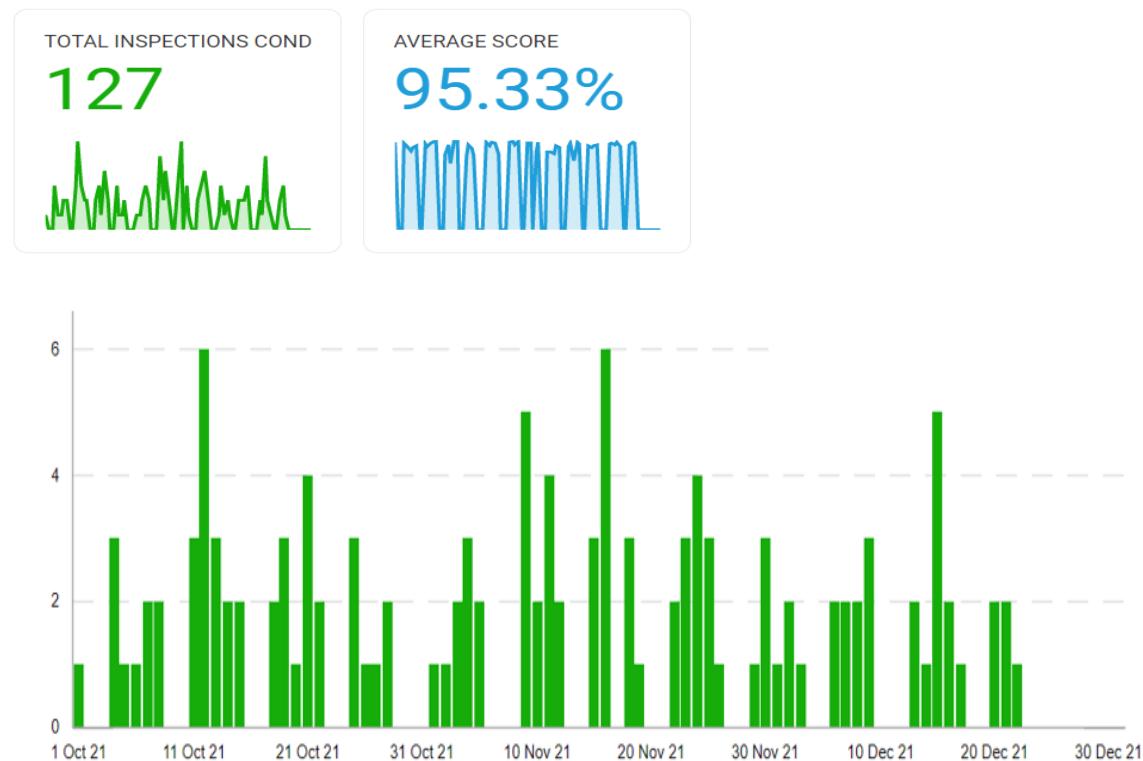
Consultation/Communication

24. 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 August 2021. The H&S team continue to undertake, on a priority basis, a range of joint audit and inspection programmes in conjunction with trade union H&S representatives, particularly within NACC and REG.
25. Following new guidance which was published by the Health and Safety Executive regarding welding operations, this has led to a project to revisit safe working procedures and risk assessments for areas of the Council undertaking welding activities. Following a series of employee risk awareness sessions provided by members of the H&S team, advisers and clinical staff from occupational health and safety have attended a number of work sites to undertake walkthrough surveys and information gathering. Biological monitoring is being arranged and engagement with an occupational hygienist has commenced to ascertain and evidence additional control measures that may be required in accordance with legislative requirements. A schedule of respiratory health surveillance for those employees identified by the risk assessment is also being arranged.

Audits and Inspections

26. There were a total of 127 audits and inspections undertaken by the H&S team during quarter 3.

Chart 1 – Audit and Inspection Activity for Quarter 3.



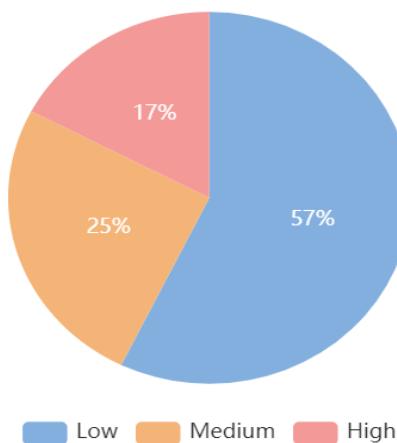
27. From the audits undertaken the following percentage compliance scores can be determined for each service area:

Table 1 Compliance scores

Audit and Inspection Area	Total Undertaken	Compliance Score %
DCC Fire Safety Audit	38	95.03
Civil Engineering and Construction Sites	23	85.56
CYPS - Schools Audit/COVID Audit	48	96.98
Culture and Sport	5	89.85
Refuse and Recycling	2	96.83
NACC Services/Depot	2	91.81

28. From the compliance scoring it must be noted that the majority of non-compliance related issues identified were low to medium low as per below chart 2.

Chart 2 Compliance Actions by Priority



Fire Incidents

29. There were two fire related incidents at Council premises or staffed premises or on-board Council vehicles during Quarter three, these were at
- Spennymoor Leisure Centre
 - Spennymoor Branch Library

Spennymoor Leisure Centre

30. It was reported that at approximately 15:30 on 19 December a member of poolside staff walked into the changing area and could smell smoke. They walked through the plant room and upon exiting the building observed a fire to her right at the end of the building. When they went to investigate an Asda worker was in attendance and was extinguishing the fire with a fire

extinguisher. Shortly afterwards two Police Community Support Officers attended, and they were requested to make this area part of their patrols.

31. The subsequent investigation into the incident identified that youths had used kindling and hand gel for fuel which is believed to have been stolen from the nearby Aldi supermarket and then set fire to it which fortunately did not spread. The prompt action by the Asda employee who observed the fire, extinguished it using a fire dry powder fire extinguisher.
32. As a result of this incident and other incidents of anti-social behaviour within the vicinity contact was made with the Arson reduction team at the Fire service and the crews at Spennymoor fire station were also made aware of the incident. In addition, the Police and Neighbourhood wardens are patrolling the area and nearby known anti-social hotspots. Leisure centre staff have also been informed to ring the fire service if any more deliberate fires are set.

Spennymoor branch library

33. It was reported that at approximately 13:05 on Friday 21 December 2021 a member of the public informed the staff needed to call the fire service as the bin was on fire. He had seen some teenagers put what appeared to be a lit cigarette in the recycle bin. The fire service were immediately called but while waiting the delivery driver came and tipped out the contents of the bin and stamped out the fire. The fire service then arrived and confirmed that the fire was all out and poured some water in the bin to make sure it was extinguished. The police were also informed of the incident.
34. The bins have been kept in an alcove that contains the entrance to the boiler house and the rear fire escape from the back office for several years. When the library is closed the roller shutter is lowered to increase security and access to the bins is prevented. However, when the single storey premises are occupied the roller shutter is required to be in the open position as the rear means of escape exits through the alcove. It is not known if the youth who placed the cigarette in the recycle bin intended to start a fire however there has been an increase in anti-social behaviour in Spennymoor Town Centre with a deliberate fire occurring to the rear of the Leisure Centre as reported above.
35. Staff have been encouraged to contact the police if youths are seen congregating in the library vicinity and are looking at an alternative storage area for the bins when the library is open.

Fire Inspections – County Durham and Darlington Fire and Rescue Service

36. There were three Fire and Rescue Service inspections of Council premises during Quarter three. These were at the Empire Theatre, Prince Bishop's Community School and Windlestone School. The outcome of the inspections were that all the premises were deemed to be broadly compliant with fire safety legislation.

Open Water Safety

37. The City Safety Group and county wide Open Water Safety Group both met during the reporting period. Both groups were supported by multi agency attendance and reviewed plans for risk assessment and controls for open water across the county, including the city centre.
38. The City Safety Group made progress against its action plan. There was a positive outcome in relation to student induction week and planning which had taken place was successful in the delivery of a safe week for new and existing students within the city.
39. Arrangements were made with RoSPA to schedule the independent assessments of the new Milburngate development, wider city centre and the river corridor following previous assessments in 2015 and 2018. These assessments were completed in December 2021 and subsequent reports will be provided to the City Safety Group in early 2022 for consideration.
40. The County wide open water safety group also met during Quarter 3 to review work undertaken across the County in 2021 and plan for future activities and interventions. It was positive to note that all higher risk and priority locations had been revisited and reassessed during 2021 and assurance provided that safety controls measures are in place in accordance with national guidance and best practice.
41. A meeting was convened at the request of local councillors and residents group leaders in relation to Chester-Le-Street riverside complex. This was aimed at reviewing safety control measures following an incident in August 2021. The outcomes of previous water safety related assessments were shared with the attendees and further opportunities for improvement were discussed with several actions taken forward in relation to lost and found children and educational and awareness activities within the Chester-Le-Street area, particularly within schools.

Employee Health and Wellbeing

42. The employee better health at work group met again during this quarter and identified ongoing interventions and communications which were again aimed at raising awareness of support and interventions available and ensuring employees were able to access this where required.

43. There was the completion of the employee health and wellbeing engagement survey which was undertaken as part of the Better Health at Work award. Work was undertaken to analyse the results and report findings and recommendations to CMT and EMT at the beginning of 2022.
44. There was further promotion of the employee wellbeing portal and employee assistance programme during this quarter to continue to ensure that all employees were aware of support available during the ongoing pandemic.
45. Occupational Health Service (OHS) also continued to deliver employee related management referral services during the quarter and supported employees and their managers during the process. A full breakdown of occupational health triage and testing is detailed in the supporting OHS Quarter three report.
46. OHS delivered the employee related winter flu vaccination programme and provided in house clinical support to deliver a series of onsite clinics throughout the Councils workplaces.

Occupational Health Service

47. During Quarter 3, 284 employees participated in clinical consultations with the OHS, following management referral in relation to Long Term Sickness Absence (LTSA), Short Term Sickness Absence (STSA), Management Concerns (Man Con) Reviews, and Re referral appointments, Long Term Sickness Absence/Short Term Sickness Absence (LTSA/STSA) and Covid. The number of referrals in Q3 this year has risen from the Q3, 2020/21, an increase of 56 referrals which represents a 25% increase.

Chart 1

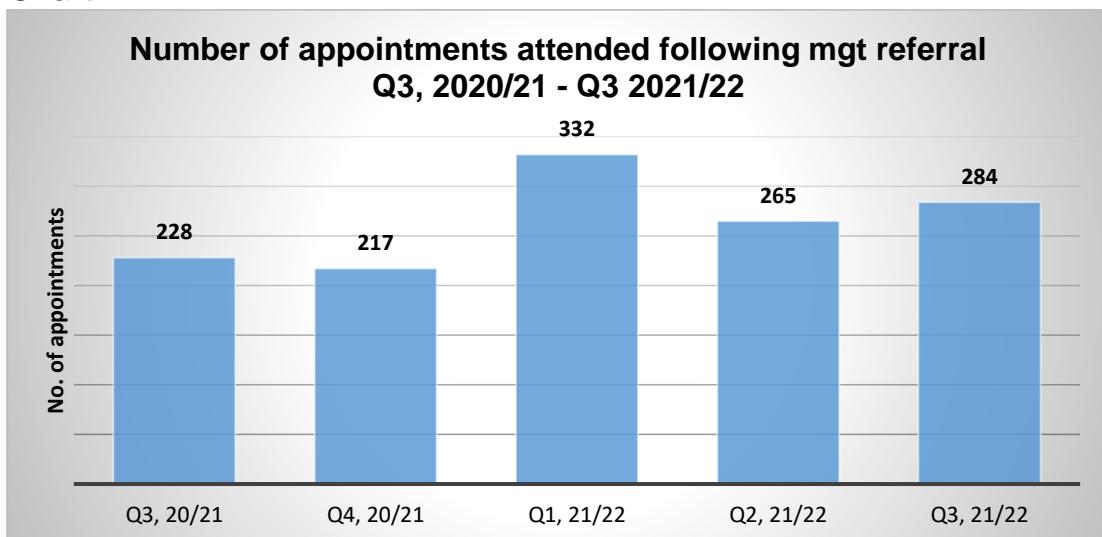
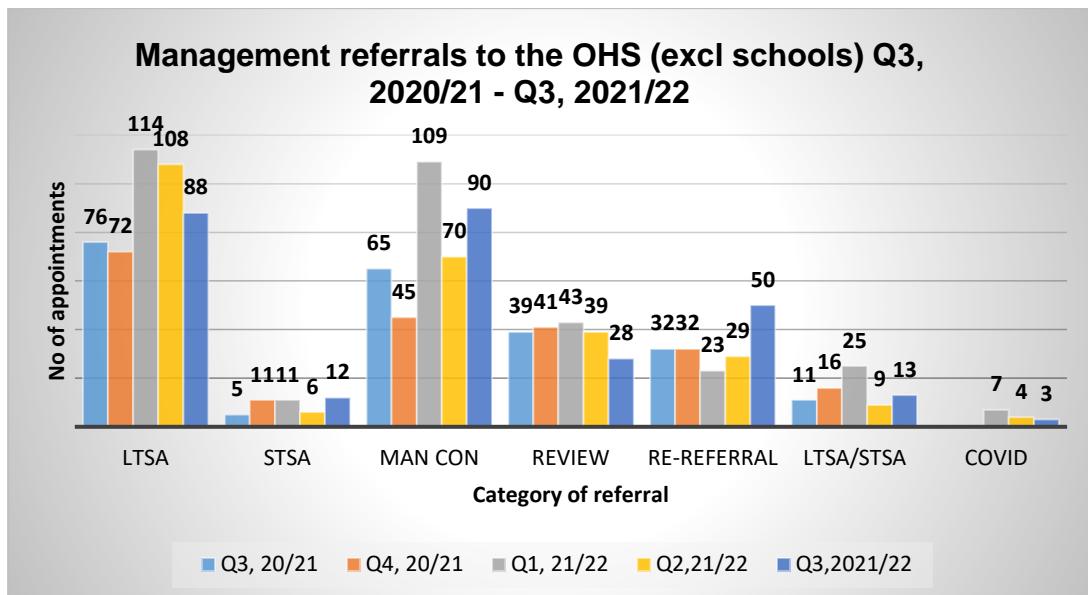


Chart 2 shows the categorisation of management referral appointments attended.

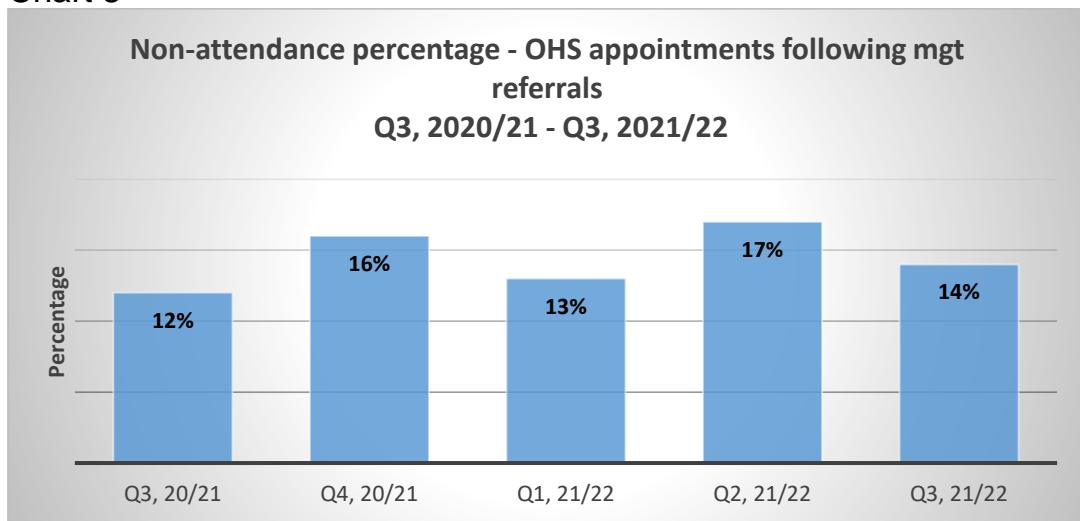
Chart 2



Management Referrals - Non Attendance

48. During Q3, 46 employees did not attend their allocated appointment following management referral. This represents a 14% non-attendance rate. See Chart 3

Chart 3



Management Referrals – Employee Attribution

49. During Quarter 3, 88 employees were seen for LTSA of which 23% (n=20) stated to the OHS that they consider the underlying cause to be due to work related factors. Of the employees, 85% (n=17) identified this was due to 'psychological' reasons, 10% (n=2) identified as 'musculoskeletal' and 5% (n=1) identified as other.

See Charts 4 & 7

Chart 6 shows the cause of absence categories for non-work related LTSA seen in the OHS, 24% (n=16) were due to psychological reasons; 32% (n=22) were due to musculoskeletal problems; 1% (n=1) was due to respiratory problems and 43% (n=29) was due to other.

Chart 4

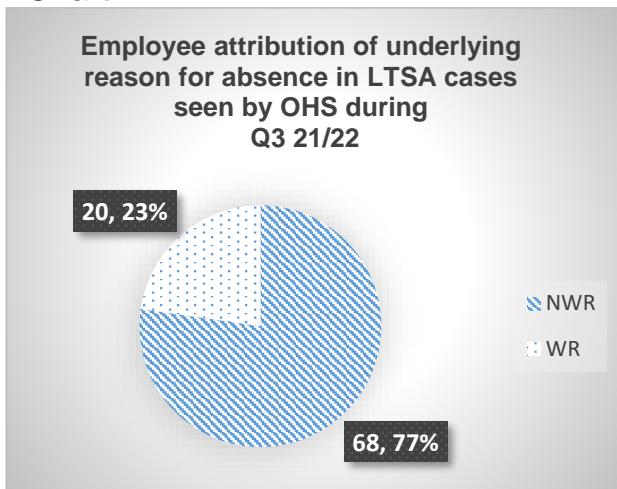


Chart 5

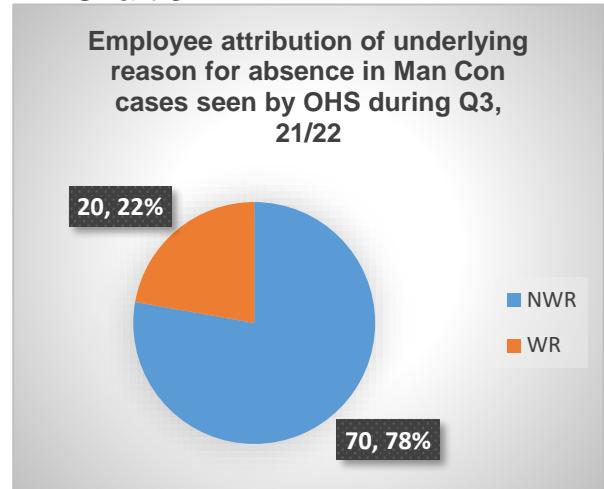


Chart 6

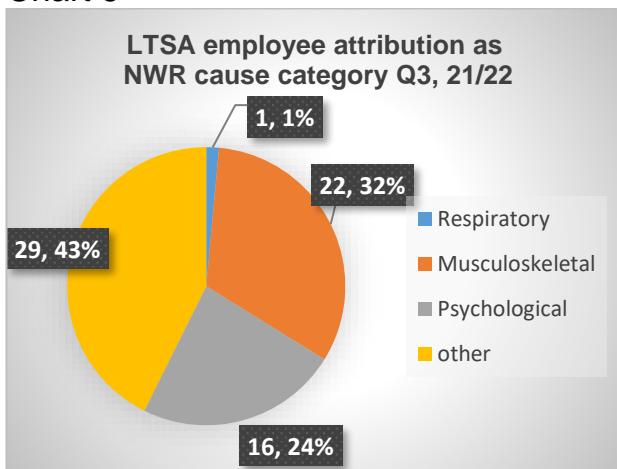
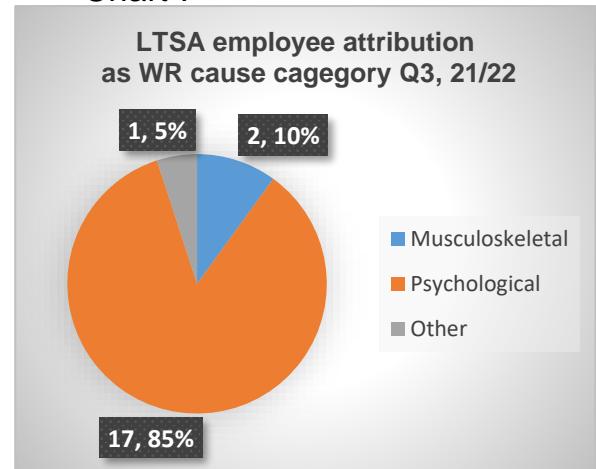


Chart 7



Support Services

50. During Quarter 3, the OHS provided the following additional support services. See Table 1.

Table 1

Additional Support services accessed via the OHS	A&H S	CYP S	NCC	REG	Res	CM	Service not detailed	Q3 21/2 2	Q2 21/2 2	Q1 21/2 2	Q4 20/2 1	Q3 20/2 1
	Total	Total	Total	Total	Total	Total		Total	Total	Total	Total	Total
Number of routine physiotherapy referrals	13	14	12	14	6	0	-	59	46	37	40	21
Number of routine physiotherapy sessions	32	22	55	43	24	0	-	176	126	121	111	109
Number of 'face to face' counselling referrals	0	0	0	0	0	0	-	0	1	1	0	0
Number of 'face to face' counselling sessions	0	0	0	0	0	0	-	0	5	0	0	0
Total number of calls to the EAP	19	57	6	2	13	0	28	125	114	144	128	135
Telephone EAP structured counselling cases	8	32	6	1	19	0	11	77	15	22	18	11
Telephone EAP structured counselling sessions	12	30	5	1	5	0	9	62	29	90	50	52

Physiotherapy

51. Routine physiotherapy clinics now operate two days per week in the OHS at Annand House under contract with the OHS, the clinics are a combination of telephone assessments and face to face physiotherapy appointments, should following the physiotherapy initial assessment by telephone the physiotherapist deem this to be clinically required. The physiotherapist has also carried out a workplace assessment to assist with the individual risk assessment for an employee.

52. Q3 data provided by the contracted service has identified that 40% of the referrals for physiotherapy were related to work, it was also reported that 7 of the referrals were reported by the employee to be following a work accident. Going forward further information on any referrals relating to work accidents is to be collated and if any ‘hotspot’ areas are identified, targeted advice sessions for employees by the physiotherapist can be facilitated.

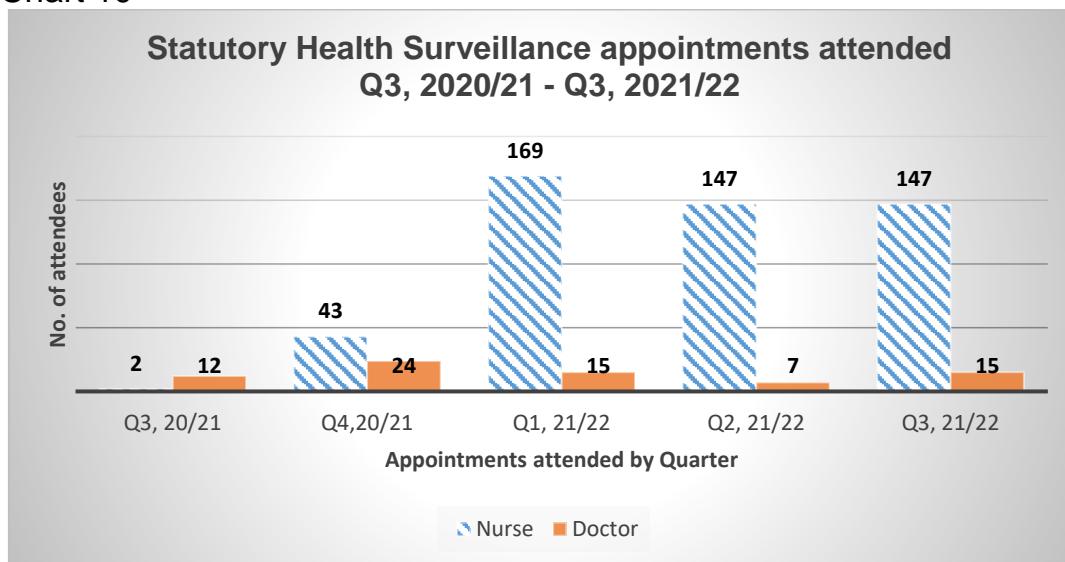
Health Surveillance

53. During the pandemic the Occupational Health Service (OHS) has continued to provide Statutory Health Surveillance programmes to employees in line with the guidelines issued by the HSE in relation to health surveillance. The HSE advice was reviewed on 31st December 2021 and remains as follows:

Health surveillance, safety critical medicals and coronavirus (COVID-19) Guidance for occupational health providers and appointed doctors

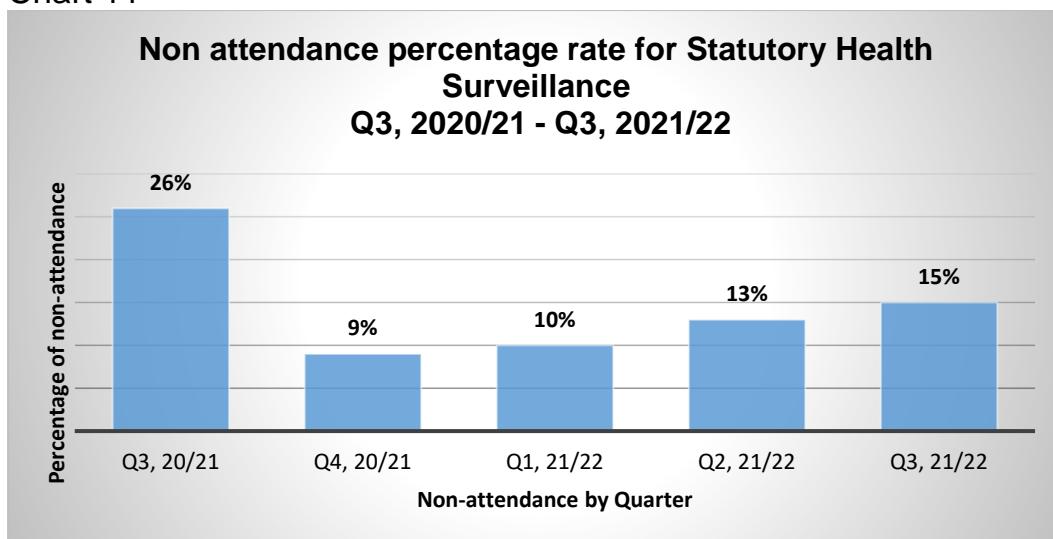
54. *Previous guidance allowed deferral of some medicals subject to a satisfactory remote assessment. However, for any medicals due after 1 September 2021, occupational health providers should have returned to following detailed HSE guidance on health surveillance for the relevant regulations. Face to face assessments for health surveillance and safety critical medicals should be subject to a suitable and sufficient risk assessment and continue to follow the relevant UK government guidance on working safely.*
55. The OHS is carrying out face to face routine audiology, in line with the HSE advice above with an appropriate risk assessment in place. During Quarter 3, a total of 162 employees attended OHS appointments for routine statutory health surveillance, 147 with an Occupational Health Nurse and 15 with the Senior Occupational Health Physician.

Chart 10



56. During Quarter 3, 15% (n=29) employees failed to attend their appointment with the OHS in relation to statutory health surveillance. See Chart 11.

Chart 11



Welding

57. New guidance was published by the Health and Safety Executive in February 2020 regarding welding operations, this has led to a DCC Health and Safety Service driven project to revisit risk assessments for areas of the Council undertaking welding activities. The OHS have attended visits to a number of work sites to undertake walkthrough surveys, with a Health and Safety Officer. Biological monitoring is being arranged and a schedule of respiratory health surveillance for those employees identified by the risk assessment is to be arranged.

Immunisation

58. During Q3 the OHS have continued to provide Hepatitis B immunisation to employees whose job role has been identified via risk assessment as requiring an offer of Hepatitis B immunisation, administering a total of 8 vaccines.
59. During Q3 there were 2 inoculation incidents, one human bite and one needlestick injury. Appropriate action was taken to support the employees involved including immunisation, follow up blood tests, advice and signposting to the EAP.
60. The Occupational Health Service delivered onsite flu vaccinations to employees who routinely provide up close and personal care to clients who are at risk of the complications of flu and provided additional clinics in the OHS, administering 415 flu vaccines during Q3.

Covid response

61. During the restrictions in place due to the coronavirus outbreak the OHS have continued to provide Occupational Health provision to DCC and external contracts. This has been done remotely when possible and in line with guidance from the HSE, DVLA, Faculty of Occupational Medicine and the NHS.
62. The OHS have continued to provide advice to managers via management referral specifically relating to employees with health conditions and working during the covid pandemic, returning to the workplace and those who continue to suffer the effects of having covid. The OHS have continued to provide advice to managers and employees via email and telephone on a variety of covid related matters.

Violence and Aggression – Potentially Violent Persons Register (PVPR)

63. At the close of Quarter three 2021/22, there were live entries on the PVPR register. The 12 month rolling figures for PVPR live entries are as follows:

Year	Quarter	PVPR live entries
2020/21	4	63
2021/22	1	55
2021/22	2	47
2021/22	3	66
Number of Live Records		66
Number of Additions		30
Number of Removals		11
Number of Warning Letters Sent		12
Number of PVPR Appeals		1

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

- CYPs - 38 viewed 43 times
- AHS - 89 viewed 543 times
- N&CC 54 viewed 80 times
- REG 98 viewed 162 times
- RES 12 viewed 589 times
- Members 6 viewed 11 times

65. The below tables detail the corporate risk that may have an impact on Health and Safety at the end of January 2022.

Health and Safety Related Strategic Risks

Ref	Service	Risk	Treatment
1	AHS	Failure/inability to respond to and recover from the COVID-19 pandemic, leading to delayed economic recovery and adverse impacts on employee resilience and the health and wellbeing of the wider community.	Treat
2	CYPS	Failure to protect a child from death or serious harm (where service failure is a factor or issue).	Treat
3	REG	Serious injury or loss of life due to Safeguarding failure (Transport Service)	The current controls are considered adequate.
4	AHS	Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).	Treat
5	NCC	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.	Treat
6	RES	Serious breach of Health and Safety Legislation	The current controls are considered adequate.
7	REG	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 .	Treat
8	RES	Potential violence and aggression towards members and employees from members of the public	The current controls are considered adequate.
9	NCC	Demand pressures on the Community Protection inspections and interventions arising from the COVID-19 pandemic and the UK exit from the EU may lead to an adverse impact on public health and safety in Co Durham.	Treat

Statistical Information

66. 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

67. 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

68. 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

69. 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

70. The move towards the governments autumn and winter plan was a sign of a further progression out of COVID restrictions. This progress was however halted by the emerging omicron variant and the Council reacted swiftly once again to ensure that transmission risks remained controlled in accordance with new guidance. Workplace safety procedures and risk assessments were also reviewed and revised to enable the Council to be compliant with guidance.
71. Whilst concerning to see infection rates still being prevalent in schools, it was again positive to note that cases associated with Council workplaces remained extremely low and predominantly thought to be because of community transmission. The COVID educational oversight group remained effective in controlling outbreak situations within schools and proactively dealing with pre-outbreak support and guidance.

72. The H&S team undertook an increased number of risk-based audits and inspections compared to previous quarters and reflective of activities continuing to return to business as usual.
73. Resumption of services and activities inevitably meant that accidents and incidents have steadily started to increase in 2021/22 with 397 being recorded in quarter three, compared to an average of 300 for the first two quarters. It was positive to report that no RIDDOR specified injuries for this quarter.
74. The council has continued to be proactive in its approach to mental health and wellbeing. Completion of the employee health and wellbeing survey during this quarters enables further insight and intelligence which will be acted upon in 2022.

Other useful documents

75. Occupational Health Quarter three 2020/21 Report
76. Health, Safety and Wellbeing statistical Quarter three 2020/21 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

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Audit Committee

28 February 2022



**Changes to the Code of Practice for
Local Authority Accounting in the UK
for 2021/22**

Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

None

Purpose of the Report

- 1 This report provides the Audit Committee with a summary of the key accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK (the Code). These changes apply to the 2021/22 Statement of Accounts.

Executive summary

- 2 In preparing the annual Statement of Accounts we closely follow CIPFA's Code of Practice for Local Authority Accounting in the UK, which is based upon approved accounting standards.
- 3 The 2021/22 Statement of Accounts will be prepared in accordance with the CIPFA Code 2021/22.
- 4 On 3 February 2022, CIPFA/LASAAC issued an exceptional consultation on time limited changes to the 2021/22 and 2022/23 Codes to help alleviate delays to the publication of audited financial statements. This includes an adaptation to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years.
- 5 At this stage, it appears unlikely that the proposals will have a significant impact on the preparation of the 2021/22 accounts.

- 6 The consultation closes on 3 March 2022. Until the outcome is known, we will continue to prepare for the accounts on the basis of the 2021/22 Code as it currently stands.
- 7 The key accounting changes to the Code from 2020/21 to 2021/22 are outlined in Appendix 2, detailing their relevance and applicability to the council.

Recommendation

- 8 Members are asked to note the changes detailed in the report and in Appendix 2, which will be taken into account in the preparation of the 2021/22 statements.

Background

- 9 This report is presented to the Audit Committee 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'.
- 10 In preparing the annual Statement of Accounts we closely follow CIPFA's Code of Practice for Local Authority Accounting in the UK (the Code), which is based upon approved accounting standards.
- 11 The Code is based on International Financial Reporting Standards (IFRS) and has been developed by the joint CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board. It is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.
- 12 The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. The latest edition of the Code applies for accounting periods commencing on or after 1 April 2021. It supersedes the 2020/21 Code.
- 13 In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.
- 14 In December 2021, proposed measures were announced by Government to support the timely completion of local government audits and the ongoing stability of the local audit market. The proposals include:
 - (i) extending the published/audited deadline to 30 November 2022 for the 2021/22 accounts, then reverting to 30 September for five years until 2027/28.
 - (ii) providing councils with £45m additional funding over the course of the next Spending Review period to support with the costs of strengthening their financial reporting and increased auditing requirements;
 - (iii) strengthening training and qualifications options for local auditors and audit committee members;

- (iv) reviewing whether certain accounting and audit requirements could be reduced on a temporary basis, where these are of lesser risk to councils.
- 15 The CIPFA/LASAAC Code Board, overseen by the Financial Reporting Advisory Board, is in a position to issue mid-year updates to the Code in exceptional circumstances. On 3 February 2022, in response to the proposed measures announced by Government in December 2021, the Code Board issued an exceptional consultation on time limited changes to the 2021/22 and 2022/23 Codes to help alleviate delays to the publication of audited financial statements.
- 16 The consultation runs until 3 March 2022 and explores the following temporary changes:
- (i) an adaptation to the Code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation; and
 - (ii) deferring the implementation of IFRS 16 (leases) for a further year and reversing the planned changes to the 2022/23 Code to implement that standard.

Main implications

- 17 The council's 2021/22 valuation programme is already substantially complete; therefore the changes being explored as part of the CIPFA/LASAAC consultation are unlikely to have a significant effect on the workload for the 2021/22 Statement of Accounts and may be of more benefit on the 2022/23 workload. Work on IFRS 16 (leases) is also fairly advanced, and all work undertaken to date would have been necessary even if implementation of this standard is delayed.
- 18 Until the outcome of the consultation is known, we will continue to prepare for the accounts on the basis of the 2021/22 Code as it currently stands.
- 19 Appendix 2 provides a summary of the key accounting changes to the Code and their relevance to the council in preparing its Statement of Accounts for the year ended 31 March 2022.

Other useful documents

- Audit Committee, 30 September 2021 – Statement of Accounts for the Year Ended 31 March 2021
- [Measures to improve local audit delays - GOV.UK \(www.gov.uk\)](#), published 16 December 2021
- [Emergency update of the 2021/22 and 2022/23 codes | CIPFA](#), published 3 February 2022

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

There are no direct financial implications arising for the council as a result of this report, although by implementing the changes in the Code in our financial reporting we are demonstrating efficient arrangements for the proper administration of the council's financial affairs.

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: Changes to the Code of Practice for Local Authority Accounting in the UK for 2021/22

The table below provides a summary of the key accounting changes in the 2021/22 CIPFA Code and their applicability to Durham County Council. Note, this does not contain the emergency proposals that are still subject to consultation at the time of this report.

	Change	Relevant to Durham County Council?
1	Confirmation that the Code will be based on UK endorsed accounting standards following the United Kingdom's withdrawal from the European Union.	Yes
2	Confirmation of the accounting arrangements for the Dedicated Schools Grant as a consequence of the issue of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020. This was legislation that came into force in for 2020/21, but after the 2020/21 Code was issued.	Yes
3	Confirmation in Section 3.3 (Accounting Policies, Changes in Accounting Estimates and Errors) of the treatment of new standards that have been issued but not yet adopted.	Yes
4	Confirmation of the new standards introduced in the 2021/22 Code, and of the transitional reporting requirements for them: <ul style="list-style-type: none">• Definition of a Business: Amendments to IFRS 3• Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)• Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Yes
5	Augmentations to Section 3.4 (Presentation of Financial Statements) for the reporting of estimation uncertainty: <ul style="list-style-type: none">• focus on estimates where there is the greatest potential for material adjustments• disclosures to help the understanding of users of the accounts	Yes

	Change	Relevant to Durham County Council?
6	Confirmation in Sections 7.2 (Subsequent Measurement of Financial Assets and Financial Liabilities) and 7.3 (Financial Instruments – Disclosure and Presentation Requirements) of the reporting requirements of interest rate benchmark reform – that is, the change from the London Inter-Bank Offered Rate (LIBOR) to the Sterling Overnight Index Average (SONIA).	Yes

Audit Committee

28 February 2022



Agreement of Accounting Policies for Application in the 2021/22 Financial Statements

Ordinary Decision

Paul Darby, 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 2021/22 Statement of Accounts and to seek confirmation from the Audit Committee that appropriate policies are being applied.

Executive summary

- 2 The accounting policies applied in the preparation of the 2020/21 Statement of Accounts remain appropriate for the preparation of 2021/22 Statement of Accounts. The CIPFA Code changes for 2021/22 are considered minor and there are no accounting policies which require amendment as a result of changes in the Code.
- 3 As highlighted in the Accounting Code changes report, included in today's agenda, CIPFA/LASAAC issued an exceptional consultation on 3 February 2022 on time limited changes to the 2021/22 and 2022/23, including an adaptation to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years.
- 4 Until the outcome of the consultation is known, we will continue to prepare for the accounts on the basis of the 2021/22 Code as it currently stands. We will review policies at that stage and propose amendments, if relevant.

5 The full list of accounting policies the council proposes to disclose in its Statement of Accounts notes are detailed in Appendix 2.

Recommendation

6 The Committee is recommended to:

- (a) review the accounting policies outlined in Appendix 2;
- (b) approve their use in the preparation of the 2021/22 financial statements;
- (c) authorise the Corporate Director of Resources to review the accounting policies as necessary and report any changes to the Audit Committee.

Background

- 7 In preparing the annual Statement of Accounts we closely follow CIPFA's Code of Practice for Local Authority Accounting in the UK (the Code), which is based upon approved accounting standards.
- 8 The Code is based on International Financial Reporting Standards (IFRS) and has been developed by the joint CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board. It is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.
- 9 The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. The latest edition of the Code applies for accounting periods commencing on or after 1 April 2021. It supersedes the 2020/21 Code.
- 10 In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.
- 11 The CIPFA/LASAAC Code Board, overseen by the Financial Reporting Advisory Board, is in a position to issue mid-year updates to the Code. This will only be done in exceptional circumstances.
- 12 As highlighted in the Accounting Code changes report, included in today's agenda, CIPFA/LASAAC issued an exceptional consultation on 3 February 2022 on time limited changes to the 2021/22 and 2022/23, including an adaptation to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years.
- 13 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.
- 14 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".
- 15 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.

- 16 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

- 17 The proposed accounting policies are in line with those used in the preparation of the 2020/21 accounts.
- 18 The CIPFA code changes for 2021/22 are minor, and there are no accounting policies which require amendment.
- 19 At this stage, it appears unlikely that CIPFA's emergency proposals will have a significant impact on the preparation of the 2021/22 accounts and, until the outcome of the consultation is known, we will continue to prepare for the accounts on the basis of the 2021/22 Code as it currently stands. We will review policies at that stage and propose amendments, if relevant.
- 20 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 25 February 2021 - Agreement of Accounting Policies for Application in the 2020/21 Financial Statements
- Audit Committee 30 September 2021 – Statement of Accounts for the Year Ended 31 March 2021

Contact: Anita Hawkins

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Beverley White

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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 2021/22.

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 2021/22

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			✓	✓
1.15.	Interests in Companies and Other Entities			✓	✓

Accounting Policy		New policy	Amended policy	No change	In line with Code
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			✓	✓

1. Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the council's financial performance for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22 (the Code), 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. Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the accounts are prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption that the financial statements shall be prepared on a going concern basis of accounting.

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 Other Comprehensive Income (FVOCI)

The council treats assets as fair value through other comprehensive income when they are held for strategic economic development purposes rather than

trading. This protects council taxpayers from movements in the value of shareholdings until such times as the shares are sold or released.

At initial recognition, an authority may make an irrevocable election to present in other comprehensive income and expenditure subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. The council has chosen to apply this policy to all such equity instruments that it holds, to designate them as assets held at fair value through other comprehensive income.

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 2021/22 (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.

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 2021/22 were either carried out by council staff or by suitably qualified external consultants. In addition to this rolling programme, assets which have been subject to potentially material change as a result of transactions or market conditions 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.

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. The value of capital 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.

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.

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

28 February 2022



**Final Accounts Timetable for the year
ended 31 March 2022**

Paul Darby, Corporate Director of Resources

Electoral division(s) affected:

None

Purpose of the Report

- 1 This report provides Members with information regarding the Final Accounts timetable for 2021/22. 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 2021/22 by no later than 31 July 2022.
- 3 It is the responsibility of the Audit Committee to approve the final, or audited, set of accounts on or before 30 November 2022 (date subject to consultation and legislation).
- 4 The final accounts timetable is the means of communicating and gaining ownership of the deadlines for completing tasks by all those involved in the closure of accounts process and serves as a tool for monitoring progress against those target dates.

Recommendation

- 5 Members are asked to note the key dates in the Final Accounts timetable for 2021/22 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 (Amendment) Regulations 2021 extended the statutory deadlines for 2020/21 and 2021/22, as follows:
 - (i) the responsible financial officer, by no later than 31 July (previously 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.
 - (ii) on or before 30 September (previously 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.
- 7 As highlighted in the Accounting Code changes report, included in today's agenda, in December 2021, proposed measures were announced by Government to support the timely completion of local government audits and the ongoing stability of the local audit market. The proposals include extending the published/audited deadline to 30 November 2022 for the 2021/22 accounts, then reverting to 30 September for five years until 2027/28. The draft accounts deadline is proposed to remain at 31 May, although for 2021/22 this is overridden by the Amendment Regulations outlined above, i.e. 31 July 2022.
- 8 For 2020/21, the council's accounts for were certified on 18 June 2021, so well within the revised deadline. The accounts were approved by Audit Committee on 30 September 2021.

Main implications

- 9 The Final Accounts timetable is a tool for the effective management and monitoring of the process of closing the accounts.
- 10 Each year the timetable is compiled by officers within the central Strategic Finance Team, with input from officers across the council 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 – in our case the Corporate Director of Resources) by the statutory deadline.

- 11 In preparing the closedown timetable new and amended processes are considered for the impact on the achievement of dates, as well as reference to any learning from the previous year, particularly where there were problems or issues in meeting of deadlines.
 - 12 Although the statutory deadline has been extended, the timetable is based on a similar target to 2020/21 for the unaudited draft accounts to be completed by late May/early June.
 - 13 Officers in the Strategic Finance Team closely monitor the achievement of the dates in the timetable throughout the final accounts period, sending prompts in advance of upcoming deadlines and following up any delays and missed deadlines. This helps to ensure that the overall timetable is achieved, and to identify improvements that can be made to the next year end process.
 - 14 Meetings are also held to ensure that practitioners apply accounting procedures consistently; best practice is shared; there is a shared understanding of all interdependencies across the closedown period and that any difficulties or delays being encountered are escalated. The meetings also act as forum for disseminating updated information quickly and consistently and a conduit to ensuring that any external audit queries are quickly addressed.
 - 15 The key dates included in the detailed Final Accounts timetable are attached at Appendix 2 for information.

Other useful documents

- Audit Committee 30 September 2021 – Statement of Accounts for the Year Ended 31 March 2021

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

Appendix 1: Implications

Legal Implications

The Accounts and Audit (Amendment) Regulations 2021 require that the responsible financial officer, by no later than 31 July, 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. Subject to consultation and secondary legislation, the audited accounts must be approved by Audit Committee by 30 November 2022.

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	Original Timetabled date 2020/21	Proposed completion date 2021/22
Circulation of Related Party declarations for completion by Members and Senior Officers	Resources – Democratic Services	Mon 1 Mar 2021	Mon 1 Mar 2022
Details of Related Party declarations for Members and Senior Officers to be returned to Democratic Services	Members / Senior Officers	Mon 15 Mar 2021	Tue 15 Mar 2022
Final postings by Benefits section	Finance & Transactional Services - Income & Support	Wed 31 Mar 2021	Thu 31 Mar 2022
Last creditors paysheet for the financial year	Finance & Transactional Services - Payments & Expenditure	Wed 31 Mar 2021	Thu 31 Mar 2022
All stock checks completed at 31 March	Services	Wed 31 Mar 2021	Thu 31 Mar 2022
All cash posted up to and including 31 March	Finance & Transactional Services - Income & Support	Thu 1 Apr 2021	Fri 1 Apr 2022
Last monthly salaries and wages information for the financial year processed into ledger	Payroll / Strategic Finance	Thu 1 Apr 2021	Fri 1 Apr 2022
All bank reconciliations to 31 March completed	Strategic Finance	Mon 19 Apr 2021	Tue 19 Apr 2022

Task	Responsibility	Original Timetabled date 2020/21	Proposed completion date 2021/22
Service ledgers finalised and final reports produced and net revenue outturn for each service grouping notified to Strategic Finance	Finance & Transactional Services / Strategic Finance	Tue 27 Apr 2021	Wed 27 Apr 2022
Chief Financial Officer to sign the Statement of Accounts	Strategic Finance / Corporate Director of Resources	Fri 28 May 2021	Tue 31 May 2022
Start of Inspection Period (provisional)	Strategic Finance	Tue 1 Jun 2021	Wed 15 Jun 2022
Start of Statement of Accounts audit (provisional)	External Audit	Tue 1 Jun 2021	Fri 1 Jul 2022
Cabinet – Overall Outturn Report considered (provisional)	Strategic Finance	Wed 7 Jul 2021	Wed 6 Jul 2022
End of Inspection Period (provisional)	Strategic Finance	Mon 12 Jul 2021	Tue 26 Jul 2022
Unaudited Whole of Government Accounts (WGA) return to External Audit and HM Treasury (provisional)	Strategic Finance	Fri 11 Jun 2021	Mon 15 Aug 2022
Audit Committee meeting – approval of Statement of Accounts (provisional)	Strategic Finance	Thu 30 Sep 2021	Fri 30 Sep 2022
Publication of Accounts (provisional)	Strategic Finance	Thu 30 Sep 2021	Fri 30 Sep 2022
Audited WGA return to HM Treasury (provisional)	Strategic Finance	Mon 4 Oct 2021	Fri 2 Dec 2022

Audit Progress Report

Durham County Council and Durham
County Council Pension Fund

February 2022



1. Audit progress
2. National publications

01

Section 01: **Audit progress**

Audit progress

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Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent national reports and publications.

2020/21 audit

As members of the Audit Committee will recall, we presented our Audit Completion Report for 2020/21 to the meeting on 30 September 2021.

Our report explained that our value for money work was not completed and the latest guidance from National Audit Office (NAO) allowed auditors to report the results of their value for money work in a new Auditor's Annual Report, within three months of giving the opinion on the financial statements. We completed this work and our Auditor's Annual Report was reported to the November 2021 Audit Committee meeting. No significant weaknesses in arrangements were identified and there are no recommendations arising from our work.

As explained in our Auditor's Annual Report we have not yet issued the Audit Certificate for 2020/21, which formally closes the audit, as our work on Whole of Government Accounts remains outstanding. We expect the National Audit Office to confirm their requirements for Whole Government Accounts shortly and we will close the audit once we have received their instructions and completed the required procedures.

2021/22 audit

We have now commenced our planning work for the 2021/22 audit. The 2021/22 Audit Strategy Memorandum's for the County Council and Pension Fund audits are included on the agenda for this meeting.

02

Section 02: **National publications**

National Publications

Page 88	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1.	CIPFA launches value for money toolkit with the University of Oxford's GO Lab	Based on the UK National Audit Office's standard definition of value for money, the toolkit offers a consistent approach to programme evaluation.
2.	New Prudential and Treasury Management Codes	These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate.
Department for Levelling Up, Housing and Communities (DLUHC)		
3.	Measures to improve local audit delays and accounts and audit timetable confirmed	DLUHC have announced a new package of measures to support the improved timeliness of local audit. These include additional funds and an extension of the deadline for publishing accounts.
National Audit Office (NAO)		
4.	Climate change risk: A good practice guide for Audit and Assurance Committees	This guide helps Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.
5.	Cyber and Information Security: Good practice guide	Audit committees should be scrutinising cyber security arrangements. This guidance complements government advice by setting out high-level questions and issues for audit committees to consider.
6.	The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management	The report sets out central government's risk analysis, planning, and mitigation strategies prior to the arrival of the COVID-19 pandemic, with the aim of drawing out wider learning for the Government's overall approach.
7.	The Local Government finance system in England: Overview and Challenges	This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years. It draws on relevant findings from past NAO work.
8.	Financial Sustainability of Schools in England	This report assesses the financial health of schools, updating a previous NAO report from 2016.

National Publications

Publication/update	Key points	
National Audit Office (NAO) - continued		
9.	Departmental Overview 2020-21: Department for Levelling Up, Housing and Communities	This provides a summary of the Department's spending in 2020-21, its major areas of activity and performance, and the challenges it is likely to face in the coming year.
Department of Health and Social Care (DHSC)		
10.	DHSC Integrated Care Partnership (ICP) Engagement Document	This aims to support Local Authorities, Integrated Care Boards, and other key stakeholders in considering what arrangements might work best in their area when laying the foundations for establishing ICPs.
Financial Reporting Council (FRC)		
11.	Inspection findings into the quality of major local body audits	This report sets out the findings of FRC's most recent quality inspection of major local audits, which indicate a significant improvement by Mazars LLP.

NATIONAL PUBLICATIONS

CIPFA
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1. CIPFA launches value for money toolkit with the University of Oxford's GO Lab, August 2021

CIPFA has partnered with the Government Outcomes Lab (GO Lab) from the University of Oxford's Blavatnik School of Government to develop the innovative GO Lab-CIPFA Value for Money (VfM) Toolkit.

Based on the UK National Audit Office's standard definition of value for money, the toolkit offers a consistent approach to programme evaluation and has been developed in response to recent trends towards the use of outcomes-based contracts (OBCs) and impact bonds.

The toolkit provides public managers with a framework to help assess the economic validity of public programmes, while also serving as a self-assessment instrument. The toolkit promotes thinking about the longer-term effects of interventions, such as outcomes and impacts, during the design and planning stage of public sector programmes.

The GO Lab-CIPFA VfM toolkit is available for free download on the CIPFA website.

<https://www.cipfa.org/services/go-lab-cipfa-value-for-money-toolkit>

2. CIPFA publishes new Prudential and Treasury Management Codes, December 2021

CIPFA has published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) following a consultation period. These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate. Local authorities are required by regulation to 'have regard to' their provisions. Guidance notes will follow shortly.

The revised Prudential Code emphasises that any borrowing made solely for the purpose of financial return constitutes imprudent activity, while also taking into account the realities that accompany regeneration activities. Proportionality has been included as an objective in the Prudential Code. New provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes.

The new Treasury Management Code states that the purpose and objective of each category of investments should be described within the Treasury Management Strategy.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-issues-new-prudential-and-treasury-management-codes>

NATIONAL PUBLICATIONS

DLUHC

3. Measures to improve local audit delays

This publication sets out a range of measures agreed with key partners to support the timely completion of local government audits and the ongoing stability of the local audit market.

Challenges remain around the timeliness of local audit, one of the key issues highlighted by Sir Tony Redmond in his review. In 2017/18 the deadline for issuing audit opinions was brought forward from 30 September to 31 July. Since this point there has been a reduction in the number of local government audit opinions delivered on time, with significant reductions from 2018/19 onwards. This downward trend accelerated during the COVID-19 pandemic, with only 45% of 2019/20 audits completed by the extended deadline of 30 November 2020 and, most recently, only 9% of 2020/21 audits completed by the extended deadline of 30 September 2021. In addition, increasing workload and regulatory pressure on auditors have contributed to further delays.

The Government is continuing to prioritise measures to improve timeliness and support capacity as part of our response to the Redmond Review. An additional £15 million in funding has been made available to local bodies for 2021/22 to support with the implementation of recommendations following the Redmond Review and additional costs resulting from new audit requirements, including the new value for money reporting arrangements.

The report concludes that in the light of the extent of ongoing delays and capacity issues, a decision to revert to the previous deadline of 31 July would be both unrealistic and counterproductive, especially as the backlog of delayed 2020/21 audits will likely have knock-on effects for future years. Therefore, subject to consultation, secondary legislation will be introduced to set the following deadlines:

- 2021/22 accounts to be audited and published by 30 November 2022;
- 2022/23 accounts to be audited and published by 30 November 2023;
- 2023/24 to 2027/28 accounts to be published by 30 September each year; and
- Draft accounts to be published by 31 May each year.

The full publication can be seen at this link: [Measures to improve local audit delays - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/measures-to-improve-local-audit-delays)

NATIONAL PUBLICATIONS

National Audit Office

4. Climate change risk: A good practice guide for Audit and Assurance Committees, August 2021

This guide is designed to help audit committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing these risks, the financial health of the sector before the pandemic and the financial impact of the pandemic in 2020/21;

The full report can be seen at this link: <https://www.nao.org.uk/report/climate-change-risk-a-good-practice-guide-for-audit-and-risk-assurance-committees/>

5. Cyber and Information Security: Good practice guide, October 2021

The guidance is based on NAO previous work and detailed systems audits, which have identified a high incidence of access-control weaknesses . NAO recommend that audit committees scrutinise cyber security arrangements in response to this increasing threat. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The guide provides a checklist of questions and issues covering:

- the overall approach to cyber security and risk management;
- capability needed to manage cyber security; and
- specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

The full report can be seen at this link: <https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

6. The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management, November 2021

The report concludes that this pandemic has exposed a vulnerability to whole-system emergencies – that is, emergencies that are so broad that they engage the entire system. Although the Government had plans for an influenza pandemic, it did not have detailed plans for many non-health consequences and some health consequences of a pandemic like COVID-19. There were lessons from previous simulation exercises that were not fully implemented and would have helped prepare for a pandemic like COVID-19. There was limited oversight and assurance of plans in place, and many pre-pandemic plans were not adequate. In addition, there is variation in capacity, capability and maturity of risk management across government departments.

NATIONAL PUBLICATIONS

National Audit Office

The pandemic also highlighted the need to strengthen the Government's end-to-end risk management process to ensure that it addresses all significant risks, including interdependent and systemic risks. This will require collaboration on risk identification and management not only across government departments and local authorities, but also with the private sector and internationally. For whole-system risks NAO states that the Government needs to define its risk appetite to make informed decisions and prepare appropriately so that value for money can be protected. NAO state that the pandemic has also highlighted the need to strengthen national resilience to prepare for any future events of this scale, and the challenges the Government faces in balancing the need to prepare for future events while dealing with day-to-day issues and current events.

The full report can be seen at this link: <https://www.nao.org.uk/report/the-governments-preparedness-for-the-covid-19-pandemic>

7. The Local Government finance system in England: Overview and Challenges, November 2021

This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years. It draws on relevant findings from past NAO work.

The overview aims to enhance financial transparency about local government in England. It covers:

- an introduction to local government funding;
- Government policy and actions since 2010; and
- some results or consequences of these changes.

The report headlines include the following in respect of the impact of the changes implemented by Government on councils:

- rising social care spending has squeezed funds available for non-social care services, yet rising spend has not prevented concerns about social care, and projections suggest continued cost and demand pressures;
- local authorities have made substantial spending reductions in some services and sought to maximise revenue funding from other sources. Some local authorities have sought to maximise revenue available for services in ways that may reduce financial resilience. Commercial property investment strategies have increased some local authorities' exposure to risk. Local authorities now rely more on sources of income that are dependent on local economic conditions;

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- a lack of short-term funding certainty hampers local authorities' ability to plan. Local authorities are also planning and delivering services amid medium-term financial uncertainty. Financial uncertainty does not support value-for-money decision-making; and
- the governance mechanisms that support decision-making about financial sustainability are under strain. The financial resilience of the local government sector was being tested, even before the COVID-19 pandemic.

The full report can be seen at this link: <https://www.nao.org.uk/report/the-local-government-finance-system-in-england-overview-and-challenges/>

8. Financial Sustainability of Schools in England

The report concludes that the financial health of the mainstream school system has held up well despite the funding and cost pressures that schools have faced in recent years, although the data does not yet fully reflect the significant impact that the COVID-19 pandemic has had. Most maintained schools and academy trusts are in surplus, but there are significant pressures on some maintained secondary schools.

The concern in relation to the academy sector is that a sizeable minority of academy trusts are building up substantial reserves, meaning they are spending less than their annual income on their pupils.

Ofsted inspection ratings suggest that mainstream schools have generally maintained educational quality, although there are indications that the steps schools are taking in response to financial pressures may adversely affect aspects of their provision.

Since the last report in 2016, the Department for Education has implemented a range of programmes to support schools to improve their resource management and achieve savings, which have generally been well received by the sector and helped schools to achieve savings. However, the Department's data have not been sufficiently complete or reliable to assess whether the programmes are having the impact it intended or achieving value for money.

<https://www.nao.org.uk/report/financial-sustainability-of-schools-in-england/?slide=1>

NATIONAL PUBLICATIONS

National Audit Office

9. Departmental Overview 2020-21: Department for Levelling Up, Housing and Communities, November 2021

The Ministry of Housing, Communities and Local Government (MHCLG) was renamed the Department of Levelling Up, Housing and Communities in September 2021 in to reflect a new ministerial appointment in the cabinet reshuffle and raise the profile of the Government's '*levelling-up*' agenda. This NAO report provides a summary of the new department's major areas of activity and performance, and the challenges it is likely to face in the coming year, based on the insights from NAO's financial audit and value for money work.

The full report can be seen at this link: <https://www.nao.org.uk/report/departmental-overview-2020-21-department-for-levelling-up-housing-and-communities> :

NATIONAL PUBLICATIONS

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DHSC

10. Integrated Care Partnerships (ICPs) Engagement Document, September 2021

The Health and Social Care Bill introduces statutory arrangements for integrated care systems with two components:

- establishes the Integrated Care Partnership (ICP): a broad alliance of organisations and representatives concerned with improving the care, health and wellbeing of the population, jointly convened by local authorities and the NHS; and
- creates a statutory body, the Integrated Care Board (ICB), responsible for the commissioning of healthcare services in that ICS area, bringing the NHS together locally to improve population health and care.

This document aims to:

- offer further detail on what DHSC see as the role of, and opportunities for ICPs as one of two core elements of ICSs;
- provide further explanation around the statutory framework for ICPs, as legislated for by the Health and Care Bill;
- set out the guiding expectations DHSC has for ICPs in their operation and delivery; and
- give stakeholders more clarity on timings for establishment of ICPs and how this fits with the establishment of other elements of the system.

The ICP is a core element of the statutory arrangements for ICSs which will not be fully functional without an ICP. DHSC therefore expect that all systems will have at least an interim ICP up and running when statutory ICBs commence as planned in April 2022, subject to the passage of the Health and Care Bill through Parliament.

<https://www.gov.uk/government/publications/integrated-care-partnership-icp-engagement-document>

NATIONAL PUBLICATIONS

FRC

11. Inspection findings into the quality of major local body audits, October 2021

The Financial Reporting Council (FRC) published in October 2021 its [inspection findings into the quality of major local body audits](#) in England (which includes large health and local government bodies) for the financial year ended 31 March 2020.

The FRC reviewed 20 major local audits performed by six of the largest audit firms and found 6 (30%) required improvements. This is an improvement on the prior year inspection results where 60% of audits inspected required either improvements or significant improvements. FRC found that all Value for Money arrangement conclusions inspected by the FRC required no more than limited improvements.

The FRC found that the firms have taken action in response to previous findings, however, the timeliness of auditor reporting was disappointing.

The key areas requiring action by some of the audit firms included:

- strengthening the audit testing of expenditure;
- improving the evaluation and challenge of assumptions used in concluding over investment property valuations;
- improving the evaluation of assumptions used in property, plant and equipment valuations; and
- providing improved rationale supporting a modified audit opinion.

In respect of Mazars, the FRC concluded that “*the audit quality results for our inspection of the four audits showed significant improvement compared to the prior years, with all audits assessed as requiring no more than limited improvements*”.

Contact

Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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Audit Strategy Memorandum

Durham County Council

Year ending 31 March 2022



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Appendix – Key communication points

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.

Audit Committee
Durham County Council
County Hall

DH1 5UQ

February 2022

Dear Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2022

We are pleased to present our Audit Strategy Memorandum for Durham County Council for the year ending 31 March 2022. 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.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to 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 15, 2022 15:19 GMT)

Mark Kirkham

Mazars LLP

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Mazars LLP – the Corner, Bank Chamber, 26 Mosley Street, Newcastle upon Tyne, NE1 1DF
Tel: 0191 383 6300 – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

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01

Section 01: **Engagement and responsibilities summary**

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 2022. 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.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. 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.

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit Committee, as Those Charged With Governance, of their responsibilities.

The Corporate Director of Resources is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements.

Value for money arrangements

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to our work in section 5 of this report.



Fraud

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. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management, Internal Audit and other key individuals where relevant as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. 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. Our audit, however, should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

02

Section 02: **Your audit engagement team**

2. Your audit engagement team



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Partner

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Rebecca Dearden

Assistant Manager

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0191 383 6305

03

Section 03: **Audit scope, approach and timeline**

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 activities which we consider to have a higher risk of material misstatement, such as those impacted 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 lead to a higher risk of material misstatement of the accounts. Once 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.

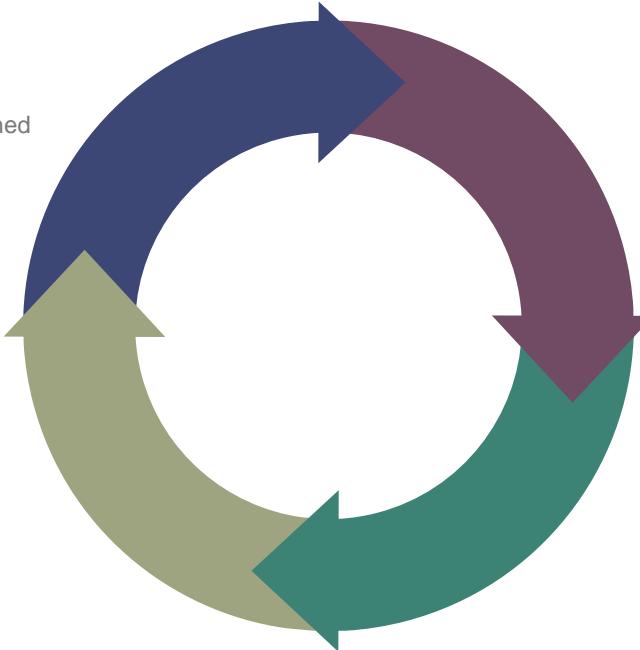
The diagram on the next page outlines the procedures we perform at the different stages of the audit.

3. Audit scope, approach and timeline

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Planning January –February

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review



Completion September

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor's report

Interim February – April

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork June - September

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- ATS review of financial statements
- Clearance meeting

3. Audit scope, approach and timeline

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 on 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.

Item 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 any relevant information which is available from third parties
Financial instrument disclosures	Link Asset Services	No expert required.

Service organisations

International Auditing Standards (UK) (ISAs) 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.

04

Section 04:

Significant risks and other key judgement areas

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given 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 require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

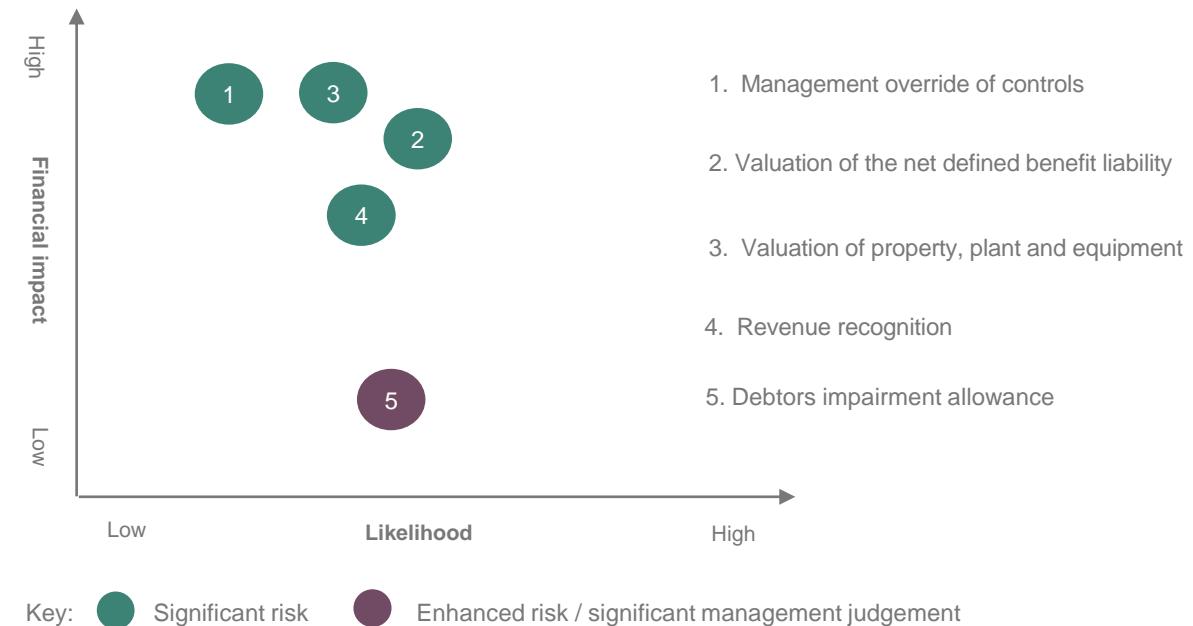
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

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 (RMM), 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.

Summary risk assessment

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



4. Significant risks and other key judgement areas

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Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. 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	Fraud	Error	Judgement	Planned response
1	Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. 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.	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	Net defined benefit liability valuation 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.	○	●	●	We will: <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; andconsider 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.
3	Valuation of property, plant and equipment The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (PPE). Although the Council employs a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE as a result of the significant judgements and number of variables involved. We have therefore identified the revaluation of PPE to be an area of risk	○	●	●	We will: <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; andwhere necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate

4. Significant risks and other key judgement areas

Page 14

Significant risks

	Description	Fraud	Error	Judgement	Planned response
4	<p>Revenue Recognition</p> <p>In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Council's range of revenue sources, we have concluded that there are insufficient grounds for rebuttal for all income streams in 2021/22. We have identified income from fees and charges and other income as the key areas for audit testing.</p> <p>This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>	●	○	●	<p>We plan to address this risk through a range of substantive procedures including:</p> <ul style="list-style-type: none"> • testing fees, charges and other revenue items recorded around year end to ensure they have been recognised in the appropriate year; • testing year end receivables; and • obtaining direct confirmations of year-end bank balances and testing the reconciliations to the ledger.

Other key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Planned response
5	<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:</p> <ul style="list-style-type: none"> • critically review the Council's calculation of its impairment of debtors allowance; and • assess whether disclosures are in line with the Code of Audit Practice, including any exemptions relevant to non-contractual debt.

05

Section 05: **Value for money**

5. Value for money arrangements

Page 116

The framework for our work

We are required to form a view 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 in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2021/22 will be the second audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in our Auditor's Annual Report.

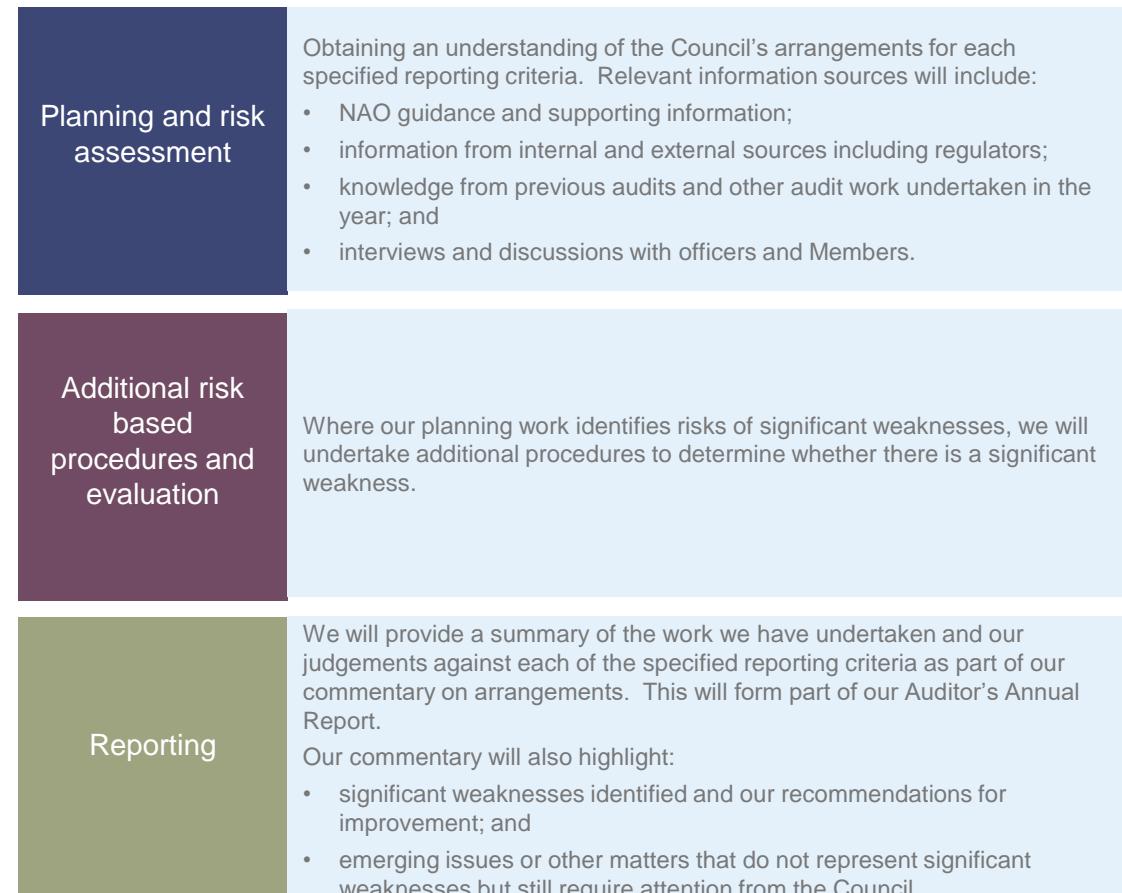
Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

- Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
- Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
- Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.



5. Value for money arrangements

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

We have not yet fully completed our planning and risk assessment work. We will report the results of our initial work to the Audit Committee on completion. This includes reporting any risk of significant weakness in arrangements that we identify.

06

Section 06:

Fees for audit and other services

6. Fees for audit and other services

Fees for work as the Council's appointed auditor

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Code Audit Work	£193,030	£193,030
Fees in respect of VFM approach *	£27,300	£27,300
Fees in respect of work on PPE valuation and pension liability valuation*	£17,400	£17,400
Total	237,730	237,730

*Subject to Public Sector Auditor Appointments (PSAA) approval.

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.

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.

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Housing Benefits Subsidy Assurance	£15,000*	£15,000
Teachers Pension Assurance	£4,950*	£4,950

**Subject to our engagement*

07

Section 07: **Our commitment to independence**

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 FRC'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 ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- 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, 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. Principal threats to our independence and identified associated safeguards are set out in the table alongside.

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

Area	Perceived threat	Safeguards and procedures
Assurance services: Housing Benefits Subsidy Assurance and Teachers' Pension return (if engaged)	Self Review	No threat identified. Neither engagement 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 neither engagement require the auditor to make decisions on behalf of the Council.
	Advocacy	No threat identified as neither engagement 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.

08

Section 08: **Materiality and other misstatements**

8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	£28,971
Performance materiality	£23,177
Trivial threshold for errors to be reported to the Audit Committee	£869

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 2% of gross revenue expenditure (at surplus/deficit on provision of services level). We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

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

8. Materiality and misstatements

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Materiality (continued)

We expect to set a materiality threshold at 2% gross revenue expenditure (at surplus/deficit on provision of services). Based on the prior year gross revenue we anticipate the overall materiality for the year ending 31 March 2022 to be in the region of £23m (£23m 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.

Misstatements

We accumulate 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 £0.869m 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

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).

A

Appendix: Key communication points

Appendix: Key communication points

Page 126

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements.
- The 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.

Key communication points at the completion stage to be included in our Audit Completion Report

- 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.
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Appendix: 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	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none">• uncorrected misstatements and their effect on our audit opinion;• the effect of uncorrected misstatements related to prior periods;• a request that any uncorrected misstatement is corrected; and• in writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none">• enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;• any fraud that we have identified or information we have obtained that indicates that fraud may exist; and• a discussion of any other matters related to fraud.	Audit Completion Report and discussion at the Audit Committee. Audit Planning and Clearance meetings

Appendix: Key communication points

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Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

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Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

Audit Strategy Memorandum

Durham County Council Pension Fund

Year ending 31 March 2022



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- 03** Audit scope, approach and timeline
- 04** Significant risks and other key judgement areas
- 05** Fees for audit and other services
- 06** Our commitment to independence
- 07** Materiality and misstatements

Appendix – Key communication points

This document is to be regarded as confidential to Durham County Council Pension Fund. 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.

Audit Committee
Durham County Council Pension Fund
[County Hall
Durham
DH1 5UQ

28 February 2022

Dear Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2022

We are pleased to present our Audit Strategy Memorandum for Durham County Council Pension Fund for the year ending 31 March 2022. 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 6 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 Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to 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 16, 2022 10:48 GMT)

Mark Kirkham

Mazars LLP
Mazars LLP
Mazars LLP

Mazars LLP – The Corner, Bank Chambers, 26 Mosley Street, Newcastle upon Tyne, NE1 1DF

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Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

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01

Section 01: **Engagement and responsibilities summary**

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Durham County Council Pension Fund (the Fund) for the year to 31 March 2022. 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.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. 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.

Audit opinion

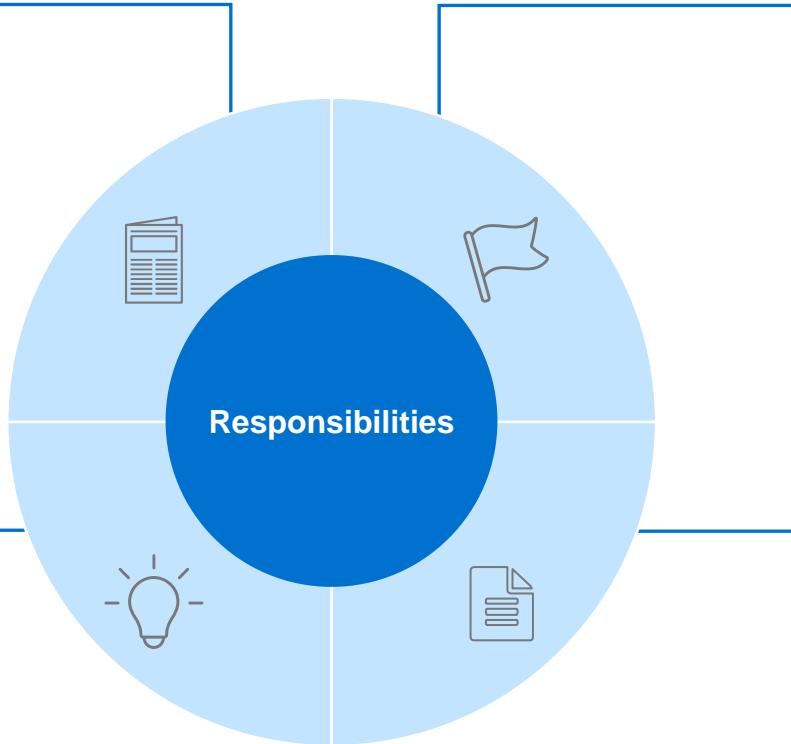
We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit Committee, as Those Charged With Governance, of their responsibilities.

The Corporate Director of Resources is responsible for the assessment of whether it is appropriate for the Pension Fund to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists; and
- b) consider the appropriateness of the Corporate Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements.

Consistency statement

We are required to form and express an opinion on the consistency of the financial statements within the Pension Fund's annual report and the Pension Fund's financial statements included in the Statement of Accounts of Durham County Council.



Fraud

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. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of Those Charged With Governance, including key management and internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. 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. Our audit, however, should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. This would include an objection made to the accounts of the Pension Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

02

Section 02: **Your audit engagement team**

2. Your audit engagement team



Mark Kirkham

Engagement Partner

mark.kirkham@mazars.co.uk

0191 383 6300



Sharon Liddle

Engagement Manager

sharon.liddle@mazars.co.uk

0788 128 3343

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

03

Section 03: **Audit scope, approach and timeline**

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 impacted 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 lead to a higher risk of material misstatement of the accounts. Once 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 7.

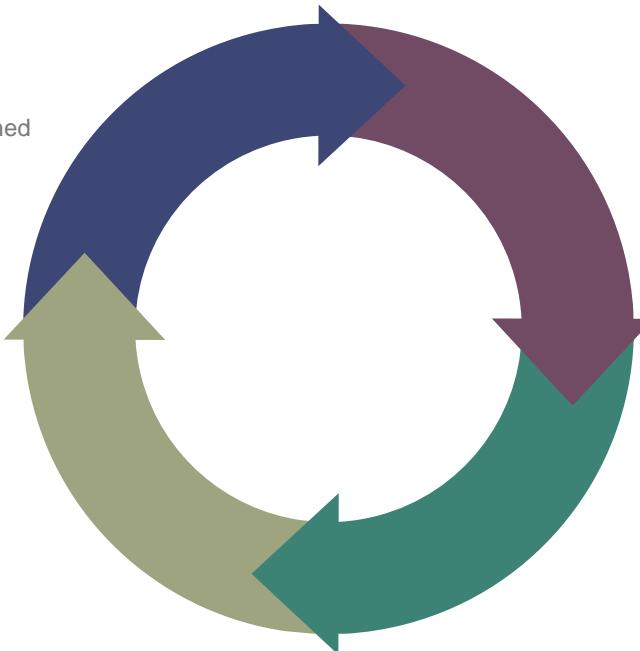
The diagram on the next page outlines the procedures we perform at the different stages of the audit.

3. Audit scope, approach and timeline

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Planning February

- Planning visit and developing our understanding of the Pension Fund
- Initial opinion assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review



Completion September

- Final review and disclosure checklist of financial statements
- ATS review of final financial statements
- Final partner and EQCR review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor's reports

Interim February

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork June - July

- Receiving and reviewing draft financial statements
- Accounting Technical Services (ATS) review of draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

3. Audit scope, approach and timeline

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 on 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 Pension Fund's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits.	Aon Hewitt	None
Financial instrument disclosures	Mercer Limited	None

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Pension Fund 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. The table below summarises the service organisations used by the Pension Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
Investment valuations and related disclosures Investment income and related disclosures	Investment Managers	Substantive testing of in year transactions and valuations applied to investments at the year end.
	Custodian	

04

Section 04:

Significant risks and other key judgement areas

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given 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 require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

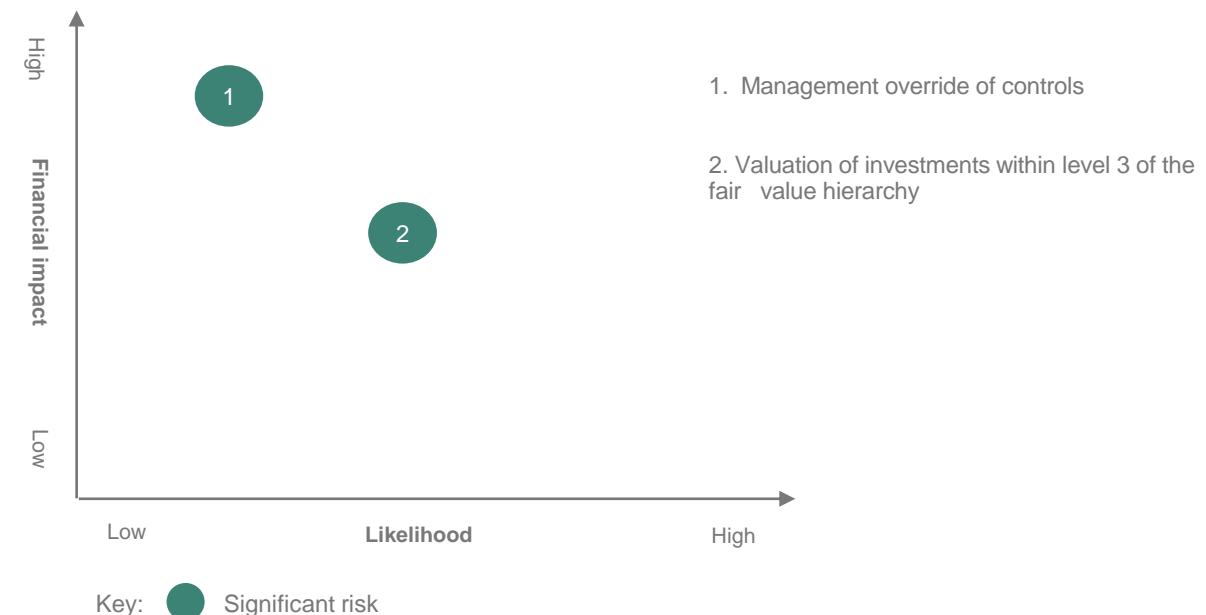
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

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 (RMM), 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.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Pension Fund. We have summarised our audit response to these risks on the following pages.



4. Significant risks and other key judgement areas

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Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. 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	Fraud	Error	Judgement	Planned response
1	Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. 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.	●	○	○	We plan to address the management override of controls risk by performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Valuation of investments within level 3 of the fair value hierarchy</p> <p>As at 31 March 2021 the fair value of level 3 investments was £201.4m, which accounted for 5.8% of net investment assets. The values included in the accounts are those provided by investment managers updated by the Pension Fund for cash movements, where the most recently available information from fund managers is at a date prior to the year end. The fair values of level 3 investments are based on unobservable inputs, which results in an increased risk of material misstatement.</p> <p>As at 31 March 2021 participation in level 3 investments was primarily through unlisted property funds managed by CBRE, for which CBRE provide the valuations as at the year end. CBRE base the valuations on the most recent valuation statements provided by the underlying funds, amended for cash movements where the valuation statement at 31 March is not available from the underlying funds at the time of preparing the fair value of the Pension Fund's unlisted property portfolio. Annual audited accounts are available for the underlying funds, but it is noted that these may at a date prior to 31 March.</p> <p>BCPP also manage a portfolio of level 3 funds on behalf of the Pension Fund which in total will be material to the Fund's financial statements at 31 March 2022. BCPP provide the valuation of these funds based on audited financial statements as at 31 December, adjusted for cash movements or any other known movements in value.</p>	O	●	●	<p>We plan to address this risk by completing the following additional procedures on a sample basis:</p> <ul style="list-style-type: none">• agree holdings from fund manager reports to the global custodian's report;• agree valuations included in the Pension Fund's underlying financial systems to the most up-to date supporting documentation at the time of audit including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;• agree the investment manager valuations to audited accounts or other independent supporting documentation, where available;• where audited accounts are available, check that they are supported by an unmodified opinion;• review the valuation methodologies through review of accounting policies within audited financial statements and challenge of the fund manager, where required; and• where available, review independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements.

Other key areas of management judgement and enhanced risks

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. We have not identified any such judgements.

05

Section 05: **Fees for audit and other services**

5. Fees for audit and other services

Fees for work as the Pension Fund's appointed auditor

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Code Audit Work		
Scale fee ¹	£19,957	£19,957
Fee variations	TBC	£4,750 ²
Audit related fees		
Pension assurance letters to employer auditors	TBC	£5,850 ³

Fees for non-PSAA work

We have not been separately engaged by the Pension Fund to carry out additional work.

¹ This scale fee was initially set by PSAA in 2018.

² The additional audit cost in 2020/21 relates to enhanced procedures required due to increased regulatory expectations, primarily related to the audit of level 3 investments. This work is required on an annual basis so an additional fee will be required until the scale fee reflects the audit time needed.

³ During the year we have responded to requests received from employer body auditors to undertake a programme of work to provide assurance in respect of data held by the Fund, which is used by the actuary to calculate pension assets and liabilities for individual employers. It is expected that the Fund will recharge these fees to the relevant employers. This approach is in line with the PSAA Terms of Appointment, and the expectation within NAO's AGN01 General Guidance Supporting Local Audit.

06

Section 06: **Our commitment to independence**

6. 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 FRC'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 ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- 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.

No threats to our independence have been identified.

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

07

Section 07: **Materiality and misstatements**

7. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £m
Overall materiality	36.2
Performance materiality	28.9
Trivial threshold for errors to be reported to the Audit Committee	1.1

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.

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 asset values reported to the Pension Fund Committee as at 30 September 2021. 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 net assets available to pay benefits remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

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

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7. Materiality and misstatements

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Materiality (continued)

We expect to set a materiality threshold at 1% of net assets. Based on asset values submitted to the Pension Fund Committee as at 31 September 2021 we anticipate the overall materiality for the year ending 31 March 2022 to be in the region of £36.2m (£34.1m 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.

Misstatements

We accumulate 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 £1.1m 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

The following three types of audit differences above the trivial threshold 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).

A

Appendix: Key communication points

Appendix: Key communication points

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We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements.
- The 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.

Key communication points at the completion stage to be included in our Audit Completion Report

- 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.
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The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none">• uncorrected misstatements and their effect on our audit opinion;• the effect of uncorrected misstatements related to prior periods;• a request that any uncorrected misstatement is corrected; and• in writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none">• enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;• any fraud that we have identified or information we have obtained that indicates that fraud may exist; and• a discussion of any other matters related to fraud.	Audit Completion Report and discussion at the Audit Committee. Audit planning and clearance meetings

Appendix: Key communication points

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Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendix

Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
<p>Events or conditions that may cast significant doubt on the entity's ability to continue as a going concern include:</p> <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

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*where permitted under applicable country laws.

Audit Committee

28 February 2022

**Corporate Governance Review 2021/22
– Key Dates**



Report of Paul Darby, Corporate Director of Resources

Purpose of the Report

- 1 To inform Audit Committee of the key dates for the corporate governance review for the 2021/22 financial year.

Executive Summary

- 2 This report informs Audit Committee of the key dates in the annual governance review for the 2021/22 financial year to enable the statutory deadline to be achieved.

Recommendation

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

Background

- 4 The Accounts and Audit Regulations 2015 (as amended) require each local authority to conduct a review at least once in a year of the effectiveness of its system of internal control. A statement reporting on the review must be included in an Annual Governance Statement published with the Statement of Accounts.
- 5 The Government has set a deadline of 31 July 2022 for publishing the draft Statement of Accounts. However, the Council's target for completion is by 31 May 2022, so the draft Annual Governance Statement will also need to meet this deadline, before being submitted for approval to Audit Committee in July 2022.

Key Dates

- 6 The key dates for the 2021/22 corporate governance review are in Appendix 2 of this report.
- 7 It should be noted that, if there are no changes to the draft AGS after it is approved by Audit Committee in July 2022, it will not be necessary to ask CMT to approve the final AGS in September.

Background papers

- None

Other useful documents

- None

Author

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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 2021/22 Key Dates

<u>Action</u>	<u>Date</u>
Draft Annual Governance Statement to Resources Management Team for consultation.	22/3/22
Directors Assurance Statements approved by Directors.	5/4/22
Corporate Director of Resources to approve draft Annual Governance Statement (Resources Management Team).	5/4/22
CMT to approve Draft Annual Governance Statement.	27/4/22
Audit Committee to approve Draft Annual Governance Statement with the annual audit opinion, as part of the final accounts process.	1/7/22
Corporate Director of Resources to approve Final Annual Governance Statement (Resources Management Team).	6/9/22
CMT to approve Draft Annual Governance Statement.	14/9/22
Audit Committee to approve Final Annual Governance Statement.	30/9/22

Audit Committee

28 February 2022



Strategic Risk Management Progress

Report for 2021/22

**Review 3: 1 October – 31 December
2021**

Report of Corporate Management Team

Paul Darby, Corporate Director of Resources

Councillor Richard Bell, Cabinet Portfolio Holder for Finance

Purpose of the Report

- 1 This report supports the Council's Risk Management Strategy. It highlights the strategic risks facing the Council and provides an insight into the work carried out by the Corporate Risk Management Group between October and December 2021.

Executive summary

- 2 In line with the constitution and the Corporate Risk Management Strategy, Audit Committee are responsible for monitoring 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.
- 3 All risks are formally reviewed three times each year, which contributes to improved performance, decision-making and governance. The review of the strategic risk register is overseen by the Corporate Risk Management Group. The member and officer risk champions are the Cabinet Portfolio Holder for Finance (cllr Richard Bell) and Corporate Director of Resources (Paul Darby).
- 4 Since the last update to the committee there are three new risks (energy prices, school improvement grant, HGV drivers) and one amended risk (care providers) that are included in this update.
- 5 There is also an update on Storm Arwen, progress updates on seven other key risk risks (Covid19, Winter planning, A690 land slippage, Government funding, savings plans, and climate change) provided in the report.

- 6 There is a brief update on one emerging risk (health and social care reforms), and an outline of the contingency plans made for potential industrial action.
- 7 In summary, the report outlines that on 31 December 2021, there were 36 risks on the strategic risk register. There are nine key risks, relating to Government funding, health and social care winter planning, COVID-19, Statutory Sufficiency Duty, climate change, energy prices, MTFP savings plans, child safeguarding and vulnerable adults, for which key mitigating actions have been identified.
- 8 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 are included in the report.

Recommendation

- 9 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

- 10 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 Deputy Leader and Cabinet Portfolio holder for 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.
- 11 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

- 12 On 31 December 2021, there were 36 risks on the corporate strategic risk register, three more than on 30 September 2021. During the period covered by this report three risks were added, and none were removed.
- 13 In summary, the key risks to the Council are:
 - (a) There is significant uncertainty in relation to future funding settlements from government, which will be impacted by the Fair Funding Review.
 - (b) Potential disruption to the Council’s and partners’ health and social care services during the winter period (H&SC Winter Planning).
 - (c) Failure/inability to respond to and recover from the COVID-19 pandemic, leading to delayed economic recovery and adverse impacts on employee resilience and the health and wellbeing of the wider community.
 - (d) Risk of being unable to meet the authority’s statutory sufficiency duty to provide sufficient accommodation in the local authority area to meet the needs of Children Looked After and children in need.
 - (e) Risk that the Council fails, in its role as a community leader, to help partners, local businesses and communities make the necessary adaptations and mitigations in pursuit of the target of being a carbon-neutral County by 2050.
 - (f) Potential adverse impact of energy prices increases on Council finances.

- (g) If timely and comprehensive savings plans are not in place across the council, required savings may not be achieved, necessitating extensive utilisation of reserves.

(h) Failure to protect a child from death or serious harm (where service failure is a factor or issue).

(i) Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).

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

15 Appendix 3 includes details on three new risks (energy prices, school improvement grant and HGV drivers), one amended risk (care providers), an update on the response to Storm Arwen, progress updates on seven other risks (Covid19, winter planning, A690 land slippage, Government funding, savings plans, and climate change). There is a brief update on one emerging risk (health and social care reforms), and an outline of contingency plans made for potential industrial action.

16 A list of all the Council's strategic risks on 31 December 2021, aligned to the corporate themes in County Durham Vision 2035 and the Council Plan, is included in appendix 4.

17 Management has identified and assessed these risks using a structured and systematic approach, and is taking proactive measures to mitigate these risks to a manageable level. This effective management of our risks is contributing to improved performance, decision-making and governance across the Council.

18 To provide assurance that strategic risks are being effectively managed, and that officers and members are appropriately skilled in risk management, performance against key indicators is set out in appendix 5.

Background papers

- None

Other useful documents

- None

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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 of 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 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 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 the external auditor and bodies such as 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 and 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 2021, there were 36 risks on the corporate strategic risk register, three more than on 30 September 2021. During this period three risks were added, and none were removed.

The following matrix profiles the strategic risks according to their net risk evaluation on 31 December 2021. To highlight changes in each category during the last period, the number of risks on 30 September 2021 is shown in brackets.

Overall number of Strategic Risks on 31 December 2021

Impact					
Critical	1 (1)		4 (4)		1 (1)
Major		6 (4)	4 (4)	3 (2)	
Moderate			12 (12)	4 (5)	1 (0)
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 Fair Funding Review.”

New Risks

- 1 *Potential adverse impact of energy price increases on Council finances (RES).*

Challenges in the energy industry have made wholesale gas and power markets extremely volatile, with prices hitting a new decade-high in August 2021. The net evaluation of this risk is **moderate impact, highly probable likelihood**, which makes this a **key risk**.

The Council and the North East Procurement Organisation (NEPO) lead the response to this risk on behalf of partners across the region. The North East Directors of Resources Group (DRG) provides strategic direction on energy procurement. In response to current market conditions, the approach to purchasing energy has been modified through the Forward Purchasing Strategy. Collaboration North East, which consists of the heads of procurement across all twelve NE authorities, reports to the DRG and works collaboratively on procurement issues. Support and specialist advice on improving energy efficiency is provided by the Council's Low Carbon team. Future years' budgets will need to be increased to reflect price increases, but the extent to which this is required is being managed through these controls.

- 2 *Government plans to phase out school improvement grant by 2024/25 could undermine the Council's ability to support maintained schools effectively (CYPS).*

The Government is consulting on proposals to reform how local authorities' improvement functions for maintained schools are funded. The changes, which include possible phasing out of the grant by 2024-25, would have a disproportionately adverse effect on County Durham. Successive reductions of 50% in 2022-23 and 2023-24, would be £400k, meaning the full £800k of funding received in 2021/22 will be lost over the next two years. The net evaluation is **moderate impact, possible likelihood**.

The mitigations include the Monitoring, Intervention and Improvement Protocol, regular visits and liaison with school heads, and increased focus on commercialisation opportunities. The service will also undergo a restructure to adapt to new level of service demand.

- 3 *The national shortage of HGV drivers may impact the Council workforce, leading to potential disruption to statutory services (including refuse & recycling, highways gritting and maintenance) (NCC).*

The shortage of HGV drivers is linked to the effects of Covid19 and the EU Exit, including competition for labour between industry sectors, delays in driver training and a backlog of tests. Vulnerable Council services include refuse and recycling, strategic waste, highways operations, and clean and green. The net evaluation is **major impact, unlikely occurrence**.

Mitigations include favourable terms and conditions for Council HGV drivers, including a local group task and finish collective agreement. A job re-evaluation in 2020 resulted in pay rises for HGV drivers. Capacity pressures are managed through prioritisation of services, redeployment and engagement with recruitment agencies to recruit drivers. Agency drivers are subject to internal assessment to ensure they have the required level of competence. The Council's contractors have their own contingency plans, and these are regularly monitored by Council officers.

Amended Risk

- 4 *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. (AHS).*

The net risk has been re-evaluated from moderate impact, probable likelihood to **major impact / possible likelihood**.

Current pressures relate to staff absences due to Omicron and rising infection rates across the population. Infection rates and symptoms among patients are generally milder.

The main controls for this risk include market analysis and provider engagement, so that existing and potential providers understand the local context, helping them to shape their business plans to support the council's vision for the future of local public health, social care and housing markets. The Council has links to national policy makers and professional bodies, and ongoing collaboration with providers and health colleagues to share intelligence and understand market sustainability issues.

The County Durham Care Academy, launched in 2019, supports the development of a well-led, skilled and valued adult social care workforce with a range of courses from entry level through to senior leadership and management qualifications.

As part of the Covid response, regular information is collected from providers via the Operating Pressure Escalation Levels tool (OPEL).

OPEL data identifies pressures that providers may have and enables the Council to offer appropriate support and maintain market oversight.

Contingency arrangements are in place for backup care workers and an emergency nurse, and the Council has a process in place should we need to request volunteers to support the care sector.

Storm Arwen

- 5 *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 (NCC).*

The Event and Impacts

In late November 2021, Storm Arwen hit County Durham, bringing gale force winds, heavy rain and heavy snow, resulting in loss of power in around 13,000 households, road closures, and damage to housing and other buildings. In some instances, power was not reinstated for several days.

Risk Management Arrangements

The Civil Contingencies Act 2004 imposes a series of duties on local bodies, including a requirement to assess the risk of an emergency occurring and to maintain emergency response plans. In County Durham and Darlington, the governance framework includes the Strategic Co-ordination Group (SCG) and the Tactical Business Group, which is responsible for delivery and performance management. There is a standing group for each of the following themes: community resilience, health and social care, business continuity, risk assessment, training and exercising, warning and informing, and voluntary emergency liaison. There is also a mutual aid agreement between relevant organisations.

Response

On 1 December 2021, in the wake of Storm Arwen, emergency response plans were deployed when the SCG declared a major incident across County Durham, requesting additional resources to strengthen and accelerate the support provided to communities. Due to the scale of the event, the agencies involved in the response had exhausted all other sources of support, so the Council submitted a request for Military Aid to the Civil Authority (MACA) to the Ministry of Defence on behalf of the Local Resilience Forum.

Vulnerable residents

Partner organisations from the Local Resilience Forum (LRF), supported by 80 army personnel from the Royal Lancers, Teesdale and Weardale Search and Mountain Rescue Team, and community paramedics, helped thousands of vulnerable residents with care packages, welfare checks, advice, information, and support. Council employees supporting these efforts included staff from our neighbourhood warden, community protection, housing, and social care services. Vulnerable residents without power were identified and contacted by Care Connect and customer services teams to offer assistance.

Northern Powergrid reinstated or provided alternative power sources for care homes, and partners worked with local NHS Clinical Commissioning Groups to provide any additional support required.

Other residents with loss of power

A range of help was provided to the worst affected residents, particularly those suffering a power loss in their homes, by LRF partners, including Durham County Council, County Durham and Darlington Fire and Rescue Service, Durham Constabulary, Northumbrian Water, and North East Ambulance Service. Additional support was provided by the Mountain Rescue Service.

Help came in the form of round-the-clock high-visibility patrols in those areas hardest hit, door-to-door visits to check on residents' wellbeing, advice, reassurance, emergency food and support packs (blankets, torches, and other items).

Northern Powergrid provided regular updates to help us track where power was being restored so that resources could be prioritised.

We arranged for hot food trucks to visit affected areas, and community organisations across County Durham opened their doors to offer hot drinks, food, Wi-Fi, phone charging and other vital services.

Specialised needs

Remote and rural locations were especially challenging, and Northumbrian Water, Northumberland Fire and Rescue, County Durham and Darlington Fire and Rescue, and the National Farmers Union supported farmers, particularly those with livestock, affected by loss of water supply. Crews in Weardale also assisted Northumbrian Water in delivering water to farms and remote locations.

Through work with Durham University, up to eight flats were made available as temporary accommodation for families without power.

Public Safety

High winds caused a significant number of trees to fall throughout the county, some resulting in damage to property. Teams across our highways, building services, and clean and green worked alongside the civil contingencies unit to ensure the public remained as safe as possible.

Highways teams continued with their normal winter maintenance schedule, including salting priority one footpaths outside vaccination centres.

Conclusion

On 9 December 2021, the SCG de-escalated the major incident with power having been restored to all residents affected by the storm. LRF Partner organisations continued to offer support to those affected to aid recovery efforts. Debrief exercises are commencing so that agencies can learn from the experience and help improve our response in the future if we experience similar emergencies.

Updates on Developments

- 6 *Failure/inability to respond to and recover from the COVID-19 pandemic, leading to delayed economic recovery and adverse impacts on employee resilience and the health and wellbeing of the wider community (AHS).*

The Council's response to the pandemic is led by the Director of Public Health. Corporate and multi-agency oversight arrangements are in place through Corporate Management Team, Health Protection Assurance Board, and the Health and Wellbeing Board and Overview and Scrutiny Committee. The Local Resilience Forum (LRF) Strategic Command Group and Tactical Command Group continue to meet, and these groups provide an escalation pathway to regional and national levels.

Vaccination delivery continues with a high uptake and work continues to ensure equity of access for all aspects of the programme. However, the situation remains challenging due to the relaxation of the regulations and restrictions.

Omicron is now the dominant strain, case rates have risen exponentially, and hospital admissions have risen locally in line with the national trend. The Outbreak Control Team and the local tracing partnership, who work in partnership with UKHSA, have revised their delivery model to safely manage increased demand. A key area of focus has been clear public messaging to ensure that recent rapid changes to guidance, policy and self-isolation requirements are understood.

Workforce pressure is a major challenge across all partners and functions. The LRF has asked partner organisations for business continuity risk assessments to be completed, modelling 10, 15 & 20% absence rates and expected impacts on service delivery. The DHSC has issued a range of winter planning guidance, which is being reviewed and implemented by the Local Accident and Emergency Delivery Board.

More recent data shows a gradual decrease in case numbers and this, together with policy changes that reduce self-isolation requirements, has eased workforce pressures. However, pressure remains on the health and social care system, resulting from an increase in hospital admissions and outbreaks in high-risk settings such as care homes, children's residential homes and schools.

7 *Potential disruption to the Council's and partners' health and social care services during the winter period (H&SC Winter Planning) (AHS).*

Partnership working and engagement with the voluntary and community sector on preventative support are key to managing this risk, which is being led by the Local Accident and Emergency Delivery Board (LADB), supported by a range of guidance from the DHSC.

In October 2021, a detailed account of preparations was presented by the CEO of County Durham and Darlington Foundation Trust to Adults Health and Wellbeing Overview and Scrutiny Committee. A cross-partner Task and Finish Group made preparations for responding to an expected surge in demand and for co-ordinating work across partners. A winter planning event was held in December with Sunderland and South Tyneside Councils, and NHS partners to agree local collaboration protocols.

Recent exponential rises in Omicron case rates and rising hospital admissions have severely stretched systems and workforce capacity across all partners and functions. The LADB meets twice weekly to proactively manage pressures and demand, with a key area of focus being safe hospital discharge through twice-daily, multi-agency meetings, and shared staffing resources.

- 8 *Potential progressive **land slippage** near the A690 may develop to an extent where a major road closure is necessary for repairs to be undertaken (NCC).*

Since this risk was added to the corporate risk register in March 2017, the site has been subject to frequent extensive investigations, regular monitoring, repairs and remedial works. Recent activity includes various maintenance works, including resurfacing, kerbing, structural patching, and drainage, which were completed in September 2021. The landowner has undertaken stabilisation works on the slope and introduced weight restrictions on their site. Latest ground monitoring data shows that the slope is stabilising, and the landowner is undertaking further works to enable the access road to be used more widely.

A specialist drainage company has been commissioned to survey both carriageways to check for voids so that necessary repair works can be undertaken. A stakeholder meeting chaired by the Civil Contingencies Unit was held in December 2021 to share information on the implications of a road closure or collapse to identify key staff to be involved in emergency provision, and a desktop planning exercise is agreed for February 2022 to discuss potential emergency plans should a closure be required.

- 9 *There is significant uncertainty in relation to future **funding settlements** from government, which will be impacted by the Fair Funding Review (RES).*

New pressures include high levels of inflation, especially in areas such as energy and construction.

- 10 *If timely and comprehensive **savings plans** are not in place across the council, required savings may not be achieved, necessitating extensive utilisation of reserves (RES).*

New pressures include uncertainty around the health and social care levy and high levels of price inflation.

- 11 *Changing and uncertain economic factors, including levelling up and shared prosperity funding and the impact of the EU exit, may impede the delivery of the countywide **economic strategy**, resulting in damage to the strength and competitiveness of the Co Durham economy (REG).*

The EU Exit risk, which is compounded by the effects of the Covid19, has been reframed to link with and focus on delivery of the countywide economic strategy.

- 12 *Risk that the Council fails, in its role as a community leader, to set an example and help partners, local businesses and communities make the necessary adaptations and mitigations in pursuit of the target of being a carbon-neutral County by 2050 (climate change) (NCC).*

In October 2021, an update on progress of the Climate Emergency Response Plan Year 2 (CERP2) was presented to Environment and Sustainable Communities Overview and Scrutiny Committee, who also considered future challenges for meeting long-term Council and countywide targets. CERP2 will be presented to Cabinet in March 2022. The recent Storm Arwen is a reminder that climate change may alter weather patterns and lead to more frequent occurrences of extreme weather events.

Other Issues

- 13 Potential **industrial action** leading to adverse impacts on service delivery (RES).

The trade unions' rejection an offer of a 1.75% pay increase temporarily increased the likelihood of widespread industrial action by Council employees. A Council-wide Working Group was convened and developed contingency plans, informed by consultation with, and involvement of, trade unions and employees.

Due to low turnout in the ballots for industrial action that have so far been completed, the scale of potential action has greatly reduced. Developments continue to be monitored by officers and reported to Corporate Management Team.

Emerging Risk

- 14 *Uncertainties and challenges in relation to the Government's proposed health and social care reforms in England (AHS).*

Recently announced reforms to Adult Social Care will require a managed approach to implementation and potentially additional resources to facilitate, at a time when services are still responding to Covid19 and the associated impacts. The reforms include changes to funding i.e., the introduction of an adult care cost cap, an increase in the means test asset threshold, changes to the approach to self-funders and the introduction of a Fair Cost of Care approach. Additionally, a new assurance approach for Adult Social Care is to be introduced from April 2023.

Also, a delay has recently been announced to the implementation of the Integrated Care System by three months to July 2022.

A full risk assessment will be completed around March 2022, subject to further detailed guidance, covering the implementation and impact of the reforms.

Key Risks

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

Key Risks Matrix

Net Impact					
Critical			R3 COVID-19 R7 Savings Plans R8 Child Safeguarding R9 Vulnerable Adults	Risk 1 Government Funding	
Major				R2 Winter Planning R4 Sufficiency Duty R5 Climate Change	
Moderate					Risk 6 Energy Prices
Minor	<p>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.</p>				
Insignificant					
Net Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

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 leading on the risk	Range of impact (cross-cutting or service-specific)	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	Cross-cutting	Excellent Council	There is significant uncertainty in relation to future funding settlements from government, which will be impacted by the Fair Funding Review.	Critical	Highly Probable	Sound financial forecasting is in place based on thorough examination of the Government's "red book" plans alongside forecasting of council expenditure and income especially in relation to the areas impacted by the pandemic and in relation to changes relating to the Health and Social Care levy.		This will be a significant risk for at least the next 4 years.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
2	AHS Risk Owner: Jane Robinson	Service-specific	People live long and independent lives	Potential disruption to the Council's and partners' health and social care services during the winter period (H&SC Winter Planning).	Major	Probable	<p>Partnership working and engagement with the voluntary and community sector on preventative support. Local Accident and Emergency Delivery Board (LADB), supported by a range of guidance from the DHSC.</p> <p>In October 2021, a detailed account of preparations was presented to Adults Health and Wellbeing Overview and Scrutiny Committee. A cross-partner Task and Finish Group made preparations for responding to an expected surge in demand and for co-ordinating work. Winter planning event held in December 2021 with Sunderland and South Tyneside Councils, and NHS partners to agree local collaboration protocols.</p> <p>The LADB meets twice weekly to proactively manage pressures and demand, with a key area of focus being safe hospital discharge through twice-daily, multi-agency meetings, and shared staffing resources.</p>		This is a seasonal risk.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
3	Corporate Management Team	Cross-cutting	Excellent Council	Failure/inability to respond to and recover from the COVID-19 pandemic, leading to delayed economic recovery and adverse impacts on employee resilience and the health and wellbeing of the wider community.	Critical	Possible	<p>Pandemic response led by the Director of Public Health. Corporate and multi-agency oversight arrangements (Corporate Management Team, Health Protection Assurance Board, Health & Wellbeing Board, Overview & Scrutiny Committee). Local Resilience Forum Strategic Command Group and Tactical Command Group.</p> <p>Vaccination programme to ensure equity of access. Outbreak Control Team and the local tracing partnership work with UKHSA to manage increased demand. Clear public messaging to ensure that guidance, policy and self-isolation requirements are understood.</p> <p>Business continuity risk assessments modelling absence rates and expected impacts on service delivery. DHSC winter planning guidance is implemented by Local Accident and Emergency Delivery Board.</p>		This risk is long term.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
4	CYPS Risk Owner: Helen Fergusson John Pearce, Jane Robinson		People live long and independent lives	Risk of being unable to meet the authority's statutory sufficiency duty to provide sufficient accommodation in the local authority area to meet the needs of Children Looked After and children in need.	Major	Probable	<p>The Council has developed a Sufficiency Strategy which sets out how it will address the risk at a local level, which includes a focus on recruitment and retention of foster carers and the development of residential accommodation options for young people. The Council will establish a Sufficiency Board in 2022 to provide additional corporate strategic oversight and leadership.</p> <p>A range of initiatives are planned to support the recruitment and retention of fosters carers including the introduction of the Mockingbird model and implementing the actions from a Peer review exercise. Sufficiency of children's care placements is an issue which has also been recognised at national level and the government has initiated the Care Review which will report in 2022. The Council is undertaking an external review of the systems and processes in place to support Children's Commissioning.</p>		This risk is long term.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
5	NCC Risk Owner: Alan Patrickson	Cross-cutting	People live long and independent lives	Risk that the Council fails, in its role as a community leader, to set an example and help partners, local businesses and communities make the necessary adaptations and mitigations in pursuit of the target of being a carbon-neutral County by 2050 (climate change).	Major	Probable	One of the key mitigations is the Climate Emergency Response Plan 2020-2022, incorporating over 100 projects. The scale, duration and complexity of the programme means that sustained oversight, monitoring and review are essential. Environment and Sustainable Communities Overview and Scrutiny Committee will review performance against the plan and make recommendations for the revision of targets.		This risk is long term.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
6	RES Risk Owner: Darren Knowd	Cross-cutting	Excellent Council	Potential adverse impact of energy price increases on Council finances.	Moderate	Highly Probable	The Council and the North East Procurement Organisation (NEPO) lead the response to this risk on behalf of partners. The North East Directors of Resources Group (DRG) provides strategic direction on energy procurement. In response to current market conditions, the approach to purchasing energy has been modified through the Forward Purchasing Strategy. Collaboration North East, which consists of the heads of procurement across all twelve NE authorities, reports to the DRG and works collaboratively on procurement issues. Support and specialist advice on improving energy efficiency is provided by the Council's Low Carbon team. Future years' budgets will be increased to reflect price increases.	New risk	The duration of this risk is uncertain, but the indications are that it will continue for the next two years. Markets are unstable and prices are still rising.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
7	RES Risk Owner: Jeff Garfoot	Cross-cutting	Excellent Council	If timely and comprehensive savings plans are not in place across the council, required savings may not be achieved, necessitating extensive utilisation of reserves.	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.
8	CYPS Risk Owner: John Pearce	Service-specific	Connected communities	Failure to protect a child from death or serious harm (where service failure is a factor or issue).	Critical	Possible	Durham Safeguarding Children Partnership has been established in line with the statutory requirements set out in 'Working Together 2018'. Partnership learning through scrutiny mechanisms and learning reviews underpins training for front line staff and regular staff supervision takes place. A review of the partnership arrangements has been completed reported during 2020/21.		This risk is long term.

Ref	Service leading on the risk	Range of impact (cross-cutting or service-specific)	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
9	AHS Risk Owner: Lee Alexander	Service-specific	People live long and independent lives	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 Hospital, an independent review the Council's safeguarding adults' processes has been commissioned. Any learning from this and other such reviews will inform actions to reframe and further 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. This risk is long term.</p>

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

Based on the net risk assessment on 31 December 2021, the following tables highlight the risks for each Corporate Theme in County Durham Vision 2035 and the Council Plan.

Corporate Theme – Excellent Council

Ref	Service	Risk	Net Impact	Net Likelihood	Conclusion	Current Controls and Planned Improvements
1	RES	There is significant uncertainty in relation to future funding settlements from government, which will be impacted by the Fair Funding Review	Critical	Highly Probable	Treat	See key risk schedule in appendix 3.
2	AHS	Failure/inability to respond to and recover from the COVID-19 pandemic, leading to delayed economic recovery and adverse impacts on employee resilience and the health and wellbeing of the wider community.	Critical	Possible	Treat	See key risk schedule in appendix 3.
3	RES	Potential adverse impact of energy price increases on Council finances	Moderate	Highly Probable	The current controls are considered adequate.	See key risk schedule in appendix 3.
4	RES	If timely and comprehensive savings plans are not in place across the council, required savings may not be achieved, necessitating extensive utilisation of reserves.	Critical	Possible	Treat	See key risk schedule in appendix 3.

Ref	Service	Risk	Net Impact	Net Likelihood	Conclusion	Current Controls and Planned Improvements
5	REG	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 .	Major	Possible	Treat	<p>Current controls: Unitised Corporate Property and Land Service, asset database, training programme. Capitalised maintenance programme. Incident reporting and monitoring in collaboration with relevant parties, where appropriate.</p> <p>Planned improvements: implement a corporate service delivery model and estate management performance indicators.</p>
6	NCC	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.	Major	Possible	Treat	<p>Current controls: Local Resilience Forum Strategic Board (strategic direction), Tactical Business Group (delivery and performance management), Standing Group (horizon scanning, threat assessments, training, testing and plan exercises). Mutual aid agreement with neighbouring local authorities.</p> <p>Planned improvements: Review emergency on-call rotas, provide refresher training.</p>
7	NCC	Demand pressures on the Community Protection inspections and interventions arising from the COVID-19 pandemic and the UK exit from the EU may lead to an adverse impact on public health and safety in Co Durham.	Moderate	Possible	Treat	<p>Current controls: The Community Protection Team's work is governed by Food Safety/Health and Safety plans. There is a training and development programme and post-graduate training for staff. The team has been strengthened in 2021 by an apprenticeship programme and the addition of seven posts to help respond to Covid19.</p> <p>Planned improvements: Upgrade the ICT system. Workforce Development Plan.</p>
8	RES	Failure to consider equality implications of decisions on communities leading to successful legal challenge and delays in implementation	Moderate	Possible	The current controls are considered adequate.	Current controls: Member portfolio for Equality and Inclusion. Dedicated Equality Team provides training, awareness, support and guidance to members and staff. Public Sector Equality Duty objectives are included in the Council Plan. Impact assessment process is embedded in processes for strategic planning, decision-making, public and stakeholder consultation and the medium-term financial plan.

Ref	Service	Risk	Net Impact	Net Likelihood	Conclusion	Current Controls and Planned Improvements
9	RES	Potential violence and aggression towards members and employees from members of the public	Moderate	Possible	The current controls are considered adequate.	Current controls: Oversight by Health, Safety and Wellbeing Strategic Group. Management of Violence & Aggression Policy. Potentially Violent Persons Register. Guidance to employees and elected members. Violence and Aggression accident and incident reporting procedure. Physical security features on Council premises. Collaboration with Durham Police re intelligence, where appropriate. Civil action against individuals, where appropriate. Security Strategy and Policy. Security assessment of customer access related premises. Violence and aggression related guidance, support and inductions for members.
10	NCC	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation	Moderate	Possible	The current controls are considered adequate.	Current controls: Consultation Statement (commitment and approach), Consultation Plan, Consultation Team, cross-service Consultation Officer Group. Consultation is embedded in strategic planning, decision-making and Medium-Term Financial Plan. Consultations web page. Membership of the Consultation Institute (awareness, advice, Covid19 adaptation)
11	RES	Serious breach of Health and Safety Legislation	Moderate	Possible	The current controls are considered adequate.	Current controls: Health and Safety (H&S) Management System, policy, strategy, supporting guidance, codes of practice. Proactive audit, inspection and monitoring regimes, accident, incident and ill-health reporting procedures adapted for Covid19. Occupational H&S Team. Oversight by cross-service Corporate Health, Safety and Wellbeing Strategic Group, chaired by Corporate Director of Resources.
12	RES	Potential significant size and scope of the liabilities of equal value claims	Moderate	Possible	The current controls are considered adequate.	Current controls: The Council is working with claimants and their legal representatives to determine those claimants who have a legitimate claim. Work is ongoing with the Tribunal to seek an agreeable settlement for all parties.
13	RES	If the Council suffered a successful cyber-attack or IT security breach, then it may be unable to effectively deliver essential services.	Major	Unlikely	The current controls are considered adequate.	Current controls: Business Continuity plans. Collaboration with Police, Fire, NHS via a Strategic Co-ordination Group. Critical assets risk assessed. Anti-Virus, Anti-spam, Spyware software protection. Regular Intrusion Detection test. Firewalls. Password protection. Third-Party Access Policy. Staged phishing exercises. User awareness.

Ref	Service	Risk	Net Impact	Net Likelihood	Conclusion	Current Controls and Planned Improvements
14	RES	Due to the current economic climate, COVID (grants, hardship reliefs, scams) and amount of change occurring across the Council, there is potential for increases in fraud and corruption .	Moderate	Possible	The current controls are considered adequate.	Current controls: Corporate Fraud Team, Counter Fraud & Corruption Strategy, Fraud Response Plan, Corporate Fraud Sanction Policy, Confidential Reporting Code, Anti-Money Laundering Policy and Counter Fraud Plan. Preventive measures include training, fraud awareness, and publicity campaigns/fraud communication strategy. Numerous fraud reporting channels available. Data analytics/matching and fraud data hub. Reported cases are investigated rigorously and promptly, and appropriate action taken. Multi-agency partnerships working.
15	NCC	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.	Major	Unlikely	Treat	Current controls: Business Continuity Management (BCM) Strategy, Policy and Steering Group. Comprehensive, up-to-date business impact analysis data. Service-specific, management-approved business impact analyses. Strategic, tactical and operational plans tested and in place. Backup ICT site. Planned improvements: develop a business continuity e-learning package for senior managers.
16	RES	Potential breach of the Data Protection Act 2018	Major	Unlikely	The current controls are considered adequate.	Current controls: Data Protection Policy and supporting procedures. Information Security Policy. Statutory Data Protection Officer appointed. Oversight by cross-service Information Governance Group. Regular data protection training for staff. Data breach reporting process and procedure. Technology and working practices to avoid potential homeworking related breaches.
17	NCC	The national shortage of HGV drivers may impact the Council workforce, leading to potential disruption to statutory services (including refuse & recycling, highways gritting and maintenance).	Major	Unlikely	The current controls are considered adequate.	Current controls: Favourable terms and conditions, including a local group task and finish collective agreement. A job re-evaluation in 2020 resulted in pay rises for HGV drivers. Capacity pressures are managed through prioritisation of services, redeployment and engagement with recruitment agencies to recruit drivers. Agency drivers are subject to internal assessment to ensure they have the required level of competence. The Council's contractors have their own contingency plans, and these are regularly monitored by Council officers.

Connected Communities

Ref	Service	Risk	Net Impact	Net Likelihood	Conclusion	Current Controls and Planned Improvements
18	CYPS	Failure to protect a child from death or serious harm (where service failure is a factor or issue).	Critical	Possible	Treat	See key risk schedule in appendix 3.
19	NCC	Potential progressive land slippage near the A690 may develop to an extent where a major road closure is necessary for repairs to be undertaken.	Major	Possible	Treat	<p>Current controls: Structural maintenance works in 2016. Extensive site investigations and repairs to highway drainage systems. Periodic remedial works. Monthly highway safety inspections to monitor ground conditions and drainage. Regular meetings between Strategic Highways Team and nearby property occupier.</p> <p>Planned improvements: Install carriageway monitoring devices. Develop road closure contingency plans.</p>
20	CYPS	Inability to recruit residential children's homes staff may seriously inhibit capacity to deliver essential, specialist services to children and young people from across England and Wales.	Moderate	Possible	Treat	<p>Current controls: Human Resources Team. Recruitment strategy. Performance and Development Review Scheme. Occupational Health service. Employee assistance programme. Independent psychotherapy service. Post-incident debriefing and learning. Secure and recruitment/retention allowances.</p> <p>Planned improvements: Develop webpage to improve appeal to prospective candidates. Review induction process.</p>

Long and Independent Lives

Ref	Service	Risk	Net Impact	Net Likelihood	Conclusion	Current Controls and Planned Improvements
21	AHS	Potential disruption to the Council's and partners' health and social care services during the winter period (H&SC Winter Planning).	Major	Probable	Treat	See key risk schedule in appendix 3.
22	CYPS	Risk of being unable to meet the authority's statutory sufficiency duty to provide sufficient accommodation in the local authority area to meet the needs of Children Looked After and children in need.	Major	Probable	Treat	See key risk schedule in appendix 3.

Ref	Service	Risk	Net Impact	Net Likelihood	Conclusion	Current Controls and Planned Improvements
23	NCC	Risk that the Council fails, in its role as a community leader, to set an example and help partners, local businesses and communities make the necessary adaptations and mitigations in pursuit of the target of being a carbon-neutral County by 2050 (climate change).	Major	Probable	Treat	See key risk schedule in appendix 3.
24	AHS	Failure to protect a vulnerable adult from death or serious harm (where service failure is a factor or issue).	Critical	Possible	Treat	See key risk schedule in appendix 3.
25	CYPS	Inability to recruit and retain children's social workers and social work managers may seriously inhibit the delivery of services. Gill requesting an update	Moderate	Probable	Treat	Current controls: Social Work (SW) Academy. Regional agreement on agency payments. Recruitment and Selection Policy and guidance. Monitoring competitiveness of grades / pay rates. Recruitment and retention (R&R) for specified roles. Supporting various routes into SW. Management development to ensure SWs are well supported. Supervision framework. Planned improvements: Ongoing risk assessment to determine if extensions to R&R allowances are justified. Develop leadership academy to support front line managers. Agreement to recruit to SW posts over current establishment to enable vacancies to be filled as they arise. Review capacity of service and teams with proposals to change team boundaries and increase SW capacity. Restructure the children in care service to increase capacity and create smaller teams with manageable caseloads. Recruitment of SW students into unqualified support worker roles to support management of demand. Recruit temporary additional business support capacity to support teams where demand is high.
26	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.	Moderate	Probable	The current controls are considered adequate.	Current controls: Monthly outturn forecasts monitored by CMT. Quality Improvement Board. Children's Services Improvement Plan. Oversight by CMT, Cabinet, DSCP & partners. Fostering & Adoption Strategies. Placement Resource Panel. Risk-based approach to identifying children to be looked after. Placement Efficiency Strategy. Pre-Birth Service.

Ref	Service	Risk	Net Impact	Net Likelihood	Conclusion	Current Controls and Planned Improvements
27	CYPS	R0671 - 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.	Moderate	Probable	Treat	Current controls: SEND & Inclusion Resources Board. Collaboration with schools to make the HNB more sustainable. Schools Forum Reference Group. Monthly tracker report for SEND & HNB expenditure & forecasting to Programme Board. Programme Management and Performance Management Framework. Monthly highlight reports presented to the Programme Board. Planned Improvements: Continued development and implementation of HNB sustainability projects.
28	NCC	R0680 - Risk of a suspension notice under Regulation 37, Environmental Permitting Regulations 2016, leading to a partial cessation of operations at Mountsett Crematorium.	Moderate	Possible	The current controls are considered adequate.	Current controls: Temporary cremator installed. Due to COVID-related restrictions for international travel, installation of two new cremators was delayed. Officers from the Council are continuing to liaise with Pollution Control representatives. It is anticipated that, by May 2022, this risk will no longer be relevant as the new cremators will be operational and emissions testing will have been completed.
29	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 .	Major	Unlikely	The current controls are considered adequate.	Current controls: Adult Social Care Residential Care Charging Policy and Deferred Payment Agreement Policy. Specialist legal advice from Barristers. Intensive review of individual cases. Financial Planning to mitigate potential impact. Liaison with other local authorities. Dialogue with providers. Updated guidance on self-funders issues to staff.
30	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.	Major	Possible	The current controls are considered adequate.	Current controls: Market analysis and engagement, to help providers understand the local context and align business plans with the council's vision for the future of local public health, social care and housing markets. Links to national policy makers and professional bodies, collaboration with providers and health colleagues to share intelligence and understand market sustainability issues. County Durham Care Academy supports the development of an adult social care workforce with a range of courses. As part of the Covid response, regular information is collected from providers via the Operating Pressure Escalation Levels tool to identify provider pressures, enabling the Council to offer appropriate support and maintain market oversight. Contingency arrangements are in place for backup care workers and an emergency nurse, and a process is in place to request volunteer support.
31	REG	Serious injury or loss of life due to Safeguarding failure (Transport Service)	Critical	Remote	The current controls are considered adequate.	Current controls: Children's and adults' safeguarding policies. In-house fleet buses are maintained regularly. Contractors are required to maintain vehicles in a safe, roadworthy condition and comply with relevant, statutory provisions. Sample checking of vehicles in co-operation with the Police and the Driver and Vehicle Licensing Agency.

More and Better Jobs

Ref	Service	Risk	Net Impact	Net Likelihood	Conclusion	Current Controls and Planned Improvements
32	CYPS	Potential financial and other pressures threaten the viability of some education providers	Major	Possible	The current controls are considered adequate.	Current controls: School Strategy. Education Review Board. Sustainability Fund (early years providers). New protocols in place to support federations and shared headships. Leadership advisers support to schools. Business Continuity Planning and monitoring. Consultation on amalgamation of schools where opportunities arise.
33	REG	Changing and uncertain economic factors, including levelling up and shared prosperity funding and the impact of the EU exit, may impede the delivery of the countywide economic strategy , resulting in damage to the strength and competitiveness of the Co Durham economy	Moderate	Probable	Treat	Current controls: Engagement and advice by Business Durham. Weekly Regional Business Intelligence reports to Government. The County Durham Pound project. Business Grant Schemes. Levelling Up process. Planned improvements: Develop an Economic Strategy. DCC to explore opportunities presented by Devolution Deals. Lobby Government for continuation of funding. Analyse and understand the impact of Levelling Up White Paper.
34	CYPS	Government proposals to phase out school improvement grant by 2024/25 could undermine the Council's ability to support maintained schools effectively.	Moderate	Possible	Treat	Current controls: The mitigations include the Monitoring, Intervention and Improvement Protocol, regular visits and liaison with school heads, and increased focus on commercialisation opportunities. Planned improvements: The service will also undergo a restructure to adapt to new level of service demand.
35	RES	Risk that Council does not fully respond to the drivers of financial hardship, including those caused by the economic impacts of the coronavirus pandemic and wider determinants of poverty to help alleviate the impacts on County Durham residents.	Moderate	Possible	The current controls are considered adequate.	Current controls: Poverty Action Strategy and Plan. Child Poverty Charter and Action Plan. Covid-19 Poverty Action Plan. Poverty Action Steering Group. Housing Welfare Reform Group triage process. Emergency Food Group. Child Poverty Group. Covid-19 Community Hub. Various practical, financial and advisory support services. Communications programme. Staff training.
36	CYPS	UR0149 - Pupils may not adequately recover from the impacts of Covid19, leading to ongoing or increased inequality of educational outcomes , restricted employment prospects and an increase in the number of NEETS.	Moderate	Possible	The current controls are considered adequate.	Current controls: CYP Strategic Plan 2019 – 2022. Education Durham Support and Development team. School governing bodies. CYP O&SC. Durham Schools Forum. DurhamWorks programme. Education Endowment Foundation. Teacher Development Trust. Various head teacher associations. Virtual-live training. School improvement plans. Education Durham Performance and Standards team.

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	None
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)	None	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 due to the COVID-19 response.	No training provided in this period due to the COVID-19 response.
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 provided in this period due to the COVID-19 response.	No training provided in this period due to the COVID-19 response.

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Audit Committee

28 February 2022



Risk Management Policy and Strategy

Report of Corporate Management Team

Paul Darby, Corporate Director of Resources

Councillor Richard Bell, Deputy Leader and Cabinet member for Finance

Purpose of the Report

- 1 For Audit Committee to consider the updated Risk Management Policy and Strategy, as attached at Appendix 2.

Executive summary

- 2 An updated copy of the Risk Management Policy and Strategy is attached to this report for consideration and approval.
- 3 The wording of the policy statement has been made more concise.
- 4 The strategy has been re-ordered into a logical sequence with numbering added and there are separate sections now included detailing the risk management approach and relevant responsibilities to aid understanding of the arrangements in place across the council.
- 5 Both documents align with guidance from the Chartered Institute of Public Finance and Accountancy, the international risk management standard BSO 31000:2018, and the Council's Financial Management Standard 10 (Risk Management).

Recommendation

- 6 Audit Committee is requested to consider and approve the revised Risk Management Policy and Strategy, which is attached as Appendix 2.

Background

- 7 The Risk Management Policy and Strategy contains a requirement that it should be reviewed annually. This report presents the outcome of a review that has been undertaken by the Corporate Risk Management Group.
- 8 The wording of the policy statement has been made more concise.
- 9 The strategy, which includes an overview of the Council's risk management approach, has been re-ordered into a logical sequence with numbering and now contains separate sections for risk management approach and responsibilities.
- 10 Both documents align with guidance from the Chartered Institute of Public Finance and Accountancy, the international risk management standard BSO 31000:2018, and the Council's Financial Management Standard 10 (Risk Management).
- 11 Audit Committee is requested to approve the revised version in **Appendix 2**.

Background papers

- None

Other useful documents

- None

Author(s)

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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

Effective risk management supports the procurement function by minimising fraud, corruption, and non-compliance with legislation and good practice, thereby helping to secure value for money and effective service delivery.

Risk Management Policy and Strategy

Version Date	Version Ref.	Revision History	Reviser	Approved By	Review Date
28 February 2022	10.0	Policy statement has been made more concise. Strategy now shows approach and responsibilities separately.	Kevin Roberts	Audit Committee	February 2023

Risk Management Policy Statement

As a modern local authority endeavouring to deliver quality services to its communities, Durham County Council recognises that risk is inherent to innovative service delivery. Risk is the threat that an event or action arising from uncertainty will adversely affect the ability to achieve objectives and to execute strategies successfully. Risk management is an important part of performance management and is crucial to the creation and protection of value and achievement of objectives, and requires support from leaders and senior management. It provides direction and control through a set of co-ordinated activities, namely, communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, and reporting risk.

BSO31000:2018 lists the following principles in its guidance on the characteristics of effective and efficient risk management. 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.

The Council is committed to making risk management an integral part of management and decision-making, aligned with the structure, operations, and processes of the organisation, through the Risk Management Strategy.

The Risk Management Policy Statement and Strategy will be reviewed annually and approved by the Audit Committee.

Risk Management Strategy

Aim

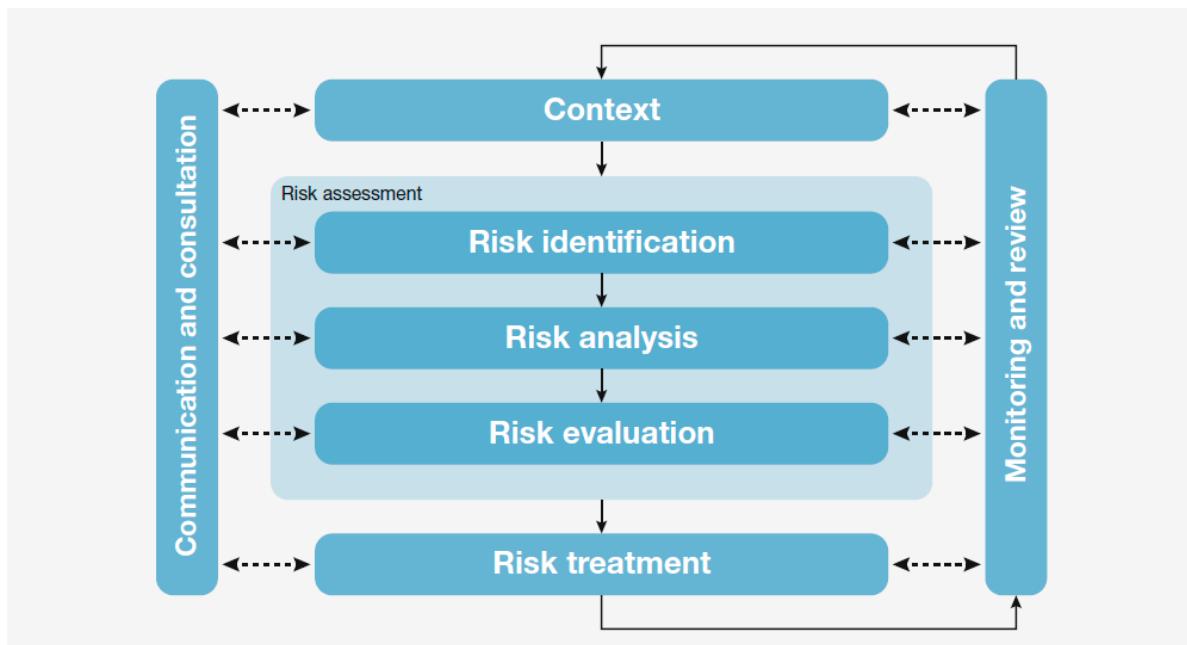
1. The aim of the risk management strategy is to make risk management an integral part of management and decision-making, aligned with the structure, operations, and processes of the Council.

Strategy Objectives

2. The objectives of the strategy are to:
 - a) Support the Council's corporate governance framework.
 - b) Support informed, transparent, and risk-managed decision making.
 - c) Demonstrate improved outcomes, including the successful delivery of innovative and challenging projects.
 - d) Inform local communities and other stakeholders of the key risks faced by the Council and how it will manage those risks.
 - e) Promote risk management to all those connected with the delivery of services, including partners.
 - f) Enable the Council to anticipate and respond effectively to changing conditions.
 - g) Ensure that the approach to managing risk is proportionate to the risk involved and provides value for money.
 - h) Meet statutory and best practice requirements in relation to risk management.
 - i) Ensure that all parties understand their roles and responsibilities and are adequately skilled to perform these roles.
 - j) Ensure that risks relating to partnerships and collaborative working arrangements are considered to mitigate joint risks.

Risk Management Approach

3. 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, adopting the following cycle:



IRM process as described in ISO 31000

4. Risk management will be an integral part of strategic planning and be embedded within the development of the MTFP, service improvement planning, performance management and key decisions by Cabinet.
5. Reports supporting a key decision will disclose details of the significant risks associated with that decision.
6. The Council will determine the risk appetite, which represents the maximum exposure to risk that it is prepared to tolerate.
7. Processes, procedures, roles and responsibilities to support this strategy will be documented in the Risk Management Manual.
8. The Council has nominated the Chief Finance Officer as the lead officer risk champion and the Deputy Leader and Portfolio Holder for Finance as the member risk champion.
9. Corporate risk management support will be provided by the Internal Audit and Risk Service and a dedicated Risk, Insurance and Governance Manager.

10. Each service grouping will have a designated officer (the service risk manager) to lead on risk management at a service grouping level and to act as a first point of contact for employees who require any advice or guidance on risk management.
11. Training will be provided regularly to ensure that employees and members have the necessary risk management knowledge and skills.
12. The Corporate Risk Management Group (CRMG) will be made up of the risk champions, service risk managers and the Corporate Risk, Insurance and Governance Manager.
13. The CRMG will monitor the progress of risk management across the Council, advise on strategic risk issues, identify and monitor corporate cross-cutting risks, and agree arrangements for reporting awareness training.
14. The Audit Committee will be responsible for reviewing the effectiveness of the Council's risk management arrangements, including approving any changes to the Council's Risk Management Policy Statement and Strategy.
15. Each risk identified will be assigned to a named owner, who will be responsible for completing a risk assessment and be accountable for ensuring that adequate mitigation of that risk is in place.
16. Risk assessments will include an evaluation of the impact on finance, service delivery and stakeholders should the risk materialise, and the likelihood that the risk will occur over a given period. The assessment will be confirmed by the service grouping management team, and chief officer will agree their risk register with the cabinet member responsible for their portfolio service.
17. 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.
18. Strategic risk registers will be compiled with each risk linked to the relevant strategic objective, with a prioritised action plan to direct its risk management activity.
19. The risk management process will be continuous, and monitoring will be in place to regularly review the effectiveness of risk reduction strategies and to help identify and assess new or emerging risks and suitable controls.

20. Strategic risks will be reviewed three times each year in line with the risk management annual plan and status reports will be submitted to the Cabinet, Corporate Management Team and the Audit Committee.
21. 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.
22. Provision will be made for losses that might result from the risks that remain.
23. Acceptable levels of risk will be determined and insured against where appropriate.
24. The Council will maintain business continuity plans for implementation in the event of disaster that may result in significant loss or damage to its resources.
25. Internal Audit will provide independent assurance on the adequacy and effectiveness of the corporate strategic risk management process and work closely with service managers to help embed operational or inherent risk management. This helps ensure risk management is embedded across the council and supports the achievement of service and corporate objectives.
26. The Council will work closely with partners to mitigate joint risks.
27. For partnerships and collaborative working, services will identify, assess and manage the risk to the Council. Key areas of concern will be reported to service management teams and where applicable to the Corporate Management Team.
28. The Audit Committee will take appropriate action to ensure that corporate and service strategic risks are being actively managed.
29. Internal Audit will ensure that the Audit Plan includes a review of control systems for operational and strategic risk.
30. 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.

31. Risk management will contribute to the overall corporate governance framework of the Council, including the Annual Governance Statement and the Code of Corporate Governance.
32. Resources will be allocated to embed risk management across the Authority.

Responsibility of Deputy Leader and Portfolio Holder for Finance

33. Act as the member risk champion and liaise with the officer risk champion as and when necessary.

Responsibilities of the Audit Committee

34. Promote a culture of risk awareness throughout the Council in conjunction with the Cabinet.
35. Approve the Council's Risk Management Policy Statement and Strategy.
36. Advise the Council and the Executive on audit and governance issues in order to provide independent assurance over the adequacy of the Council's risk management framework and associated control environment.

Responsibilities of the Chief Finance Officer

37. Act as the officer risk champion and liaise with the member risk champion as and when necessary.
38. Maintain an effective corporate risk management function.
39. Prepare and promote the Council's Risk Management Policy Statement and Strategy throughout the Council.
40. Advise the CRMG, Corporate Management Team and Cabinet members on risk management issues
41. Monitor and review the management of strategic risks.

Responsibilities of the Corporate Risk Management Group

42. Develop the Council's Risk Management Policy Statement and Strategy.
43. Help identify and assess strategic risks and determine appropriate mitigation strategies to manage identified risks effectively.

44. Monitor the progress of risk management across the Council, advise on strategic risk issues, identify and monitor corporate cross-cutting risks, and agree arrangements for reporting and awareness training.

Responsibility of Risk, Insurance and Governance Manager

45. Chair the CRMG, provide advice and guidance on the identification, assessment and control of risks and lead on the development of the Council's Risk Management Policy Statement and Strategy and related procedures.
46. Facilitate the development, maintenance and review of strategic risk registers.
47. Support the development and maintenance and review of project risk registers.
48. Support the development, maintenance and review of risk assessments for Cabinet key decisions, key procurements and key partnerships.
49. Ensure that the Council's agreed risk management processes are communicated throughout the Council and that relevant risk management training is provided where appropriate.
50. Facilitate the regular review of strategic risks and report on behalf of the CRMG to the Corporate Management Team, the Audit Committee and Cabinet.

Responsibilities of Chief Officers

51. Comply with the Council's Risk Management Policy Statement and Strategy.
52. Develop and maintain the internal control framework within their service groupings and to ensure that resources are properly applied.
53. Identify and manage the key risks which may impact on their respective service groupings and provide assurance that adequate controls are in place and working effectively to manage these risks where appropriate.
54. Have regard to advice from the Chief Finance Officer, the Corporate Risk, Insurance and Governance Manager and Service Risk Managers and other specialist officers (e.g., crime prevention, fire prevention, health and safety).
55. Nominate a service risk manager to work closely with the Corporate Risk and Governance Manager in determining strategic risk registers and their regular review.

56. Ensure that there are regular reviews of strategic, project and operational risk within their service area.
57. Notify the Chief Internal Auditor and Corporate Fraud Manager, and the Risk, Insurance and Governance Manager promptly of all significant new or emerging risks and how they intend to manage them.
58. Assist the Chief Finance Officer and the Risk, Insurance and Governance Manager in embedding risk throughout the Authority by ensuring that risk management processes are communicated to all staff within their Service Area via their service risk managers.
59. Ensure that all managers are aware of the Council's risk management arrangements and ensure that all senior managers participate in risk management training facilitated by the Risk, Insurance and Governance Manager.

Audit Committee**28 February 2022****Internal Audit Progress Update Report
Period Ended 31 December 2021****Report of Tracy Henderson, Chief Internal Auditor and Corporate Fraud Manager****Electoral division(s) affected:**

Countywide.

Purpose of the Report

- 1 To provide Members of the Audit Committee with an update on the work that has been carried out by Internal Audit during the period 1 April 2021 to 31 December 2021, as part of the 2021/22 Internal Audit Plan.

Executive Summary

- 2 The report provides an update on the progress that has been made in achieving the Internal Audit Plan for 2021/22, based on activity during the period up to 31 December 2021 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 any issues where controls need to be improved in order to effectively or better manage risks;
 - (c) Advise of other types of audit work carried out such as grant certification or advice and consultancy reviews where an assurance opinion on the control environment may not be applicable;
 - (d) Advise of any amendments to the Internal Audit Plan previously agreed;
 - (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; and

- (g) Provide an update on performance against the key performance indicators agreed as part of the Audit Plan.
- 3 The appendices attached to this report are summarised below. Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3):
- (a) Appendix 2 – Progress against the Internal Audit Plan;
 - (b) Appendix 3 – Final reports issued in the quarter ended 31 December 2021;
 - (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 Reports and progress on follow up reviews.

Recommendations

- 4 Members are asked to note:
- (a) The amendments made to the annual Internal Audit Plan 2021/22;
 - (b) The work undertaken by Internal Audit during the period ending 31 December 2021;
 - (c) The performance of the Internal Audit Service during the period; and
 - (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 Plan for 2021/22, covering the period 1 April 2021 to 31 March 2022, was approved by the Audit Committee on 30 June 2021.

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 2021 and, where applicable, also gives the resultant assurance opinion.
- 8 A summary of the status of audits 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)	3	2	4	0	2
Children and Young People's Services (CYPS) *Excluding Schools	3	2	8	0	9
Neighbourhoods and Climate Change (NCC)	7	0	2	0	8
Regeneration, Economy and Growth (REG)	11	2	3	0	20
Resources (RES)	24	3	24	1	21
Schools	0	6	7	3	2
TOTAL	48	15	48	4	62

- 9 A summary of the final internal audit reports issued in this quarter is presented in Appendix 3.

- 10 The total number of productive days available to Internal Audit during 2021/22 was originally planned as 3,262. As at 31 December 2021, the service had delivered 2,150 productive days, representing 66% of the total plan. The target at the end of the quarter was for 67.5% to be delivered, therefore performance is just below the target.
- 11 Whilst the overall performance of the service in relation to productive days delivered remains strong, the staffing and operational challenges reported in our previous progress report to 30 September 2021 remain. Of particular concern is the position of Senior Auditor, where a current vacancy exists, and where adverts placed for the position on both a permanent basis and through the use of agency support have thus far not resulted in an appointment being made. The job description and person specification for the role has been revised with the intention of advertising again in the new year.
- 12 The position of Chief Internal Auditor and Corporate Fraud Manager has, however, been filled further to interview, with Tracy Henderson, Interim Audit Manager set to take up the position from 01 February 2022.
- 13 At 31 December approximately 37% of the audit plan has been delivered to date, though there are a number of audits that are ongoing across the year which, when these are factored into account, the audit plan delivery is 48%.

Internal Audit activity in the quarter

Amendments to the Approved Internal Audit Plan

- 14 As a result of resource issues within the team, as set out in paragraphs 11 to 13, it has been necessary to reprioritise activities to be delivered within the 2021/22 plan. The following 25 reviews were therefore 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	Continuing Health Care and Free Nursing Care	Assurance	Deferred until 2022/23 at the request of the service.
Adult and Health Services	Review of Section 117 arrangements	Assurance	Deferred until 2022/23 at the request of the service.
Adult and Health Services	Direct Payments	Assurance	Deferred until 2022/23 at the request of the service.
Adult and Health Services	Commissioning of Domiciliary Care	Assurance	Deferred until 2022/23 at the request of the service.

Service Grouping	Audit	Audit Type	Reason
Adult and Health Services	Public Health Claims processed via Pharmoutcomes	Assurance	Deferred until 2022/23 at the request of the service.
Children and Young People's Services	Special Guardianship and Child Arrangements Orders	Follow Up	Agreed with service to defer review to 2022/23.
Children and Young People's Services	Adoption Payments	Assurance	Agreed with service to defer review to 2022/23.
Children and Young People's Services	Review of Placement Resource Panel arrangements	Assurance	Agreed with service to defer review to 2022/23.
Children and Young People's Services	Review of CYPS Petty Cash Arrangements	Assurance	Agreed with service to defer review to 2022/23.
Neighbourhoods and Climate Change	Utility Bills – Contract Management	Assurance	Agreed with service to defer review to 2023/24.
Neighbourhoods and Climate Change	Trade Waste	Assurance	Agreed with service to defer review to 2022/23.
Neighbourhoods and Climate Change	Charging Arrangements	Advice and Consultancy	Agreed with service to defer review to 2022/23.
Neighbourhoods and Climate Change	InnovateUK	Grant	Cancelled, as no requirement for further grant certification in 2021/22.
Regeneration, Economy and Growth	One Life Contract	Assurance	Review cancelled as service is now provided in-house.
Regeneration, Economy and Growth	Leisure Centre Procedures for Holidays and Toil	Assurance	Agreed with service to defer review to 2022/23.
Regeneration, Economy and Growth	On and Off Street Parking	Assurance	Agreed with service to defer review to 2023/24.
Regeneration, Economy and Growth	Gala Hospitality and Catering	Assurance	Agreed with service to defer review to 2023/24.
Regeneration, Economy and Growth	Theatre Assets and Inventory	Advice and Consultancy	Agreed with service to rename and defer review to 2022/23.
Regeneration, Economy and Growth	Theatre Assets and Inventory	Assurance	Agreed with service to rename and defer review to 2023/24.
Regeneration, Economy and Growth	Events Management	Assurance	Agreed with service to defer review to 2023/24.

Service Grouping	Audit	Audit Type	Reason
Resources	Business Rates – System Access	Key system	Agreed with service to defer review to 2023/24.
Resources	Housing Benefits – System Access	Key system	Agreed with service to defer review to 2023/24.
Resources	Council Tax – System Access	Key system	Agreed with service to defer review to 2023/24.
Resources	Coroner	Assurance	Agreed with service to cancel review, due to a reprioritisation of audits.
Resources	Data Quality	Assurance	Agreed with service to defer review to 2022/23.

- 15 Three unplanned reviews were added to the Internal Audit Plan in the quarter.

Service Grouping	Audit	Audit Type	Reason
Regeneration, Economy and Growth	Horden Rail Station	Grant	Service request for further certification work to be carried out.
Regeneration, Economy and Growth	Local Authority COVID 19 Bus Service Support Grant Restart	Grant	Service request for further certification work to be carried out.
Neighbourhoods and Climate Change	Business Energy Efficiency Project (BEEP)	Advice and Consultancy	Service request for review to be added.

Outstanding Management Responses to Draft Internal Audit Reports

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

Survey Response Rate

- 17 The table overpage sets out the response rate and average score, by Service Grouping, for the customer satisfaction surveys issued during the period up to 31 December 2021.

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Adult and Health Services (AHS)	2	2	100	4.3
Children and Young People's Services (CYPS) *Excluding Schools	5	4	80	4.9
Neighbourhoods and Climate Change (NCC)	2	2	100	4.9
Regeneration, Economy and Growth (REG)	6	4	67	4.8
Resources (RES)	11	11	100	4.9
Schools	2	1	50	5.0
TOTAL	28	24	86	4.8

Responses to Internal Audit Findings and Recommendations

- 18 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.
- 19 A summary of progress on the actions due, implemented and overdue, as at 31 December 2021, 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)	8	6	2 (25%)	2	0
Children and Young People's Services (CYPS) [Excluding Schools]	101	98	3 (3%)	3	0
Neighbourhoods and Climate Change (NCC)	41	37	4 (10%)	4	0
Regeneration, Economy and Growth (REG)	57	55	2 (4%)	2	0
Resources (RES)	308	302	6 (2%)	6	0
TOTAL	515	498*	17 (3%)	17	0

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

- 20 It is encouraging to note that, of the 515 actions due to be implemented, 498 (97%) have been implemented. The position at 30 September 2021 was that 94% of actions had been implemented at that point, so the current position is an improvement on the position at that time.
- 21 Details of the actions that are overdue, following their agreed original target dates, are included at Appendix 6.

Limited Assurance Audit Opinions

- 22 There have been no 'limited assurance' opinion audits issued in the period.

Performance Indicators

- 23 A summary of actual performance, as at the end of December 2021, compared with our agreed targets, is detailed in Appendix 5.

Background papers

- Specific Internal Audit reports issued and working papers.

Other useful documents

- Previous Committee reports.

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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 and 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 2021

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
2020 / 2021 audits brought forward into plan					
Adult and Health Services	Adult Care	Azeus Business Readiness Review	Advice and Consultancy	Final	N/A
Children and Young People's Services	Children's Social Care	Special Guardianship and Child Arrangement Orders	Assurance	Final	Limited
Children and Young People's Services	Children's Social Care	Contract Monitoring Arrangements - Independent Fostering Services	Assurance	Final	Moderate
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Troubled Families Data Cleansing and Claim Return Administration	Advice and Consultancy	Final	N/A
Children and Young People's Services	Education and Skills	SFVS	Assurance	Complete	N/A
Children and Young People's Services	Education and Skills	School Attendance Enforcement (Deferred from 2019/20)	Assurance	Final	Substantial
Neighbourhoods and Climate Change	Environment	InnovateUK	Grant	Not yet started	
Neighbourhoods and Climate Change	Environment	Fuel Stocks and Stores (Follow Up)	Follow Up	Final	N/A
Neighbourhoods and Climate Change	Environment	Atlantic Geoparks	Grant	Final	N/A
Neighbourhoods and Climate Change	Technical Services	Plant Returns	Assurance	Final	Substantial
Neighbourhoods and Climate Change	Partnerships and Community Engagement	COVID-19 Area Budgets	Assurance	In Progress	
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation - Valuation calculations	Assurance	Final	Substantial
Regeneration, Economy and Growth	Corporate Property and Land	Assets of Community Value	Assurance	Final	Substantial
Regeneration, Economy and Growth	Development & Housing	Section 106 Agreement	Assurance	Final	Substantial
Regeneration, Economy and Growth	Transport and Contract Services	Durham Urban Traffic Management and Control (UTMC)	Grant	Final	N/A
Regeneration, Economy and Growth	Transport and Contract Services	Horden Rail Station Link	Grant	Final	N/A
Regeneration, Economy and Growth	Culture, Sport and Tourism	Stanley Bowls Club	Audit of Accounts	Final	N/A
Resources	Legal & Democratic Services	Fee Recovery	Advice and Consultancy	Final	N/A
Resources	Corporate Finance and Commercial Services	Potentially Violent Persons Register	Assurance	In Progress	
Resources	Corporate Finance and Commercial Services	Capital Accounting	Assurance	Final	Substantial
Resources	Corporate Finance and Commercial Services	Finance Durham	Assurance	Cancelled	
Resources	Corporate Finance and Commercial Services	Review of SLA Charging Arrangements	Advice and Consultancy	Draft	
Resources	Corporate Finance and Commercial Services	Section 256 agreements	Grant	Final	N/A
Resources	Corporate Finance and Commercial Services	Section 75 Agreements - Better Care Fund	Grant	Final	N/A
Resources	Procurement, Sales and Business Services	COVID-19 Procurement Analysis	Assurance	Not yet started	
Resources	Transactional Services	Council Tax - Overarching Report	Key System	Final	Substantial
Resources	Transactional Services	COVID-19 Council Tax Reduction Hardship Scheme	Key System	Final	Substantial
Resources	Transactional Services	Business Rates - Overarching Report	Key System	In Progress	
Resources	Transactional Services	Business Rates - Liability	Key System	In Progress	
Resources	Transactional Services	COVID-19 Small Business Rates Relief	Key System	In Progress	
Resources	Transactional Services	COVID-19 Business Rates 5% Discretionary Scheme	Advice and Consultancy	Final	N/A
Resources	Transactional Services	COVID-19 Retail, Hospitality and Leisure Grant Fund	Key System	In Progress	
Resources	Transactional Services	Housing Benefits and Council Tax Reduction - Overarching Report	Key System	Final	Substantial
Resources	Transactional Services	Housing Benefits and Council Tax Reduction - New Claims & Changes in Circumstances	Key System	Final	Substantial
Resources	Transactional Services	Welfare Rights	Follow Up	Final	N/A
Resources	Transactional Services	Creditors - Overarching Report	Key System	In Progress	
Resources	Transactional Services	Creditors - Processing of Payments through Controcc	Key System	In Progress	
Resources	Transactional Services	School Holidays Meal Voucher Scheme	Advice and Consultancy	Complete	N/A
Resources	Transactional Services	COVID-19 Test and Trace Support Payment Scheme (Assurance)	Assurance	In Progress	
Resources	Transactional Services	Covid Winter Fund - Verification Process (February 2021.bf Return)	Assurance	Final	N/A
Resources	Transactional Services	Covid Winter Fund - Verification Process (April 2021 Return)	Assurance	Final	N/A
Resources	Transactional Services	Procurement Cards - Projects	Assurance	Final	Limited
Resources	Transactional Services	Debtors - Refunds	Key System	Planning and Preparation	
Resources	Transactional Services	Income Management	Key System	Final	Substantial
Resources	Digital and Customer Services	Vulnerability Management	Assurance	In Progress	
Resources	Digital and Customer Services	Backup Procedures	Assurance	Final	Moderate
Resources	Digital and Customer Services	ICT Purchasing	Assurance	Not yet started	
Resources	Digital and Customer Services	Business Continuity for ICT	Advice and Consultancy	Not yet started	
2021/22 plan					
Adult and Health Services	Adult Care	Hawthorn House	Assurance	Planning and Preparation	
Adult and Health Services	Adult Care	Direct Payments	Assurance	Defer to 2022/23	N/A
Adult and Health Services	Adult Care	Continuing Health Care and Free Nursing Care	Assurance	Defer to 2022/23	N/A
Adult and Health Services	Adult Care	Section 117 Process	Assurance	Defer to 2022/23	N/A
Adult and Health Services	Adult Care	Social Care Direct	Advice and Consultancy	Cancelled	N/A
Adult and Health Services	Commissioning	Commissioning of Learning Disability Services	Assurance	Not Yet Started	
Adult and Health Services	Commissioning	Commissioning of Domiciliary Care	Assurance	Defer to 2022/23	N/A
Adult and Health Services	Commissioning	Commissioning of Mental Health Services	Assurance	Not Yet Started	
Adult and Health Services	Commissioning	Commissioning of Residential Care	Assurance	Defer to 2022/23	N/A
Adult and Health Services	Commissioning	Personalisation - Virtual Budgets	Assurance	Planning and Preparation	
Adult and Health Services	Public Health	COVID-19 Test and Trace Service Support Grant	Grant	Defer to 2022/23	N/A
Adult and Health Services	Public Health	Suicide Early Alert	Assurance	In Progress	
Adult and Health Services	Adult Care	AzeusCare Implementation - Project Board	Advice and Consultancy	In Progress	
Adult and Health Services	Adult Care	AzeusCare Implementation - Task Groups	Advice and Consultancy	Not Yet Started	
Adult and Health Services	Commissioning	Alliance Contracting Steering Group	Advice and Consultancy	In Progress	
Adult and Health Services	Commissioning	Integration of the Health and Care Plan County Durham	Advice and Consultancy	Defer to 2022/23	N/A
Adult and Health Services	Public Health	Pharmoutcomes - Data Matching	Advice and Consultancy	In Progress	
Adult and Health Services	Public Health	Public Health Claims processed via Pharmoutcomes	Assurance	Defer to 2022/23	N/A
Adult and Health Services	Public Health	Stop Service Service Contract	Assurance	Defer to 2022/23	N/A
Adult and Health Services	Commissioning	Workforce Development Innovation Fund 20/21	Assurance	Final	Substantial
Children and Young People's Services	Children's Social Care	Placement Resource Panel Arrangements	Assurance	Defer to 2022/23	
Children and Young People's Services	Children's Social Care	Adoption Payments	Assurance	Defer to 2022/23	
Children and Young People's Services	Children's Social Care	New Lea Children's Home	Assurance	In Progress	
Children and Young People's Services	Children's Social Care	Moorside Children's Home	Assurance	In Progress	
Children and Young People's Services	Children's Social Care	Hicksted Children's Home	Assurance	In Progress	
Children and Young People's Services	Children's Social Care	Coxhoe Children's Home	Assurance	In Progress	
Children and Young People's Services	Children's Social Care	Local Adoption Governance	Assurance	Defer to 2022/23	
Children and Young People's Services	Commissioning	Disability Commissioning Arrangements (Short Breaks)	Assurance	Defer to 2022/23	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Review of CYPS Locality Office Petty Cash Arrangements	Assurance	Defer to 2022/23	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Family Centres	Assurance	Defer to 2022/23	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	One Point Hubs	Assurance	Defer to 2022/23	
Children and Young People's Services	Education and Skills	Adult Learning and Skills Service	Assurance	Not Yet Started	
Children and Young People's Services	Education and Skills	Durham Supported Employment Service	Assurance	Cancelled	
Children and Young People's Services	Education and Skills	Pupil Referral Unit	Assurance	Defer to 2023/24	
Children and Young People's Services	Education and Skills	Academy Transfer Arrangements	Assurance	Cancelled	
Children and Young People's Services	Education and Skills	Synergy - Audit of access to data arrangements	Assurance	Cancelled	N/A
Children and Young People's Services	Children's Social Care	Supporting Families Programme: Claim 01 - June 2021	Grant	Complete	N/A
Children and Young People's Services	Children's Social Care	Supporting Families Programme: Claim 02 - September 2021	Grant	Complete	N/A
Children and Young People's Services	Children's Social Care	Supporting Families Programme: Claim 03 - December 2021	Grant	Complete	N/A
Children and Young People's Services	Children's Social Care	Supporting Families Programme: Claim 04 - March 2022	Grant	Planning and Preparation	
Children and Young People's Services	Children's Social Care	Liquidlogic - Board Meetings	Advice and Consultancy	In Progress	
Children and Young People's Services	Children's Social Care	Liquidlogic Developments	Advice and Consultancy	Not Yet Started	
Children and Young People's Services	Commissioning	Home to School Transport Review	Advice and Consultancy	Defer to 2022/23	
Children and Young People's Services	Commissioning	Home to School Transport Review	Assurance	Defer to 2023/24	
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	High Needs Budget	Follow Up	Final	N/A
Children and Young People's Services	Education and Skills	Kickstart	Assurance	Cancelled	
Children and Young People's Services	Education and Skills	Governor Training	Advice and Consultancy	Planning and Preparation	
Children and Young People's Services	Education and Skills	Developing Financial Management Standards in Durham Schools	Advice and Consultancy	In Progress	
Children and Young People's Services	Education and Skills	Caldicott Compliance - Review of Youth Justice IT System	Assurance	Not Yet Started	
Children and Young People's Services	Operational Support	Caldicott Group	Advice and Consultancy	In Progress	N/A
Children and Young People's Services	Education and Skills	SFVS	Assurance	In Progress	
Children and Young People's Services	Education - Schools	School Programme (governance and financial management)	Assurance	1 Limited Assurance	
Children and Young People's Services	Education - Schools	School Follow Up of previous Limited Assurance Opinion Reports			
Children and Young People's Services	Education - Schools	Audit of School Voluntary Funds	Fund Certification	35 Complete	
Children and Young People's Services	Children's Social Care	Special Guardianship and Child Arrangement Orders	Follow Up	Defer to 2022/23	
Neighbourhoods and Climate Change	Community Protection Services	Online Licence Applications	Assurance	Not yet started	
Neighbourhoods and Climate Change	Community Protection Services	Fees and Charges	Assurance	Defer to 2022/23	
Neighbourhoods and Climate Change	Community Protection Services	Civil Penalties	Assurance	Defer to 2022/23	
Neighbourhoods and Climate Change	Community Protection Services	Intelligence Handling	Assurance	Not yet started	
Neighbourhoods and Climate Change	Community Protection Services	Anti Social Behaviour	Advice and Consultancy	Defer to 2022/23	
Neighbourhoods and Climate Change	Environment	Utility Bills - Contract Management	Assurance	Defer to 2023/24	

INTERNAL AUDIT PLAN PROGRESS AS AT 31 DECEMBER 2021

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Neighbourhoods and Climate Change	Environment	Trade Waste	Assurance	Defer to 2022/23	
Neighbourhoods and Climate Change	Technical Services	Charging Arrangements	Advice and Consultancy	Defer to 2022/23	
Neighbourhoods and Climate Change	Environment	Rebus	Grant	Not yet started	
Neighbourhoods and Climate Change	Environment	Carbon Connects	Grant	Final	N/A
Neighbourhoods and Climate Change	Environment	SME Power (Claim 3)	Grant	Final	N/A
Neighbourhoods and Climate Change	Environment	InnovateUK	Grant	Cancelled	
Neighbourhoods and Climate Change	Environment	Durham Crematorium	Assurance	Not yet started	
Neighbourhoods and Climate Change	Environment	Mountsett Crematorium	Assurance	Not yet started	
Neighbourhoods and Climate Change	Technical Services	Local Transport Capital Block Funding for NECA	Grant	Final	N/A
Neighbourhoods and Climate Change	Partnerships and Community Engagement	Community Grants	Assurance	Not yet started	
Neighbourhoods and Climate Change	Environment	Identification and Disposal of Scrap Waste Metals	Advice and Consultancy	Complete	N/A
Neighbourhoods and Climate Change	Partnerships and Community Engagement	COVID-19 LA Compliance and Enforcement Grant	Grant	Final	N/A
Neighbourhoods and Climate Change	Environment	Business Energy Efficiency Project (BEEP)	Advice and Consultancy	In Progress	
Regeneration, Economy and Growth	Corporate Property and Land	New Headquarters	Assurance	Planning and Preparation	
Regeneration, Economy and Growth	Corporate Property and Land	Milburngate Development Governance	Assurance	Not yet started	
Regeneration, Economy and Growth	Development and Housing	Financial Assistance Policy	Assurance	Not yet started	
Regeneration, Economy and Growth	Development & Housing	Housing Solutions	Assurance	Not yet started	
Regeneration, Economy and Growth	Development & Housing	Local Lettings Agency Governance	Assurance	In Progress	
Regeneration, Economy and Growth	Business Durham	Local Growth Fund - Grow On Space (Explorer)	Grant	Final	N/A
Regeneration, Economy and Growth	Business Durham	County Durham Growth Fund	Assurance	In Progress	
Regeneration, Economy and Growth	Transport and Contract Services	On Street and Off Street Parking	Assurance	Defer to 2023/24	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Leisure Centre Timesheets	Follow Up	Final	N/A
Regeneration, Economy and Growth	Culture, Sport and Tourism	Leisure Centre Procedures for holidays and toll	Assurance	Defer to 2022/23	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Events Management	Assurance	Defer to 2023/24	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Learn to Swim	Advice and Consultancy	Not yet started	
Regeneration, Economy and Growth	Culture, Sport and Tourism	One Life Contract	Assurance	Cancelled	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Gala Hospitality and Catering	Assurance	Defer to 2023/24	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Theatre Asset / Inventory Review	Advice and Consultancy	Defer to 2022/23	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Theatre Asset / Inventory Review	Assurance	Defer to 2023/24	
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	Assurance	Not yet started	
Regeneration, Economy and Growth	Development and Housing	Bishop Auckland Heritage Action Zone	Grant	Final	N/A
Regeneration, Economy and Growth	Development and Housing	Selective Licensing Steering Group	Advice and Consultancy	In Progress	
Regeneration, Economy and Growth	Development and Housing	Choice Based Letting Scheme	Advice and Consultancy	Not yet started	
Regeneration, Economy and Growth	Development and Housing	Disabled Facilities Grant	Grant	Final	N/A
Regeneration, Economy and Growth	Business Durham	Stephanie	Grant	Final	N/A
Regeneration, Economy and Growth	Business Durham	Business Recovery Grants	Assurance	Final	Substantial
Regeneration, Economy and Growth	Transport and Contract Services	Local Transport Capital Block Funding	Grant	Final	N/A
Regeneration, Economy and Growth	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	Grant	Final	N/A
Regeneration, Economy and Growth	Transport and Contract Services	Additional Dedicated Home to School and College Transport	Grant	Final	N/A
Regeneration, Economy and Growth	Transport and Contract Services	Travel Demand Management	Grant	Final	N/A
Regeneration, Economy and Growth	Transport and Contract Services	Integrated Passenger Transport - Contracts	Assurance	Defer to 2022/23	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Rolling Programme of Leisure Centres - Peterlee	Assurance	Not yet started	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Rolling Programme of Leisure Centres - Seaham	Assurance	Not yet started	
Regeneration, Economy and Growth	Culture, Sport and Tourism	CLUK Income Share Agreement	Assurance	Final	Substantial
Regeneration, Economy and Growth	Culture, Sport and Tourism	Stanley Bowls	Audit of Accounts	Not yet started	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Beamish Museum - Grant Review	Assurance	Not yet started	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Bowes Museum - Grant Review	Assurance	Not yet started	
Regeneration, Economy and Growth	Business Durham	NETPark Incubator Support for SMEs	Grant	Final	N/A
Regeneration, Economy and Growth	Transport and Contract Services	Additional Dedicated Home to School and College Transport (2)	Grant	Final	N/A
Regeneration, Economy and Growth	Transport and Contract Services	Horden Rail Station	Grant	Planning and Preparation	
Regeneration, Economy and Growth	Transport and Contract Services	Local Authority COVID 19 Bus Service Support Grant Restart	Grant	Final	N/A
Resources	Legal & Democratic Services	Coroner	Assurance	Cancelled	
Resources	Legal & Democratic Services	Electoral Services (Election Payments)	Assurance	Cancelled	
Resources	Legal & Democratic Services	Data Protection	Assurance	Not yet started	
Resources	Corporate Finance and Commercial Services	CIPFA Financial Management Code	Advice and Consultancy	Final	N/A
Resources	Corporate Finance and Commercial Services	MTFP Arrangements	Assurance	Cancelled	
Resources	Corporate Finance and Commercial Services	Review of Commercial Services	Assurance	Not yet started	
Resources	Procurement, Sales and Business Services	Contract Management	Advice and Consultancy	In Progress	
Resources	Procurement, Sales and Business Services	Off Contract Spend	Assurance	Not yet started	
Resources	Transactional Services	Domiciliary Care Working Party	Advice and Consultancy	In Progress	
Resources	Transactional Services	Payroll - Preparation - Corrections	Key System	Not yet started	
Resources	Transactional Services	Recruitment and Selection: ID Verification	Assurance	Not yet started	
Resources	Transactional Services	Council Tax - Quality Assurance and Appeals	Key System	Defer to 2023/24	
Resources	Transactional Services	Cash Management - Crook CAP	Key System	Not yet started	
Resources	Transactional Services	Deputies and Appointees - Personal Allowance Payments	Assurance	Defer to 2022/23	
Resources	Digital and Customer Services	Change Management	Assurance	Not yet started	
Resources	Digital and Customer Services	Unix - Linux Security	Assurance	Not yet started	
Resources	Digital and Customer Services	Mobile Device Security	Assurance	Not yet started	
Resources	Transformation, Planning and Performance	Data Quality	Assurance	Defer to 2022/23	
Resources	Transformation, Planning and Performance	Transformation	Advice and Consultancy	In Progress	
Resources	Legal and Democratic Services	Election Postal Votes	Advice and Consultancy	Final	N/A
Resources	Legal and Democratic Services	RIPA Officers Group	Advice and Consultancy	In Progress	
Resources	Legal & Democratic Services	Company Governance Group	Advice and Consultancy	In Progress	
Resources	Legal & Democratic Services	Information Governance Group	Advice and Consultancy	In Progress	
Resources	Corporate Finance and Commercial Services	Developing School Financial Arrangements	Advice and Consultancy	In Progress	
Resources	Corporate Finance and Commercial Services	Banking Arrangements	Assurance	Not yet started	
Resources	Corporate Finance and Commercial Services	Chapter Homes - SLA Arrangements	Advice and Consultancy	Final	N/A
Resources	Corporate Finance and Commercial Services	SLA Board	Advice and Consultancy	In Progress	
Resources	Corporate Finance and Commercial Services	Section 256 Agreements	Grant	Not yet started	
Resources	Corporate Finance and Commercial Services	Financial Assessments	Assurance	Not yet started	
Resources	Corporate Finance and Commercial Services	Better Care Fund	Grant	Not yet started	
Resources	Procurement, Sales and Business Services	Contract Procedure Rules	Assurance	Not yet started	
Resources	Transactional Services	Creditors	Key System	Not yet started	
Resources	Transactional Services	Procurement Cards (Projects)	Follow Up	Not yet started	
Resources	Transactional Services	Petty Cash and Payment Card Workstream	Advice and Consultancy	In Progress	
Resources	Transactional Services	Fuel Cards	Follow Up	In Progress	
Resources	Transactional Services	Payroll	Key System	Not yet started	
Resources	Transactional Services	ResourceLink Programme Board	Advice and Consultancy	In Progress	
Resources	Transactional Services	Business Rates - System Access	Key System	Defer to 2023/24	
Resources	Transactional Services	Housing Benefits and Council Tax Reduction - Overarching Report	Key System	Cancelled	
Resources	Transactional Services	Housing Benefits and Council Tax Reduction - Accuracy Award Indicator	Advice and Consultancy	Defer to 2022/23	
Resources	Transactional Services	Housing Benefits and Council Tax Reduction - System Access	Key System	Defer to 2023/24	
Resources	Transactional Services	Housing Benefits and Council Tax Reduction - Supported Accommodation	Key System	Defer to 2023/24	
Resources	Transactional Services	Enforcement Programme Board	Advice and Consultancy	In Progress	
Resources	Transactional Services	Enforcement Programme Workstreams	Advice and Consultancy	Not yet started	
Resources	Transactional Services	Council Tax - Overarching Report	Key System	Not yet started	
Resources	Transactional Services	Council Tax - Liability (include Billing and Refunds in scope)	Key System	In Progress	
Resources	Transactional Services	Council Tax - System Access	Key System	Defer to 2023/24	
Resources	Transactional Services	Income Management	Key System	Not yet started	
Resources	Transactional Services	Debtors - Direct Debits	Key System	Planning and Preparation	
Resources	Digital and Customer Services	SharePoint	Assurance	Not yet started	
Resources	Digital and Customer Services	Digital Durham	Grant	Final	N/A
Resources	Transformation, Planning and Performance	Equality, Diversity and Community Cohesion	Assurance	Planning and Preparation	
Resources	Transformation, Planning and Performance	Police and Crime Panel	Grant	Final	N/A
Resources	Transactional Services	COVID-19 Additional Restrictions Grant (ARG)	Assurance	In Progress	
Resources	Transactional Services	COVID-19 Local Restrictions Support Grants	Assurance	In Progress	

FINAL REPORTS ISSUED IN PERIOD ENDING 31 DECEMBER 2021

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)		
High Needs Budget	A follow up review to determine whether the recommendations made in the previous Limited Assurance audit report had been implemented.	N/A
NEIGHBOURHOODS AND CLIMATE CHANGE (NCC)		
Atlantic Geoparks	Grant Certification	N/A
REGENERATION, ECONOMY AND GROWTH (REG)		
Section 106 Agreement	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none">- Current policies and practices do not conform to government guidance on the use of planning obligations;- Inconsistent or unclear calculation of amounts due under planning obligations;- Obligations are not adequately recorded or monitored to ensure compliance;- Section 106 monies are not spent in accordance with legislation, the contract with the builder or on appropriate projects;- The Infrastructure Funding Statement is inaccurate.	Substantial
Business Recovery Grants	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none">- Grant offers are made to businesses that are ineligible;- Grant payments are made where ineligible;- Fraudulent claims made for purchased goods and / or services;- Clear criteria not set out leading to complaints where businesses come forward who are not eligible;- Ineffective budget monitoring processes in place;- Business supported could cease trading within a short time following receipt of the grant;- Grant funding paid where other grants are available or have already been paid.	Substantial

REGENERATION, ECONOMY AND GROWTH (REG) Contd.

Competition Line UK Income Share Agreement	Assurance review of the arrangements in place to mitigate against the risk of non compliance of the requirements of the income share agreement.	Substantial
Leisure Centre Timesheets	Follow up review to the previous audit which provided a limited level of assurance.	N/A
Local Transport Capital Block Funding	Grant Certification	N/A
Stephanie	Grant Certification	N/A
Local Authority COVID 19 Bus Service Support Grant Restart	Grant Certification	N/A

RESOURCES (Res)

Housing Benefits and Council Tax Reduction - Overarching Report	Overarching assurance review combining the outcomes from individual assurance reviews carried out over the last year.	Substantial
Housing Benefits and Council Tax Reduction – New claims and changes in circumstances	Assurance review of the arrangements in place to mitigate against the risks of; - Housing Benefit new claims and changes in circumstances are not processed promptly or are incorrect; - Council Tax Reduction new claims and changes in circumstances are not processed promptly or are incorrect.	Substantial
Income Management	Assurance review of the arrangements in place to mitigate against the risks of; - Non-compliance with financial regulations; - Theft or misappropriation; - Inappropriate recovery action taken against a customer who has paid; - Payments are not made, or are not made promptly, due to the inability to access an appropriate payment channel.	Substantial
IT Backup Procedures	Assurance review of the arrangements in place to mitigate against the risk of systems and data being unavailable.	Moderate
Covid-19 Business Rates 5% Discretionary Scheme	Advice and consultancy review of the controls for both pre and post payment arrangements of the grant.	N/A
Covid 19 Winter Fund Verification	Advice and consultancy review of arrangements in place to ensure that expenditure was in accordance with the terms and conditions of the grant.	N/A
Digital Durham	Grant Certification	N/A

Progress on the Implementation of Audit Recommendations

Appendix 4

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)					
2019/20					
High	0	0	0	0	0
Medium	4	4	0	0	0
Total	4	4	0	0	0
2020/21					
High	0	0	0	0	0
Medium	4	2	2	2	0
Total	4	2	2	2	0
2021/22					
High	0	0	0	0	0
Medium	0	0	0	0	0
Total	0	0	0	0	0
Overall Total	8	6	2	2	0
CHILDREN AND YOUNG PEOPLE'S SERVICES (CYS)					
2019/20					
High	0	0	0	0	0
Medium	52	50	2	2	0
Total	52	50	2	2	0
2020/21					
High	0	0	0	0	0
Medium	14	14	0	0	0
Total	14	14	0	0	0
2021/22					
High	2	2	0	0	0
Medium	33	32	1	1	0
Total	35	34	1	1	0
Overall Total	101	98	3	3	0
NEIGHBOURHOODS AND CLIMATE CHANGE (NCC)					
2019/20					
High	0	0	0	0	0
Medium	11	10	1	1	0
Total	11	10	1	1	0
2020/21					
High	3	3	0	0	0
Medium	21	21	0	0	0
Total	24	24	0	0	0
2021/22					
High	0	0	0	0	0
Medium	6	3	3	3	0
Total	6	3	3	3	0
Overall Total	41	37	4	4	0
REGENERATION, ECONOMY AND GROWTH (REG)					
2019/20					
High	2	2	0	0	0
Medium	37	37	0	0	0
Total	39	39	0	0	0
2020/21					
High	2	2	0	0	0
Medium	12	10	2	2	0
Total	14	12	2	2	0
2021/22					
High	0	0	0	0	0
Medium	4	4	0	0	0
Total	4	4	0	0	0
Overall Total	57	55	2	2	0
RESOURCES (RES)					
2018/19					
High	3	3	0	0	0
Medium	108	108	0	0	0
Total	111	111	0	0	0
2019/20					
High	0	0	0	0	0
Medium	116	113	3	3	0
Total	116	113	3	3	0
2020/21					
High	0	0	0	0	0
Medium	65	64	1	1	0
Total	65	64	1	1	0
2021/22					
High	1	1	0	0	0
Medium	15	13	2	2	0
Total	16	14	2	2	0
Overall Total	308	302	6	6	0
TOTAL COUNCIL					
2018/19					
High	3	3	0	0	0
Medium	108	108	0	0	0
Total	111	111	0	0	0
2019/20					
High	2	2	0	0	0
Medium	220	214	6	6	0
Total	222	216	6	6	0
2020/21					
High	5	5	0	0	0
Medium	116	111	5	5	0
Total	121	116	5	5	0
2021/22					
High	3	3	0	0	0
Medium	58	52	6	6	0
Total	61	55	6	6	0
OVERALL TOTAL	515	498	17	17	0

Performance Indicators as at 31 December 2021

Efficiency Objective: To provide maximum assurance to inform the annual audit opinion			
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Actual
Productive audit time achieved	% of planned productive time from original approved plan completed.	90% (Annually)	66% as at 31 December 2021
Timeliness of Draft Reports	% of draft reports issued within 20 working days of end of fieldwork/closure interview	100% (Quarterly)	94% (33 out of 35)
Timeliness of Final Reports	% of final reports issued within 10 working days of receipt of management response	100% (Quarterly)	100% (32 out of 32)
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 4.8
Customers providing feedback Response	% of customers returning satisfaction returns	70% (Quarterly)	86%

Audit Committee**28 February 2022****Emergent Internal Audit Plan for the period from 01 April 2022 to 31 March 2023****Report of Paul Darby, Corporate Director of Resources****Electoral division(s) affected:**

Countywide.

Purpose of the Report

- 1 This report provides the Committee with details of the emergent Internal Audit Plan for the period from 01 April 2022 to 31 March 2023 which consists of an initial six-month plan for the period 01 April 2022 to 30 September 2022 (attached as Appendix 2) and an indicative plan for the second six-month period, from 01 October 2022 to 31 March 2023, which is presented for information (attached as Appendix 3). A further report will be presented at the Committee's September meeting, for the approval of the second six-month plan, from 01 October 2022 to 31 March 2023.
- 2 The purpose of this report is to update and engage Members of the Audit Committee in the development of the emergent six-month Internal Audit Plan.

Executive Summary

- 3 This report sets out the first formal iteration of the six-month Internal Audit Plan and describes:
 - (a) The basis of the plan;
 - (b) The approach taken to develop the plan; and
 - (c) The key characteristics which include:
 - Impact of COVID-19
 - The scale and pace of change
 - The structure of the plan
 - The content of the plan
 - The scale of the plan
- 4 The initial draft six-month plan is set out for consultation and comment by the members of the Audit Committee.

- 5 The final version will need to be considered and approved by the Audit Committee at its meeting in May 2022 and will then be monitored throughout the first six months of the year, following which a second six-month plan will be developed.

Recommendation

- 6 Members are requested to comment on the proposed direction and process for the development of the emergent Internal Audit Plan for the six-month period from 01 April to 30 September 2022 attached at Appendix 2, which will be brought back to Committee for formal approval in May 2022. A further report will be presented at the Committee's September meeting, for the second six-month period of 2022/23, from 01 October 2022 to 31 March 2023.

Background

- 7 From April 2013, the Chartered Institute of Public Finance and Accountancy (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.
- 8 These PSIAS were further revised in 2017 and set out the standards for Internal Audit and have been adopted by the service in Durham.
- 9 The principles in the PSIAS are consistent with the previous CIPFA Code for Internal Audit that applied across Local Government prior to April 2013. 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.
- 10 It is considered to be unrealistic for a detailed 12-month Internal Audit Plan to be compiled at this point in time. This is due to several issues which include the need to direct resources to deliver outstanding client reviews to support their annual assurance opinions for the Internal Audit Year 2021/22 and continued assurance work relating to COVID related payments.
- 11 In addition, and of particular concern is the vacant position of Senior Auditor, where a current vacancy exists, and where adverts placed for the position on a permanent basis have thus far not resulted in an appointment being made. In addition, an Audit Manager has recently announced their retirement and although there is a recruitment exercise currently in progress, there is uncertainty over the ability to recruit to this post.
- 12 Therefore, the emergent Internal Audit Plan for the period from 01 April to 30 September 2022 has been drafted so we can take stock of the position in September 2022 when the above issues are better understood and there is more certainty on the future staffing establishment and progress made on the delivery of the first six-month plan.

Basis for the Plan

- 13 The PSIAS (section 2010) states that the ‘Chief Audit Executive’ must
 - a. ‘establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals’. They refer to the need for the plan to reflect the assurance framework, risk management arrangements and input from management.

- 14 These principles have been applied in the development of the emergent six-month 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 four 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 service 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.

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

- 15 The approach to audit planning in the Council has been based largely, but not exclusively, on the following:
- i. Review of the Strategic Risk Register
 - ii. Review of the assurance map compiled during the year taking into account the work of other assurance providers.
 - iii. Cumulative audit knowledge and experience.
 - iv. Findings and outcomes from audit and investigation work in 2021/22 and earlier years.
 - v. Engagement with Heads of Service and their management teams.
 - vi. Engagement with audit colleagues across the North East and Local Authority Chief Auditor Network.
 - vii. Engagement with the Risk, Insurance and Governance teams within the Audit and Risk Management Division.

- 16 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

Impact of COVID-19

- 17 The initial surge in COVID-19 cases in the UK happened in early March 2020, though its impact has continued to be felt throughout the whole of 2020/21 and 2021/22.
- 18 In supporting the national economy, Government introduced a range of economic support measures including numerous Covid-19 stimulus packages available to both residents and local businesses. For the grants distributed by Durham County Council, Internal Audit played an important role in both supporting the Council in establishing new arrangements to process these schemes and through post-payment assurance work in looking to verify that payments had been made to genuine people and businesses who needed financial support during the Covid restrictions.
- 19 Whilst there remains work to be undertaken in providing necessary assurance in relation to the above matters and estimated days have been allocated within the 2022/23 to accommodate this, exact requirements are subject to change and therefore difficult to forecast.

Scale and Pace of Change

- 20 Austerity continues to be high on the agenda for local government. 2018/19 saw the first financially failing Councils, some issuing a section 114 notice, others providing only statutory services and auditors issuing warnings on the financial management of others.
- 21 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.
- 22 The National Audit Office ‘Financial sustainability of local authorities 2018’ report quantifies, and details actions 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.

- 23 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 and must be reflected in the Internal Audit Plan.
- 24 Internal audit planning therefore must take into account the above changes, while also considering that:
- i. Austerity is a driver for change – where there is change, there is risk.
 - ii. With workforce cuts and re-organisations, there is a risk of dissatisfied staff and a loss of experience.
 - iii. Cutting costs can also lead to cutting of control; and
 - iv. The organisation needs to be more inventive, which needs to be taken into account when conducting audits.
- 25 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 2022/2023 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 is 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.
- 26 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 were 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 pro-active 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.

- 27 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.
- 28 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.
- 29 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 2021/2022 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

- 30 There are four different types of audit activity in the plan.
 - i. Key System
 - ii. Assurance Review
 - iii. Advice and Consultancy
 - iv. Grant Certification
- 31 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

- 32 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.
- 33 There is time allocated to developing systems and supporting service groupings with new initiatives and any changes in service delivery.
- 34 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, Economy and Growth (REG)
 - Neighbourhoods and Climate Change (NCC)
 - Resources (RES)
- 35 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

- 36 The six-month internal audit plan needs to be deliverable within available resources. The Internal Audit Team has an approved establishment of 18 posts, equivalent to 16.35 FTEs. The establishment of 18 posts, includes two, a Principal Auditor and a Senior Auditor, which are currently vacant. Although there have been difficulties in recruiting to the Senior Auditor post, plans are still in place to fill this vacancy and for the person to be in post from April 2022. It should also be noted that these figures assumed that the Audit Manager post will be filled following the retirement of the current postholder at the end of March 2022. In addition, over and above the establishment figures, there is also one apprentice auditor within the Team.
- 37 As a result of this planning, the latest forecast of available resources to be allocated to the management and delivery of the six-month audit plan from the start of April to the end of September 2022 is 2,100 days. The detail of this allocation is shown in the table over the page.

Estimated Gross Days Available	2,100
Non – Productive Time (Annual Leave, Sickness, Training, Office Duties etc.)	619
Productive Time – not allocable to services, e.g. Audit Planning, Supporting Audit Committee, Quality Assurance	484
Contingency	88.5
Productive Days	
Audit days required to complete and close audit reports relating to 2021/22	222
Adult and Health Services (AHS)	89
Children and Young People Service (CYPS)	83
Neighbourhoods and Climate Change (NCC)	29
Regeneration, Economy and Growth (REG)	35
Resources (RES)	70
Schools	125
Durham Police and Crime Commissioner / Durham Constabulary	104
Durham and Darlington Fire & Rescue Authority	36
Pension Fund	17
New College Durham	10
Durham Joint Crematorium	-
Mountsett Joint Crematorium	-
Aim High Academy Trust	14
Beamish Museum	25
Peterlee Town Council	15
Spennymoor Town Council	16
Monk Hesledon Parish Council	2
Shotton Parish Council	2
Horden Parish Council	6
Trimdon Parish Council	2.5
Durham City Charter	6
TOTAL GROSS DAYS REQUIRED	2,100

Emergent Plan Content

- 38 Within this framework an emergent work programme of potential work has been developed. This is based on an assessment of risk.
- 39 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.

Provisional Plan for the Period from 01 October 2022 to 31 March 2023

- 40 Based on initial forecasts of the resources to be allocated to the delivery and management of the second six-month plan from the start of October to the end of March 2023, there will be 2,120 days available in this period. The provisional detail of this allocation is shown in the table below and is presented for information.

Estimated Gross Days Available	2,120
Non – Productive Time (Annual Leave, Sickness, Training, Office Duties etc.)	360.5
Productive Time – not allocable to services, e.g. Audit Planning, Supporting Audit Committee, Quality Assurance	484
Contingency	109.5
Productive Days	
Adult and Health Services (AHS)	109
Children and Young People Service (CYPS)	148
Neighbourhoods and Climate Change (NCC)	82
Regeneration, Economy and Growth (REG)	84
Resources (RES)	221
Schools	226
Durham Police and Crime Commissioner / Durham Constabulary	103
Durham and Darlington Fire & Rescue Authority	36
Pension Fund	24
New College Durham	35
Durham Joint Crematorium	19
Mountsett Joint Crematorium	19
Aim High Academy Trust	-
Beamish Museum	25
Peterlee Town Council	15
Spennymoor Town Council	10
Monk Hesledon Parish Council	-
Shotton Parish Council	-
Horden Parish Council	10
Trimdon Parish Council	-
Durham City Charter	-
TOTAL GROSS DAYS REQUIRED	2,120

Background papers

Public Sector Internal Audit Standards – Published in June 2013 and updated in March 2017
Strategic Internal Audit Plan – Reviewed and updated January 2022

Other useful documents

None

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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.

APPENDIX 2 SERVICE GROUPING BREAKDOWN: 01 APRIL 2022 TO 30 SEPTEMBER 2022

Service Grouping	Service	Audit Title	Estimated Days
Adult and Health Services	Commissioning	Integration of the Health and Care Plan County Durham	10.0
Adult and Health Services	Commissioning	Commissioning of Residential Care	12.0
Adult and Health Services	Commissioning	Commissioning of Domiciliary Care	12.0
Adult and Health Services	Public Health	COVID-19 Test and Trace Service Support Grant	5.0
Adult and Health Services	Adult Care	Azeus Project Board and Design Authority	5.0
Adult and Health Services	Adult Care	Azeus - Post Go Live	35.0
Adult and Health Services	Commissioning	Workforce Development Fund	3.0
Adult and Health Services	Commissioning	Mental Health Alliance Project Board	2.0
Adult and Health Services	Public Health	Pharmoutcomes Data Matching	5.0
TOTAL ESTIMATED DAYS FOR ADULTS AND HEALTH SERVICES			89.0
Children and Young People's Services	Children's Social Care	Special Guardianship and Child Arrangement Orders	7.0
Children and Young People's Services	Children's Social Care	Local Adoption Governance	12.0
Children and Young People's Services	Children's Social Care	Placement Resource Panel	12.0
Children and Young People's Services	Commissioning	Home to School Transport Review	5.0
Children and Young People's Services	Children's Social Care	Liquidlogic Developments -Project Board Meetings	5.0
Children and Young People's Services	Children's Social Care	Liquidlogic Developments - Financial Process meetings	25.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme	5.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	High Needs Funding - Follow Up (2)	5.0
Children and Young People's Services	Education and Skills	Governor Training	5.0
Children and Young People's Services	Operational Support	Caldicott Group	2.0
TOTAL ESTIMATED DAYS FOR CHILDREN AND YOUNG PEOPLE'S SERVICE			83.0
Neighbourhoods and Climate Change	Environment	Review of arrangements for reporting on carbon emissions performance	12.0
Neighbourhoods and Climate Change	Environment	Carbon Connects	5.0
Neighbourhoods and Climate Change	Environment	SMEPower	5.0
Neighbourhoods and Climate Change	Environment	InnovateUK	2.0
Neighbourhoods and Climate Change	Environment	Domestic Vehicle Charging Working Group	1.0
Neighbourhoods and Climate Change	Technical Services	Local Transport Capital Block Funding for NECA	4.0
TOTAL ESTIMATED DAYS FOR NEIGHBOURHOODS AND CLIMATE CHANGE			29.0
Regeneration, Economy and Growth	Culture, Sport and Tourism	Technical Assets and Inventory	5.0
Regeneration, Economy and Growth	Corporate Property and Land	Policies and procedures for due diligence on new tenants	5.0
Regeneration, Economy and Growth	Development and Housing	Bishop Auckland Heritage Action Zone	3.0
Regeneration, Economy and Growth	Development and Housing	Disabled Facilities Grant	6.0
Regeneration, Economy and Growth	Development and Housing	Selective Licensing Group	1.0
Regeneration, Economy and Growth	Transport and Contract Services	Local Transport Capital Block Funding	3.0
Regeneration, Economy and Growth	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	5.0
Regeneration, Economy and Growth	Culture, Sport and Tourism	CLUK Income Share Agreement	7.0
TOTAL ESTIMATED DAYS FOR REGENERATION, ECONOMY AND GROWTH			35.0
Resources	Transactional Services	Housing Benefits and Council Tax Reduction - Accuracy Award Indicator	10.0
Resources	Transformation, Planning and Performance	Data Quality	12.0
Resources	Legal & Democratic Services	RIPA Officers Group	1.0
Resources	Legal & Democratic Services	External Legal Fees	5.0
Resources	Legal & Democratic Services	Company Governance Group	2.0
Resources	Legal & Democratic Services	Information Governance Group	2.0
Resources	Procurement, Sales and Business Services	SLA Board	1.0
Resources	Procurement, Sales and Business Services	Tendering System - System Implementation	5.0
Resources	Procurement, Sales and Business Services	Rapid Improvement Workshops	2.0
Resources	Procurement, Sales and Business Services	Business Support links to Payroll and Employee Services (PES)	3.0
Resources	Transactional Services	Creditors - Invoice and PO Authorisation (PO Hierarchy)	12.0
Resources	Transactional Services	Petty Cash and Payment Cards Workstream	1.0
Resources	Transactional Services	ResourceLink Programme Board	1.0
Resources	Transactional Services	Enforcement Arrangements	2.0
Resources	Digital and Customer Services	Incident Management	7.0
Resources	Digital and Customer Services	Digital Durham	2.0
Resources	Transformation, Planning and Performance	Police and Crime Panel	2.0
TOTAL ESTIMATED DAYS FOR RESOURCES			70.0

APPENDIX 3 SERVICE GROUPING BREAKDOWN: 01 OCTOBER 2022 TO 31 MARCH 2023

Service Grouping	Service	Audit Title	Estimated Days
Adult and Health Services	Adult Care	Direct Payments	22.0
Adult and Health Services	Adult Care	Continuing Health Care and Free Nursing Care	22.0
Adult and Health Services	Adult Care	Section 117	12.0
Adult and Health Services	Public Health	Public Health Claims processed via Pharmoutcomes	17.0
Adult and Health Services	Public Health	Stop Smoking Service Contract	12.0
Adult and Health Services	Adult Care	Transitional Arrangements between Childrens and Adult Services	12.0
Adult and Health Services	Commissioning	Approval and Payment of Commissioned Services - Panel arrangements for payments to providers	12.0
TOTAL ESTIMATED DAYS FOR ADULTS AND HEALTH SERVICES			109.0
Children and Young People's Services	Children's Social Care	Adoption Payments	15.0
Children and Young People's Services	Commissioning	Disability Commissioning Arrangements (Short Breaks)	12.0
Children and Young People's Services	Children's Social Care	Children In Need	15.0
Children and Young People's Services	Children's Social Care	Supervised Spend - Leaving Care Service	15.0
Children and Young People's Services	Children's Social Care	In & Out of County Placements	12.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme	5.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Secure Services - Contract with YJB	12.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	High Needs Top Up funding arrangements in Schools	15.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Benevolent Fund	5.0
Children and Young People's Services	Education and Skills	SFVS	10.0
Children and Young People's Services	Education and Skills	Developing Financial Management Standards in Schools	2.0
Children and Young People's Services	Education and Skills	Durham Music Service	12.0
Children and Young People's Services	Education and Skills	Review of Swimming SLA	8.0
Children and Young People's Services	Operational Support	Caldicott Compliance	10.0
TOTAL ESTIMATED DAYS FOR CHILDREN AND YOUNG PEOPLE'S SERVICE			148.0
Neighbourhoods and Climate Change	Community Protection Services	Fees and Charges	12
Neighbourhoods and Climate Change	Community Protection Services	Civil Penalties	12
Neighbourhoods and Climate Change	Community Protection Services	Anti Social Behaviour	12
Neighbourhoods and Climate Change	Environment	Trade Waste	12
Neighbourhoods and Climate Change	Technical Services	Charging Arrangements	12
Neighbourhoods and Climate Change	Environment	Rebus	5
Neighbourhoods and Climate Change	Environment	Carbon Connects (2)	5
Neighbourhoods and Climate Change	Environment	Pest Control	12
TOTAL ESTIMATED DAYS FOR NEIGHBOURHOODS AND CLIMATE CHANGE			82.0
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	20
Regeneration, Economy and Growth	Development and Housing	Choice Based Letting Scheme	12
Regeneration, Economy and Growth	Business Durham	Finance Durham	12
Regeneration, Economy and Growth	Culture, Sport and Tourism	Rolling Programme of Leisure Centres	15
Regeneration, Economy and Growth	Culture, Sport and Tourism	Stanley Bowls	1
Regeneration, Economy and Growth	Culture, Sport and Tourism	Consett Empire Theatre	12
Regeneration, Economy and Growth	Culture, Sport and Tourism	Gala Theatre and Cinema	12
TOTAL ESTIMATED DAYS FOR REGENERATION, ECONOMY AND GROWTH			84.0
Resources	Transactional Services	Deputies and Appointees - Personal Allowance Payments	15
Resources	Legal & Democratic Services	Members Expenses	12
Resources	Corporate Finance and Commercial Services	Bank Reconciliation	5
Resources	Corporate Finance and Commercial Services	Direct Debit Payments	7
Resources	Corporate Finance and Commercial Services	Short Term Investments	10
Resources	Corporate Finance and Commercial Services	Leases - IFRS16	12
Resources	Corporate Finance and Commercial Services	Budgetary Control and Financial Reporting	12
Resources	Corporate Finance and Commercial Services	Section 256 Agreements	7
Resources	Corporate Finance and Commercial Services	Better Care Fund and Improved BCF (Sn 75)	5
Resources	Procurement, Sales and Business Services	Contract Management	10
Resources	Transactional Services	Creditors - Overarching	1
Resources	Transactional Services	Creditors - Receipting of Goods	12
Resources	Transactional Services	Payroll - Overarching	1
Resources	Transactional Services	Payroll - Preparation: Temporary Input	12
Resources	Transactional Services	Business Rates - Overarching	1
Resources	Transactional Services	Business Rates - Valuation	12
Resources	Transactional Services	Business Rates - Billing and refunds	12
Resources	Transactional Services	Housing Benefit and CTR - Overarching	1
Resources	Transactional Services	Housing Benefit and CTR - Overpayment Recovery	6
Resources	Transactional Services	Housing Benefits and Council Tax Reduction - Supported Accommodation	12
Resources	Transactional Services	Council Tax - Overarching	1
Resources	Transactional Services	Council Tax - Valuation	12
Resources	Transactional Services	Cash Management	12
Resources	Transactional Services	Debtors	12
Resources	Digital and Customer Services	Active Directory	7
Resources	Digital and Customer Services	IT Asset Management	7
Resources	Transformation, Planning and Performance	Project Genesis	5
TOTAL ESTIMATED DAYS FOR RESOURCES			221.0

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

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