



## **Audit Committee**

**Date**      **Tuesday 23 May 2023**  
**Time**      **9.30 am**  
**Venue**     **Committee Room 1A , County Hall, Durham**

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### **Business**

#### **Part A**

#### **Items which are open to the Public and Press**

1. Apologies for absence
2. Minutes of the meeting held on 28 February 2023 (Pages 3 - 8)
3. Declarations of interest, if any
4. Health, Safety and Wellbeing Performance Report Quarter 4 2022/2023 - Report of the Corporate Director of Regeneration, Economy and Growth (Pages 9 - 28)
5. Annual Governance Statement for the year ending 31 March 2022: Actions Update - Report of the Corporate Director of Resources (Pages 29 - 42)
6. Auditor's Annual Report - year ending 31 March 2022 - Report of the External Auditor (Pages 43 - 66)
7. Internal Audit Progress Update Report - Period ended 31 March 2023 - Report of the Corporate Director of Resources (Pages 67 - 82)
8. Internal Audit Strategy, Charter and Plan 2023/24 - Report of the Chief Internal Auditor and Corporate Fraud Manager (Pages 83 - 124)

9. Transformation Update and Approach to Value for Money - Presentation by the Head of Corporate Affairs (Pages 125 - 146)
10. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
11. 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)**

12. Internal Audit Progress Report - Period Ended 31 March 2023 - Report of the Corporate Director of Resources (Pages 147 - 152)
13. 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  
15 May 2023

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

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

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

#### **Co-opted Members:**

Mr C Robinson and Mr I Rudd

## DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in **Committee Room 1A , County Hall, Durham** on **Tuesday 28 February 2023 at 9.30 am**

**Present:**

**Councillor A Watson (Chair)**

**Members of the Committee:**

Councillors L Fenwick (Vice-Chair), P Heaviside, M Johnson, B Kellett and T Smith

**Co-opted Members:**

Mr C Robinson

Prior to the commencement of the meeting, Members stood for a minute's silence out of respect to Councillor Bainbridge.

### **1 Apologies for absence**

Apologies for absence were received from Councillors M McGaun, R Ormerod and Mr I Rudd.

### **2 Minutes**

The minutes of the meeting held on 28 November 2022 were agreed as a correct record and signed by the Chair.

### **3 Declarations of interest**

There were no declarations of interest.

### **4 Health, Safety and Wellbeing Performance Report Quarter 3 2022/2023**

The Committee considered a report of the Corporate Health and Safety Manager which provided an update on the Council's Health, Safety and Wellbeing (HSW) performance for Quarter three 2022/23 (for copy see file of minutes).

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

Quarter 3 incidents in numbers;  
Audits and Inspections;  
Fire Incidents and Inspections;  
Occupational Health Service;

Employee Health and Wellbeing  
Open Water Safety;  
Potentially Violent Persons Register;  
Corporate Risks that may impact on Health and Safety.

Councillor B Kellett raised concerns about crew safety and potential insurance costs relating to fire incidents caused by batteries on board refuse vehicles. It was noted that some schools had battery disposal schemes and it was suggested that the scheme be rolled out to all schools in the county. The Corporate Health and Safety Manager advised that refuse crews in County Durham had acted quickly and followed the safe working procedures for dealing with hot loads, however he acknowledged there were issues nationally and, unfortunately, refuse vehicles had been lost in other part of the Country.

Members further discussed bin stickers that inform residents not to put certain items in bins, however further information was required where to dispose of those items correctly. Councillor T Smith felt that more Member awareness was required and suggested that a Member seminar be arranged on the topic.

The Corporate Health and Safety Manager advised that he would feedback comments to colleagues in refuse and recycling.

**Resolved:**

That the report be agreed.

**5 Changes to the Code of Practice for Local Authority Accounting in the UK (CIPFA Code)**

The Committee received a report of the Corporate Director of Resources which provided a summary of the key accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK (the Code) which apply to the 2022/23 Statement of Accounts (for copy see file of minutes).

**Resolved:**

That the changes detailed in the report which would be taken into account in the preparation of the 2022/23 statements be noted.

**6 Agreement of Accounting Policies for Application in the 2022-23 Financial Statements**

The Committee considered a report of the Corporate Director of Resources which provided and update on the County Council's accounting policies to be applied in the preparation of the 2022/23 Statement of Accounts and to seek confirmation from the Audit Committee that appropriate policies were being applied (for copy see file of minutes).

**Resolved:**

That the recommendations within the report be agreed.

## **7 Final Accounts Timetable for the Year Ended 31 March 2023**

The Committee received a report of the Corporate Director of Resources which provided information regarding the Final Accounts timetable for 2022/23. The timetable details target dates for key actions in order to complete the Statement of Accounts in line with statutory deadlines (for copy see file of minutes).

**Resolved:**

That the report be noted.

## **8 External Audit 2021/22 - Progress Report**

The Committee received a report of the External Auditor which provided an update on progress in delivering responsibilities and provided a summary of recent national reports and publications (for copy see file of minutes).

Mr Outterside, Mazars presented the report and highlighted that the 2020/21 Whole of Government Accounts (WGA) had been completed and they were waiting for the National Audit Office to confirm the scope for the approved Audit procedures before the audit statement could be issued.

In relation to infrastructure assets, Mr Outterside advised that guidance had been published in January 2023 and the work in this area had now been completed and concluded that the 2021/22 accounts complied with the recommendations set out by CIPFA and the infrastructure depreciation was accurate.

It was noted that work in relation to Value for Money was in progress and to date, no significant risks or weaknesses had been identified.

**Resolved:**

That the report be noted.

## **9 Corporate Governance Review 2022/23 - Key Dates**

The Committee received a report of the Corporate Director of Resources that informed of the key dates for the corporate governance review for the 2022/23 financial year (for copy see file of minutes).

**Resolved:**

That the report be noted.

## **10 Strategic Risk Management Progress Report for 2022/23 - Review 3: 1 October - 31 December 2022**

The Committee considered a report of the Corporate Director of Resources which highlighted the strategic risks facing the Council and provided an

insight into the work carried out by the Corporate Risk Management Group between October and December 2022 (for copy see file of minutes).

Councillor B Kellett referred to the HGV drivers shortage and asked about the number of HGVs and the level of drivers in the county. The Risk Insurance and Governance Manager advised that she would enquire with the service and provide details following the meeting.

Mr Robinson queried if actions could be taken to shorten the three years identified to address home to school transport arrangements. The Chief Internal Auditor and Corporate Fraud Manager advised that she would feedback comments to the service and provide a response following the meeting.

Responding to the council's obligation with regards to the new requirements of Martyn's Law, the Risk Insurance and Governance Manager advised that the Board were currently working through the details and looking at implementation which was expected to come into force in August 2023. Updates would be provided on the obligation as a council and how the risk would be managed.

Mr Robinson asked whether the minimum pension was factored into the external audit processes for the pension scheme as it had been identified as a strategic risk to the authority. Mr Kirkham, Mazars advised that the pension fund was not subject to the detailed value for money assessment the same way as the County Council sector were required to provide, however they were aware of the managed risks.

Regarding the Key Performance Indicators, Mr Robinson noted that none of the current risks had reduced from the previous quarter and asked if there was something that can be done as an organisation to make sure that actions were undertaken. The Risk Insurance and Governance Manager advised that risks were reviewed on a regular basis to ensure that all actions were completed and scores re-evaluated. Mr Robinson acknowledged that risks were being reviewed but felt that further action was required to reduce those risks.

**Resolved:**

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

## **11 Revised Risk Management Policy and Strategy**

The Committee considered a report of the Corporate Director of Resources which sought approval of the updated Risk Management Policy and Strategy (for copy see file of minutes).

**Resolved:**

That the revised Risk Management Policy and Strategy be approved.

## **12 Internal Audit Progress Report Period Ending 31 December 2022**

The Committee received a report of the Corporate Director of Resources which provided an update on the progress that had been made in achieving the Internal Audit Plan, based on activity during the period up to 31 December 2022 (for copy see file of minutes).

Following a query from the Chair regarding the audit opinion provided for the review of Planning Applications, the Chief Internal Auditor and Corporate Fraud Manager clarified the summary of the audit scope and confirmed that a substantial audit assurance opinion has been provided which was the best rating available which determined that there was found to be a sound system of control in place.

Responding to comments from Councillor B Kellett regarding recruitment and performance targets, the Chief Internal Auditor and Corporate Fraud Manager explained the challenges in recruitment and retention and the apprentice trainee route offers access to the apprenticeship levy for training with funded day release and off the job training. She added that the audit apprentice was one of the successful candidates appointed to the audit assistant posts created on the staffing establishment and that she was planning on appointing an internal apprentice in September 2023.

Mr Robinson commented on whether a different approach to deliver the audit service could be considered as he was aware that other organisations carry out risk control self-assessments, whereby control owners verify that controls are operating as part of their risk management validations which could alleviate the audit workload. The Chief Internal Auditor and Corporate Fraud Manager advised that she had previously assessed efficiencies and how things could be done differently in terms of internal processes, systems and control framework. There was capacity in the 2023/24 plan to develop the team and look at different ways of delivering the service to provide assurance. She added that she planned to attend Strategic Managers Development sessions to advise managers of the internal control framework and their responsibilities.

### **Resolved:**

That the report be noted.

## **13 Emergent Internal Audit Plan 2023/24**

The Committee considered a report of the Corporate Director of Resources which provided details of the emergent Internal Audit Plan for 2023/2024 (for copy see file of minutes).

Responding to a query from Mr Robinson regarding audit services provided to external clients, the Chief Internal Auditor and Corporate Fraud Manager explained that the service would continue to be provided to external clients

listed in the report for 2023/24 as they were commercially viable by means of a Service Level Agreement.

**Resolved:**

That the proposed direction and process for the development of the emergent Internal Audit Plan 2023/2024 be noted and brought back to Committee in May 2023 for formal approval.

**14 Exclusion of the Public**

**Resolved:**

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

**15 Internal Audit Progress Report Period Ending 31 December 2022**

The Committee received a report of the Corporate Director of Resources which presented the appendices referenced in the Internal Audit progress report in Part A of the agenda (for copy see file of minutes).

The Committee received a report from the Chief Internal Auditor and Corporate Fraud Manager which presented the appendices referenced in the Internal Audit progress report in Part A of the Agenda (for copy see file of minutes).

**Resolved:**

That Appendix 6 of the report be noted.



Audit Committee

23 May 2023

Quarter 4 2022/23 Health, Safety and Wellbeing Performance Report



## Report of Amy Harhoff, Corporate Director of Regeneration, Economy and Growth

### 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 four 2022/23.

### Executive summary

2. There were 457 accidents, incidents and near misses compared to 527 in the previous quarter. Early indications are that there has been a slight increase in accidents in 2022/23 compared to 2021/22, with 1676 in total in 2022/23 compared to 1469 in 2021/22.
3. In terms of more serious accidents there were 4 RIDDOR specified injuries in quarter four and 10 in total for 2022/23 compared to 6 in 2021/22 and 4 in 2020/21. Finally in relation to work related psychological ill health there was a reduction quarter four with 40 incidents reported and overall for 2022/23 with 160 reports compared to 195 in 2021/22.
4. There was only 1 fire related incident during quarter four and this related to an arson attack on the contents of an external skip at the Louisa Centre in Stanley which required fire service attendance. The skip has since been removed.
5. There were 126 H&S and fire safety audits and inspections of council premises and work activities during the quarter which resulted in an overall compliance rate of 92.51%. Once again, the majority of noncompliance issues were of a low priority and over 300 opportunities for improvement were identified during auditing as well as best practice being evidenced in many areas.
6. Work continued in relation to the detailed results of the employee working well survey and further results were report to CMT and preparations made for the cascading of service grouping and Head of Service results also in Quarter four.

## **Recommendation(s)**

7. Audit Committee is recommended to note and agree the contents of this report.

**457**

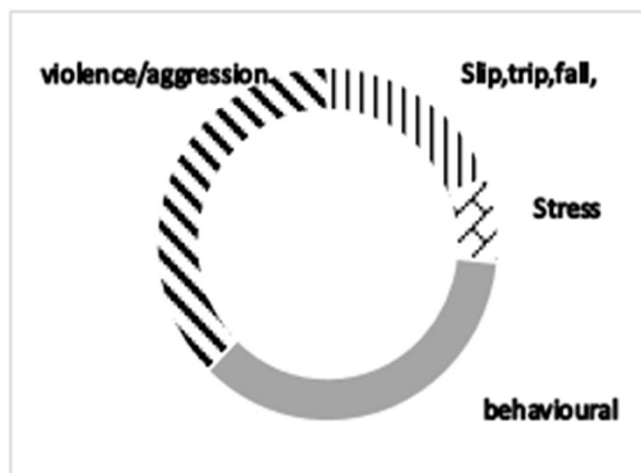
Accidents, incidents and near misses reported  
(527 in Q3, 306 in Q2 and 386 in Q1 2022/23)



**96%**

Of all reported accidents are either no injury or near miss

**Main Accident/Incident Causes**



4 RIDDOR 'specified' injury, and 9 over 7 days absence RIDDOR injuries

Employee working well survey completed in Quarter 3 2022/23 and outcomes being produced and reported.



- Better Health at Work Maintaining Excellence Status and working towards ambassador status



40 psychological work-related incidents in Q4 2022/23 compared to 57 in Q3, 33 in Q2 and 30 in Q1

1 fire related incident



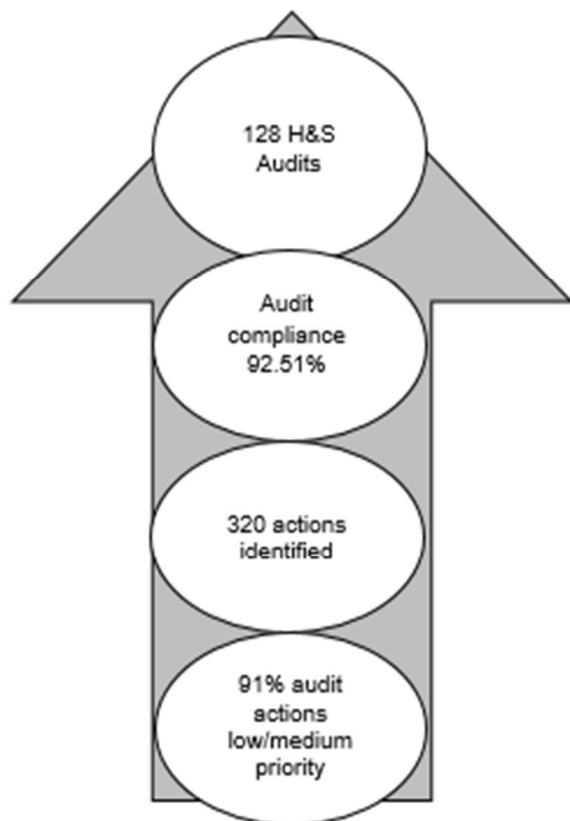
0 CDDFRS inspections of council premises



New Intranet site launched and revamped Health, Safety and Wellbeing portal/support

**0**

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



## Background

- 1 The Corporate 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.

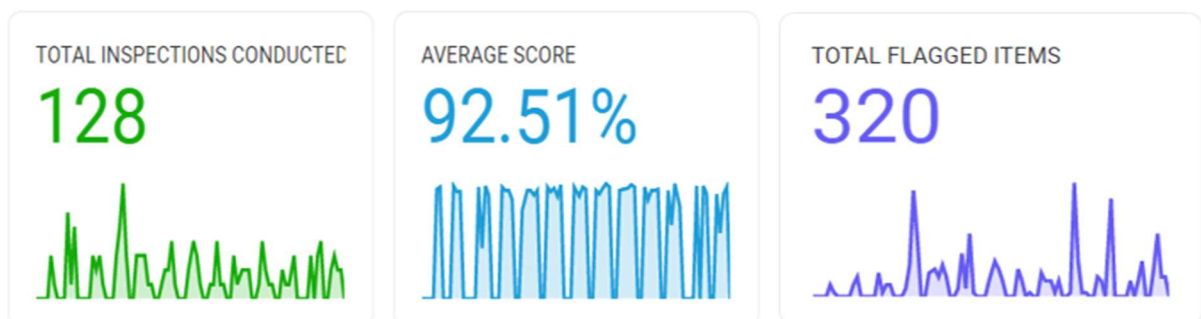
## Consultation/Communication

- 2 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 meets on a regular basis. 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.

## Audits and Inspections

- 3 There were a total of 128 audits and inspections undertaken by the H&S team during quarter four.

Chart 1 – Audit and Inspection Activity for Quarter 4.



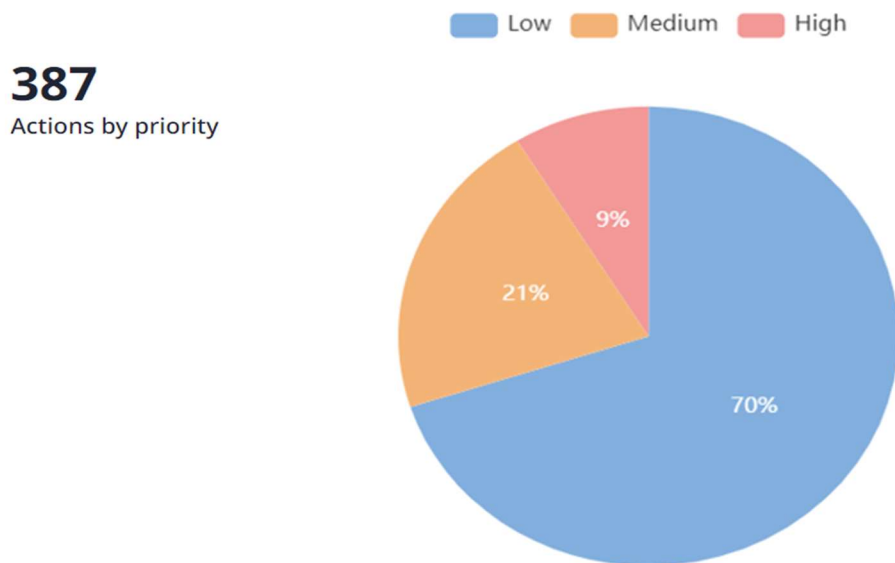
- 4 From the audits undertaken the following headline percentage compliance scores can be determined for each service area where audits took place:

Table 1 Compliance scores

TITLE	INSPECTIONS	SCORE (%)
	Total	Average
AHS General Audit 2022	2	95%
Civil Engineering and Construction Sites	23	84.94%
Clean & Green	6	94.63%
CYPS General Audit 2022	2	89.36%
Fire Safety Auditing	9	93.78%
Refuse and Recycling	19	93.63%
School Audits	47	95.45%
Waste Transfer Stations	2	94.85%

5 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



## High Priority Action Areas

Site	High Priority Actions
Building And Facilities Management	13
Westlea Primary School	3
Middleton In Teesdale Primary School	3
Bishop Auckland Town Hall	3
Langley Moor Primary School	2
Cestria Primary School	1
St. Aloysius Junior School	1
Highways Construction Site	1
Framwellgate School Durham	1
St. Francis' CE Aided Junior School	1
Woodham Academy	1
King James 1 Academy	1
Oxhill Nursery School	1

## Fire Incidents

- 6 There was one fire related incident at a Durham County Council owned premises during Q4. This was at the Louisa Centre Stanley.

### Louisa Centre Stanley

- 7 It was reported that at approximately 4:20pm on 25 January 2023 that the enclosed skip situated within the staff car park was on fire. The centre duty manager and the centre manager attend and poured water onto the items on fire within the skip. The Fire Service were also called who attended within 5 minutes and used a hose reel to extinguish the fire. The Fire Service confirmed that the cause of the fire was arson, and it was believed that person's unknown had introduced an ignition source to the combustible material within the skip whilst the doors to it were open. The skip was monitored until it was taken away from site two day later after having been filled with waste. Due to the skip being enclosed the fire within it was contained and the leisure centre continued to operate as normal without disruption.

## Fire Inspections – County Durham and Darlington Fire and Rescue Service

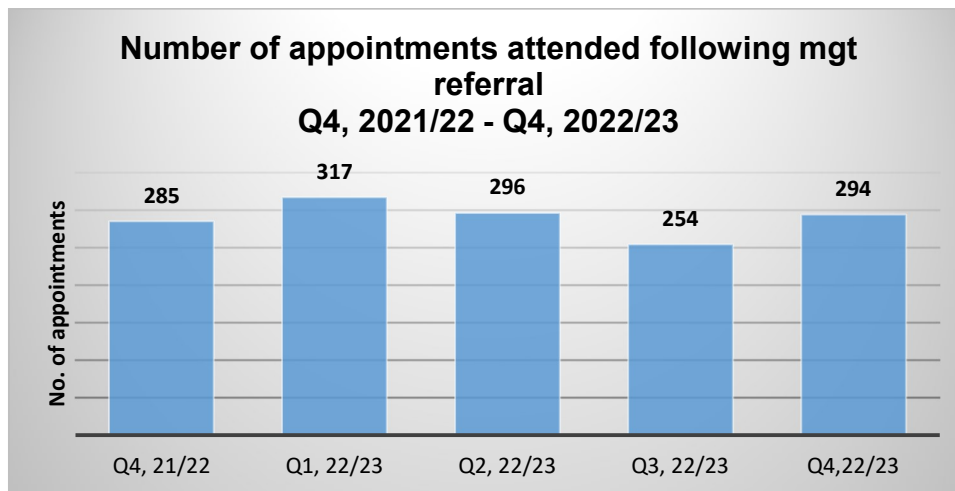
- 8 There were no Fire and Rescue Service inspections of Council premises during Quarter four.

## Occupational Health

- 9 During Quarter 4, 294 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 appointments attended in Q4 this year has increased from the Q4, 2021/22, an increase of 9 referrals which represents a 3% increase.

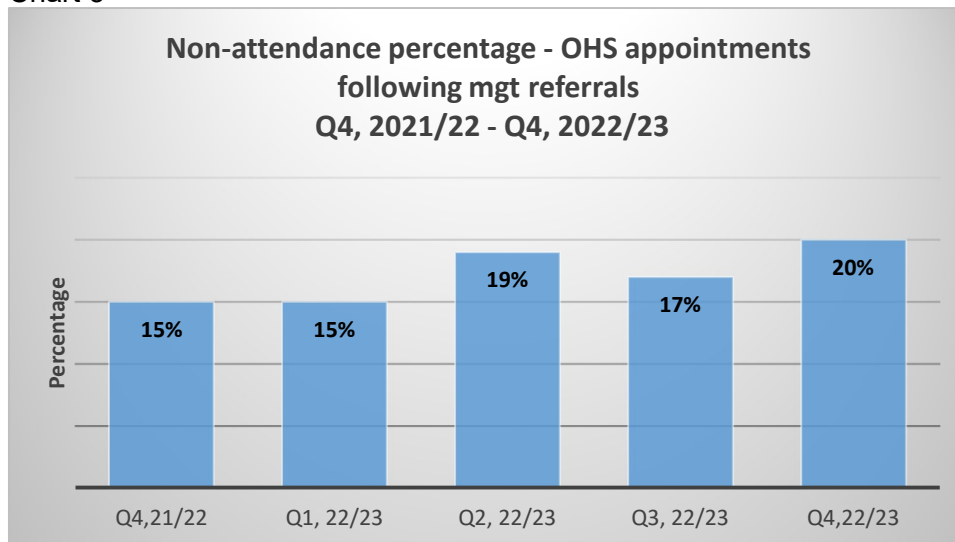
Chart 1



**Management Referrals - Non Attendance**

- 10 During Q4, 72 employees did not attend their allocated appointment following management referral. This represents a 20% non-attendance rate. See Chart 3

Chart 3



**Management Referrals – Employee Attribution**

- 11 During Quarter 4, 79 employees were seen for LTSA of which 19% (n=15) stated to the OHS that they consider the underlying cause to be due to work related factors. Of the 15 employees, 93% (n=14) identified this was due to ‘psychological’ reasons and 7% (n=1) identified as ‘musculoskeletal’ See Charts 4 & 5

Chart 4

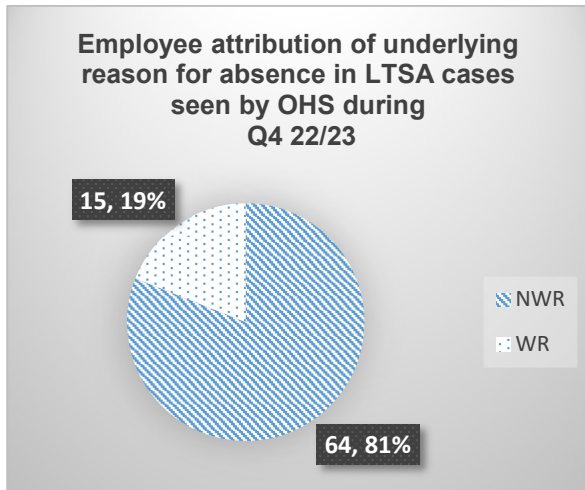
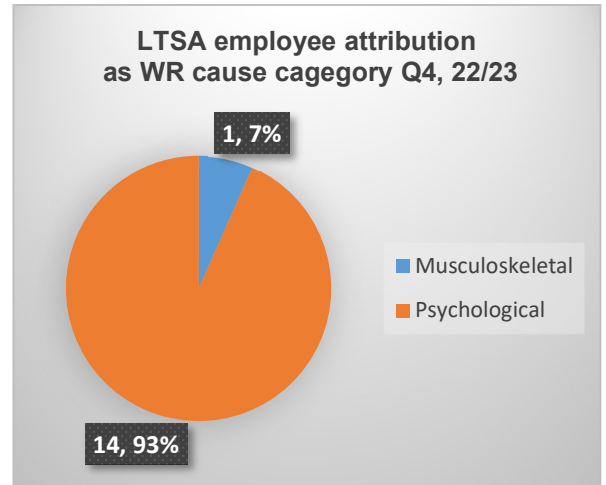
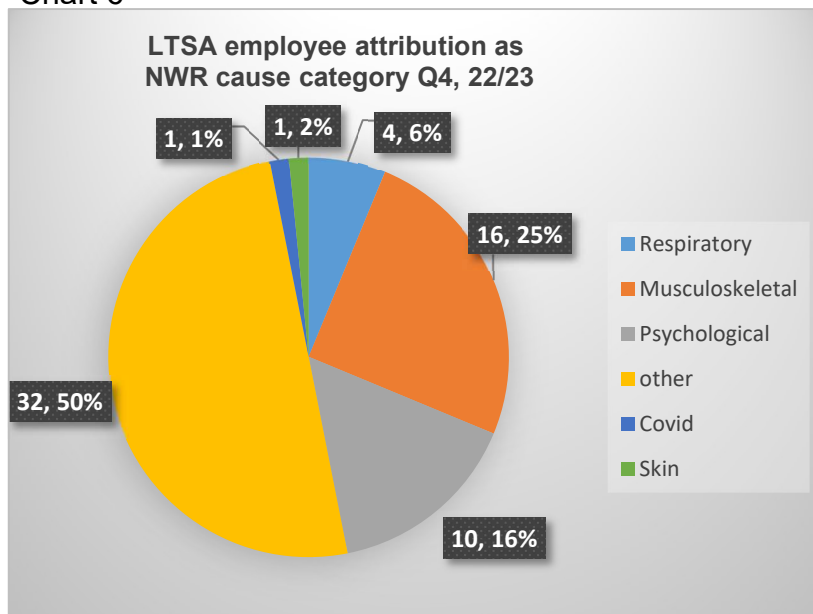


Chart 5



- 12 Chart 6 shows the cause of absence categories for non-work related LTSA seen in the OHS, 16% (n=10) were due to psychological reasons; 25% (n=16) were due to musculoskeletal problems; and 50% (n=32) were due to other.

Chart 6



- 13 Management concern referrals are made when the employee is not absent from work and advice is required relating to work that is affecting the employees' health or their health is affecting their work.
- 14 During Q4, 94 employees were seen as a management concern, 21% (n=20) of these referrals stated to the OHS that they consider the underlying cause to be due to work related factors. (Chart 7) Of the 94 employees seen 65% (n=13) of the work related and 15% (n=11) of the non-work related were due to psychological reasons, by referring to the OHS support, advice



and signposting to EAP can be given at an early stage and hopefully prevent an absence from work. Musculoskeletal problems accounted for 32% of non-work related and 25% of work-related management concern referrals, identifying these issues before they result in an absence from work and allow early intervention which could include referral to physiotherapy. Although not all absences are work related, they can have an impact on work and the wellbeing of employees.

### **Support Services**

- 15 During Quarter 4, the OHS provided the following additional support services. See Table 1.

Table 1

Additional Support services accessed via the OHS	A&HS	CYPS	NCC	REG	Res	Cex	Service not detailed	Q4	Q3	Q2	Q1	Q4
								22/23	22/23	22/23	22/23	21/22
								Total	Total	Total	Total	Total
Number of routine physiotherapy referrals	11	25	17	8	13	0	-	74	52	60	65	57
Number of routine physiotherapy sessions	17	57	42	28	30	0	-	174	189	223	214	188
Number of 'face to face' counselling referrals	0	3	2	1	0	0	-	6	8	6	6	2
Number of 'face to face' counselling sessions	0	5	0	4	6	0	-	15	6	11	13	0
Total number of calls to the EAP	22	55	13	5	32	0	33	160	134	110	92	159
Telephone EAP structured counselling cases	0	1	0	0	3	0	1	5	3	7	0	0
Telephone EAP structured counselling sessions	2	11	0	8	12	0	7	40	0	38	0	0
Employees referred to online counselling	2	7	0	1	2	0	1	13	10	2	5	5
Online Counselling Sessions	7	31	1	4	2	0	4	49	7	11	7	9
Employees referred to online CBT	0	0	0	0	0	0	0	0	23	2	32	9
Online CBT sessions	0	0	0	0	0	0	0	0	31	0	22	72

### Physiotherapy

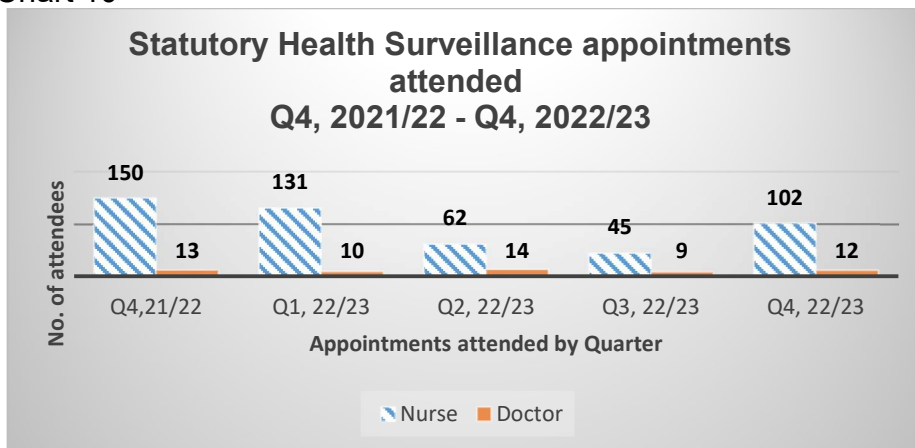
- 16 Routine physiotherapy clinics operate two days per week in the OHS at Annand House under contract with the OHS, the clinics are a combination of telephone assessments and face to face physiotherapy appointments, should following the physiotherapy initial assessment by telephone the physiotherapist deem this to be clinically required.
- 17 Q4 data provided by the contracted service has identified that 5% of the referrals for physiotherapy were related to work, it was also reported that 3

of the referrals were reported by the employee to be following a work accident. At the time of preparing this report (24/01/23) there was no waiting time for an initial assessment. The OHS will continue to monitor this waiting time and report to this group.

### Health Surveillance

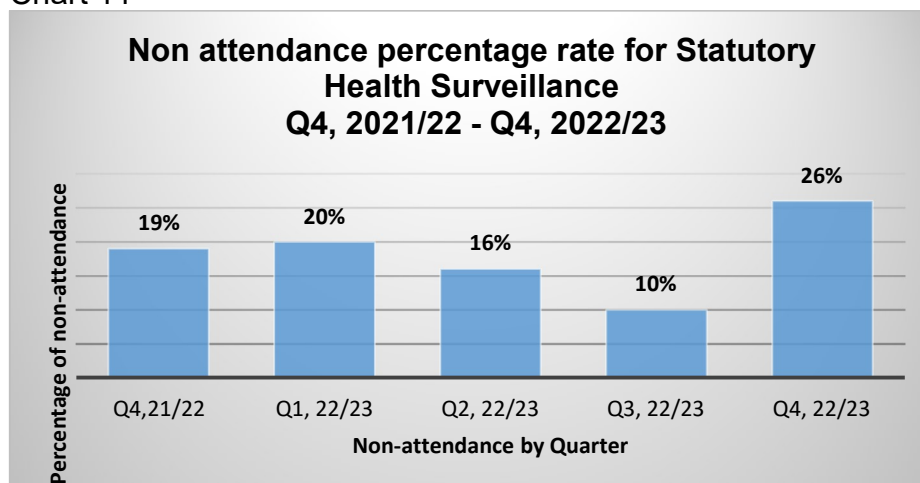
- 18 The OHS continues to provide statutory health surveillance programmes to employees in line with HSE guidelines. Some health surveillance clinics are carried out on site to minimise the effect on service delivery.
- 19 During Quarter 4, a total of 114 employees attended OHS appointments for routine statutory health surveillance, 102 with an Occupational Health Nurse and 12 with the Senior Occupational Health Physician.

Chart 10



- 20 During Quarter 4, 26% (n=39) employees failed to attend their appointment with the OHS in relation to statutory health surveillance. See Chart 11.

Chart 11



<b>Occupational Health Activity Data DCC related activity (note this data does not include Local Authority Maintained Schools).</b>	<b>Q4 2022/23 Total</b>	<b>Q3 2022/23 Total</b>	<b>Q2 2022/23 Total</b>	<b>Q1 2022/23 Total</b>	<b>Q4 2021/22 Total</b>
<b>Appointment category</b>					
Pre-Employment/Pre-Placement assessments Of which attended an appointment	458 22	669 139	681 142	687 108	588 97
Management referrals seen – Long Term Sickness	79	72	82	112	99
Management referrals seen – Short Term Sickness	18	20	16	21	10
Management Referrals seen -Long/Short Term Sickness	23	71	19	13	16
New Management Concern referrals seen	94	31	89	92	79
Review appointments seen	35	37	46	38	33
Re-referrals seen	45	22	41	41	48
Covid	0	0	3	0	0
Statutory Health Surveillance Assessments Attended (Nurse)	102	44	62	131	150
Music Service audiometry attended	10	1	1	0	0
School Crossing Patroller Routine Medicals	10	10	7	9	40
Driver Medicals (DVLA Group 2) e.g. HGV	18	6	19	18	14
Night Worker assessments (Working Time Regs 1998)	0	0	0	1	2
Immunisations against occupationally related infections	9	30	25	25	46
'Flu' Immunisations	0	342	0	0	0
Inoculation injury OHS Assessments – where injury has been reported to the OHS	0	0	2	3	2
HAVS Postal Questionnaires sent	128	143	126	62	163
HAVS Postal Questionnaires returned percentage rate	30%	63%	70%	32%	42%
Did Not Attend (DNA) for statutory health surveillance appointment (Nurse)	36	4	15	36	37
Music Service DNA	1	0	0	0	0
DNA – Management Referral appointments with the OHS (excluding health surveillance)	72	51	69	58	53

## Employee Health and Wellbeing

- 21 The employee better health at work group, chaired by Corporate Director Adult and Health Services, convened 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.

- 22 Further results from the second employee working well survey were produced and presented to CMT. Following this all service grouping results, and Head of Service results are being prepared for presentation at service grouping senior management teams in Quarter 1 of 2023/24.
- 23 Overall, the findings from the second survey are broadly positive although there are areas where opportunities for improvements are evident. In terms of positive outcomes, these involve being a flexible and supportive employer, management support, regular meetings & PDRs effectiveness, peer support, role related support, change management and training/development opportunities. Areas where improvements can be made related to work demands and control within senior management roles, clarity of roles within departments and teams, clarity around council vision and priorities, awareness of staff networks and support, and employee benefits.
- 24 Once the service grouping and Head of Service results have been prepared and presented then a corporate action plan will be developed, supported by service grouping specific action plans. These will then be monitored and managed through the corporate better health at work group and various service grouping committees.
- 25 Once again there were various intranet news items and articles promoting health and wellbeing awareness during quarter four, supported by Corporate Directors. The launch of the new intranet also provided an improved platform and access to the health, safety and wellbeing resources, including the employee wellbeing portal.

## **Open Water Safety**

- 26 The City Safety Group has continued to manage and monitor the delivery of the independent review of the city centre river corridor by RoSPA. It is positive to report that all actions that were associated with the Council have now been completed. All other landowners have also provided updates and are closing off remaining outstanding actions. There have been no incidents to report from a city centre perspective. There was an incident in the Brancepeth area on 01/03/2023 and which involved the body recovery of a 19 year old Ukrainian male who was living nearby. The male was found in the river by a dog walker and is at this time 'unexplained' but not suspicious pending HM Coroner inquest.
- 27 Linked to the work of the City Safety Group, water safety awareness training has been arranged during quarter four, with delivery taking place in quarter one of 2023/24. This training will be hosted and provided by CDDFRS at Sniperley CDDFRS station in Durham and will host officers from city centre police, durham hub and licensed premises. The training also incorporates deployment of throw lines for river rescue scenarios and following this

training throw lines will be distributed the hub staff and licensed premises attending the training.

- 28 Reassessments of previous open water safety risk assessments were completed during this quarter for the higher risk locations across the county to ensure that seasonal winter changes to locations are accounted for in risk assessments.

### **Violence and Aggression – Potentially Violent Persons Register (PVPR)**

- 29 At the close of Quarter four 2022/23, there were 113 live entries on the PVPR register. The 12 month rolling figures for PVPR live entries are as follows:

<b>Year</b>	<b>Quarter</b>	<b>PVPR live entries</b>
2022/23	1	85
2022/23	2	89
2022/23	3	100
2022/23	4	113
Number of Live Records		113
Number of Additions		38
Number of Removals		29
Number of Warning Letters Sent		10
Number of PVPR Appeals		1

- 30 Breakdown by service of PVPR views in the last quarter is as follows:

- CYPS - 67 viewed 141 times
- AHS - 70 viewed 136 times
- N&CC - 47 viewed 89 times
- REG - 116 viewed 316 times
- RES - 100 viewed 650 times
- Members - 3 viewed 3 times

## Corporate risks that may have an impact on Health and Safety

31 The below tables detail the corporate risk that may have an impact on Health and Safety at the end of April 2023.

Ref	Service	Risk	Treatment
1	CYPS	<b>Failure to protect a child</b> from death or serious harm (where service failure is a factor or issue).	Treat
2	REG	Serious injury or loss of life due to Safeguarding failure ( <b>Transport Service</b> ).	The current controls are considered adequate.
3	AHS	Failure to protect a <b>vulnerable adult</b> from death or serious harm (where service failure is a factor or issue).	Treat
4	NCC	Breach of duty under Civil Contingencies Act by failing to prepare for, respond to and recover from a <b>major incident</b> , leading to a civil emergency.	Treat
5	RES	Serious <b>breach of Health and Safety</b> Legislation	The current controls are considered adequate.
6	REG	Potential serious injury or loss of life due to the Council failing to meet its statutory, regulatory and best practice responsibilities for <b>property and land</b> .	Treat
7	RES	Potential <b>violence and aggression</b> towards members and employees from members of the public	The current controls are considered adequate.
8	NCC	<b>Demand pressures on the Community Protection</b> inspections and interventions arising from the UK exit from the EU may lead to an adverse impact on public health and safety in Co Durham.	Treat
9	NCC	Potential impacts of the spread of <b>Ash Dieback Disease</b> on the environment, public safety, and Council finances.	Treat

- 32 Officers are working closely with partners to scale up preparedness for, and protection from, a potential terrorist attack and to ensure that the Council will be able to meet the new requirements of Martyn's Law, which follows campaigning after the Manchester Arena terror attack in May 2017 and is expected to come into force in August 2023.

### **Statistical Information**

- 33 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*

- 34 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*

- 35 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*

- 36 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**

- 37 Accident statistics in general for quarter showed a decrease following an increase in Quarter three. Indications are that there was a 14% increase in accidents, incidents and near misses for 2022/23 compared to 2021/22. A further 4 RIDDOR specified injuries occurred during quarter four which were attributed to CYPs and NACC services and all of which relate to slip, trip and fall causes which further emphasis the requirements for ongoing risk mitigation and assessment of this particular hazard.



- 38 The continued proactive audit and inspection activity by the H&S team continues to provide opportunities for improvement in relation to the working practices and procedures, with 128 audits resulting in over 320 flagged items for improvement being identified during the quarter. The majority of items identified continue to be low priority which is positive.
- 39 It was positive to see that there was not a repeat of any further refuse vehicle load fires following a spate of incidents in previous quarters. There was however a further arson related fire incident in Stanley and evidence that this presents an ongoing risk and requirement for continued fire risk management across council property and land.
- 40 It is positive that the further detailed results of the employee working well survey have been cascaded to corporate management team and are about to be shared with service groupings and head of service across the council. Following on from this work has already commenced on developing a corporate action plan in response to the employee working well survey which will identify further commitment to employee health and wellbeing and improvements in relation to work.
- 41 There were further arrangements made in this quarter to review and revisit education and awareness initiatives in relation to open water safety within the city centre and across the county. This will continue to assist in risk mitigation and provide opportunities partnership participation and contribution.
- 42 The number of entries on the Councils potentially violent persons register continues to increase, primarily due to improved risk based intelligence from multiagency groups, which is enhancing the council risk mitigation for employees in relation to violence and aggression.

### **Other useful documents**

- Occupational Health Quarter four 2022/23 Report
- Health, Safety and Wellbeing statistical Quarter four 2022/23 report

### **Author**

Kevin Lough

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## **Appendix 1: Implications**

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### **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**

**23 May 2023**

**Annual Governance Statement  
for the year ended 31 March  
2022: Actions Update**



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**Report of Paul Darby, Corporate Director of Resources**

**Councillor Richard Bell, Deputy Leader and Cabinet member for  
Finance**

**Purpose of the Report**

- 1 This report provides the Audit Committee with an update on the progress being made in relation to the actions arising from the Council's Annual Governance Statement (AGS) for the year ended 31 March 2022, building on the update that was provided to Audit Committee on 28 November 2022.

**Executive summary**

- 2 The Accounts and Audit (England) Regulations 2015 require the Council to prepare an AGS, which must accompany the Statement of Accounts.
- 3 The AGS demonstrates how the Council complies with the principles of good governance. The review of effectiveness of the Council's arrangements for 2021/22 concluded that seven actions, listed in appendix 2 to this report, should be included in the plan of improvements to strengthen governance arrangements during 2022/23.
- 4 Attached at appendix 2 is an update on the progress being made in relation to the actions arising from the Council's AGS for the year ended 31 March 2022.

**Recommendation**

- 5 Audit Committee is requested to note the progress that has been made against each of the improvement actions, as set out in appendix 2.

**Author**

Kevin Roberts

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## **Appendix 1: Implications**

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### **Legal Implications**

The governance review process ensures that the Council discharges its statutory duties under the Local Government Act 1999 and the Accounts and Audit Regulations 2015 as set out at paragraphs 2 and 4 of the report. The Code of Corporate Governance enables the Council to demonstrate how it complies with the Delivering Good Governance in Local Government Framework 2016.

### **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.

### **Climate Change**

There are no direct climate change implications, but good governance helps to avoid or minimise adverse impacts.

### **Human Rights**

None

### **Crime and Disorder**

None

### **Staffing**

There are no impacts on staffing 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

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## Appendix 2: Annual Governance Statement for the year April 2021 to March 2022 – Actions Update

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Progress against each action is shown in the table below.

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
1	Brought forward Implement the actions identified in the Children's Social Care Services improvement plan agreed with Ofsted.	The Council welcomes peer challenge, reviews and inspections from regulatory bodies and seeks to ensure that recommendations are implemented (4.67).	Head of Children's Social Care	March 2023	<p><b>The action is complete.</b></p> <p>We have clarified the response required and reported this to Ofsted as part of our Action Plan. All actions identified in the improvement plan have been completed or incorporated into the new Improvement Plan being developed by Children and Young Peoples Services in response to the most recent ILACS Inspection in May 2022, when the Council was judged to be 'good' for overall effectiveness with 'outstanding' leadership.</p> <p>The actions are being progressed by CYPS and Commissioning Teams with regular updates on progress, which show improvements have been and continue to be made.</p>



No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
2	<p>Brought forward</p> <p>Review the approach to residential and nursing care, taking into account market reshaping required as a result of capacity in the market, the Covid-19 pandemic and changing preferences in terms of care, with the aim of ensuring a sustainable and high-quality care market.</p>	Optimise the achievement of outcomes (4.34)	Head of Integrated Commissioning	March 2023	<p><b>This action has been carried forward to 2023/24 with a revised timescale of March 2025.</b></p> <p>The Government announced a far-reaching reform of social care funding in Spring 2022. Following the update provided on this action in May 2022, full details were received by local authorities (LAs). The reforms set out changes to the way individuals pay for care, i.e., the 'care cap', and linked initiatives to move towards a Fair Cost of Care (FCOC) for older persons care homes. LAs were required to carry out cost exercises with their local markets using set national parameters and provide both these and a detailed Market Sustainability Plan (MSP) to the Department of Health &amp; Social Care (DHSC). However, the 2022 Autumn Statement both delayed the charging reforms to late 2025 and reprofiled national funding allocated to LAs for those markets in scope for FCOC and wider adult and children's social care services. DCC completed and submitted FCOC market exercises in Autumn 2022 and a comprehensive MSP in March 2023, as required by DHSC. In terms of sustainability issues, these national requirements effectively cover the same areas of the planned review we had already anticipated carrying out; therefore, a decision was made to avoid duplication and concentrate fully on the FCOC exercise and MSP. These are now complete. Integrated Commissioning have also completed modelling on care home activity and housing stock as part of the above work.</p> <p>Commissioners have also recently successfully negotiated a two-year fee uplift agreement with local older persons care homes, following an extended period where contracts had not been signed. As part of this agreement, it has been agreed</p>

					with the market that the Council will build on the successful FCOC and MSP work locally to take forward further market shaping during 2023-24 and 2024-25.
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No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
3	<p>Brought forward</p> <p>Deliver the actions set out within the Looked After Children Placement Sufficiency Strategy to ensure best outcomes and cost-effective placement costs to address escalating budget pressures within Children's Social Care.</p>	<p>Developing the Council's capacity: improve the use of resources to ensure that they are allocated in a way that realises outcomes effectively and efficiently (4.38)</p>	<p>Head of Children's Social Care and Head of Integrated Commissioning</p>	<p>March 2023</p>	<p><b>The action plan is substantially complete and four remaining actions of the original 26 have been incorporated into a new strategy.</b></p> <p>The Looked After Children Placement Sufficiency Strategy action plan has been superseded by the new <a href="#">Sufficiency and Commissioning Strategy for Looked After Children and Care Leavers 2022-2024</a>, which was approved by Cabinet in January 2023.</p> <p>The original plan contained 26 actions over a three-year period (2020-2023), each aligned to one of four objectives relating to in-house foster carers (9), adopters (2), residential homes (11) and care leavers (4). As of 31 March 2023, 18 actions were complete, six were incorporated into the new strategy, and two have been removed as they are no longer considered fit for purpose. The new strategy includes two new objectives, Unaccompanied Asylum-Seeking Children and Short breaks.</p> <p>During 2022/23, the <b>Fostering Service</b> recruited 11 new foster carer households, against a target of 35. When taking into account the number of foster carer de-registrations (30) there has been a loss of 19 foster carer households during the year, in comparison with 29 households (net) recruited during 2021/22. The reduction in the number of foster carers recruited is due to a number of aspects, including operating in a highly competitive market with Independent Fostering Agencies, the cost-of-living crisis and the loss of a Marketing Officer that worked within the Fostering Team who directly managed advertising campaigns and provided additional capacity. The marketing and recruitment campaign continues to focus on sibling groups, children with a disability, teenagers and</p>

				<p>unaccompanied asylum-seeking children. Work is ongoing to develop a new website which provides a 'one-stop-shop' for prospective foster carers and it is anticipated that this will be live later in the year. The Mockingbird Model has launched its first set of hub carers during the year, which has enhanced support to foster carers and improved the stability of children's foster homes. A second hub is due to be rolled out over the next 3 months. The Payment for Skills Review has been concluded, which seeks to improve our sufficiency of foster carers through the review of payments and incentives to carers. This will be launched in April 2023. Durham continues to work regionally as part of Tyne Tees Independent Fostering Agency Solution, with the contract opened on a monthly basis, to enable new IFAs to join.</p> <p>The <b>Adopt</b> Coast to Coast Regional Adoption Agency (RAA) continues to operate across the Durham, Sunderland and Cumbria area, however from April 2023 Cumbria will move away from the arrangement. The practice around early linking and matching continues to be monitored to ensure children do not wait longer than necessary. There is evidence that Link Maker is enabling matches across the spokes. The number of prospective adoptive households approved by the Durham spoke remains good. Adoption approvals in 2022/23 are 38 in comparison with 40 in 2021/22.</p> <p>During 2022/23 we have continued to make good progress in the development of new smaller children's <b>residential homes</b>. A home for one child / young person has been established (Hudson House - Coxhoe) which is currently going through a registration process with Ofsted. We are in the process of opening another children's home which will accommodate up to two children / young people (Elderhurst – Meadowfield). This home has been subject to an extensive refurbishment programme which has now been completed and is due to open over the next two months. We continue to progress with the</p>
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				<p>development of an Edge of Care home in Seaham. The purchase price has been agreed and the fire service have agreed the sale of the building. Following a change of planning use, it is anticipated that the new home will open later in 2023. DfE funding of £256,020 has also been secured to support the development costs of this new home. A number of different properties had been previously identified for the re-provided home (Tow Law), but unfortunately offers had to be withdrawn due to complications encountered i.e. issues identified in the survey, challenge from members or the police. A property has since been identified which we will purchase over the coming weeks. This property will provide a home for up to two children / young people (Lincoln House – Castleside), which we aim to open later in the financial year. We are working in partnership with the registered social landlord, Livin Homes, to develop a short-term / emergency home for one young person. A property has been identified and a lease is being developed. It is anticipated that the home will open later in 2023.</p> <p>Recommendations from the Children’s Home LEAN Review (which considered the end-to-end process of setting up homes) were approved at CMT and Cabinet. This resulted in the delegated limit for children’s home property purchases being increased to £500K, enabling the Council to purchase properties without a change of planning use in place (subject to due diligence) and sets out a clear process for developing children’s homes with all supporting teams/services clear about the importance of the new homes and the need to prioritise this area of work (where possible).</p> <p>The Staying Close Pilot Programme was rolled out during 2022/23 using funding secured from the DfE and to date has supported four young people. The Staying Close Programme focuses on our young people in children’s home provision, providing ongoing, consistent, familiar support from their residential staff, when they leave their children’s home as care leavers. The programme aims to deliver a series of improved</p>
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				<p>outcomes for young people, including, accommodation stability, reduction in eviction, improved emotional wellbeing and mental health. Young people who will be supported through year 2 are being considered.</p> <p>In relation to <b>care leavers</b>, the Supported Living Preferred Provider Panel has been recommissioned for a further 12 months, until September 2023, when we will then consider the new regulatory framework for supported accommodation providers prior to recommissioning. We will work closely with providers to prepare them and to understand any emerging gaps within the provider marketplace. We meet frequently with supported accommodation providers as part of a provider engagement forum. One action, <i>review the marketing and recruitment strategy for supported lodging provision</i>, has been re-profiled to June 2023. Additional capacity is now in place to drive this work forward.</p>
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No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
4	Change our social care model and ensure that people have access to robust advice and information to enable them to live healthy and independent lives in their community and to prevent delaying the need for formal service provision (Our People)	Engaging with individual citizens and service users effectively: effective communication methods to collect and evaluate the views, experiences and future needs (4.23)	Head of Adult Care	2022	<p><b>This action is complete.</b></p> <p>Our 'front of house' service remains highly effective at signposting and re-directing people to available support in their community. 35% of all calls are resolved without the need for a formal referral for full assessment.</p> <p>Following completion of baseline review, a project is now being developed to take forward the recommendations to consolidate our Locate and FIS directories and review the supporting governance to ensure we have vibrant and community focused assets.</p> <p>Our locality social work teams have strengthened links with the Wellbeing for Life service and Health Facilitators work as part of a network of Community Connectors to advise and signpost people to use the assets available in their local communities.</p> <p>Integrated Commissioning Service have also developed an Integrated Involvement Strategy which includes our shared vision for integration, involvement, and co-production. Working with the North East regional ADASS People with Lived Experience Group, we are developing more effective methods of engaging with users of our services and our citizens to ensure that their experiences shape our service improvement work.</p>

No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
5	Review of the Council's community engagement functions, including the work of area action partnerships (Our Communities)	Engaging with institutional stakeholders: engage & develop formal/informal partnerships to ensure that the purpose, objectives & intended relationship outcomes are clear (4.21)	Head of Partnerships and Community Engagement	2023	<p><b>The action is complete.</b></p> <p>Independent consultants ERS have completed a review of the Council's community engagement functions including engagement and consultation with staff, elected members and key partners. The final report, including findings and recommendations, was reported to Community Engagement Review Steering Group on 10th January 2023.</p> <p>A consultation period will now take place, followed by a report to Cabinet in June 2023 to propose a way forward, including any potential changes to the organisational structure and service delivery model.</p>
6	Implement a new performance management framework for Adult and Health Services, to enable more timely analysis of data, improved business intelligence and real time presentation of data (Our Council)	Managing performance: service delivery is effectively monitored (4.52)	Head of Adult Care	2022	<p><b>This action is complete.</b></p> <p>The new Adult and Health Services performance management framework has been in place since Spring 2022. This involves bi-monthly cycles of performance clinics with operational teams and strategic managers, Head of Adult and Social Care, the Corporate Director of Adult and Health Services and Corporate Management Team. Throughout these cycles, performance is discussed within the context of demand, complexity and other pressures and significant issues are escalated for oversight, assurance and support. The rollout is complete and will be reviewed and refreshed regularly as the Care Quality Commission inspection framework emerges and wider health and social care integration takes place.</p>



No.	Actions to be taken	Links to the Local Code of Corporate Governance (ref)	Lead Officer	Timescale	Update
7	Undertake a corporate peer challenge with the Local Government Association to help us identify strengths and areas for improvement within the Council (Our Council)	Assurance and effective accountability: welcome peer challenge, reviews & inspections from regulatory bodies and ensure that recommendations are implemented (4.67)	Head of Corporate Affairs	December 2023	<p><b>This action is postponed.</b></p> <p>A corporate peer challenge working group had been established and some work undertaken to prepare for a Peer Review, with meetings having been held with the lead officer from the Local Government Association. The corporate peer challenge was scheduled to take place in February 2023 but has now been postponed due to the work underway to plan for savings should the Councils current MTFP projections prove correct, given the uncertainty surrounding local government funding and the implications for the Council. It is intended to defer undertaking the peer challenge at this stage and discussions are underway to find a mutually convenient time for the Council and the LGA to undertake the review.</p>

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# Auditor's Annual Report

Durham County Council – year ended 31  
March 2022

April 2023



# Contents

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- 02** Audit of the financial statements
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- 04** Other reporting responsibilities

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

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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Durham County Council ('the Council') for the year ended 31 March 2022. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 8 March 2023. Our opinion on the financial statements was unqualified.



### Value for money (VFM) arrangements

In our audit report we explained that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements.



### Wider reporting responsibilities

At the time of preparing this report the group audit instructions have not been issued by the NAO. As a result our whole of government accounts work has not yet been concluded. We are unable to issue our audit certificate which will formally close the audit for the 2021/22 financial year until this work is complete.

# 02

Section 02:

**Audit of the financial statements**

# 2. Audit of the financial statements

## The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2022 and of its financial performance for the year then ended. Our audit report, issued on 8 March 2023, gave an unqualified opinion on the financial statements for the year ended 31 March 2022.



# 03

Section 03:

**Commentary on VFM arrangements**

# 3. Commentary on VFM arrangements

Page 50

Overall summary



# 3. VFM arrangements – Overall summary

## Approach to value for money arrangements work

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



**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 work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- information from internal and external sources including regulators
- knowledge from previous audits and other audit work undertaken in the year
- interviews and discussions.

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We did not identify a risk of significant weakness in the Council's arrangements for 2021/22.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria.

### 3. VFM arrangements – Overall summary

#### Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	11	No	No	No
 <b>Governance</b>	14	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	18	No	No	No

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

### 3. Commentary on VFM arrangements

#### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



# 3. VFM arrangements – Financial Sustainability

## Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

## Overall commentary on the Financial Sustainability reporting criteria

### How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Our work in previous years confirmed the Council has robust Medium Term Financial Plan (MTFP) arrangements. Our review of minutes and supporting papers has confirmed MTFP arrangements have remained in place in 2021/22. We considered the MTFP (11), covering the 2021/22-2024/25 financial years, and MTFP (12), covering the 2022/23-2025/26 financial years.

We considered the Council's in-year and past performance in delivering its MTFP, including identified savings. As reported to the July 2022 Cabinet: 'In 2021/22 the Council delivered MTFP(11) savings totalling £5.312 million, which was 100% of the target for the year'. Arrangements for updating the MTFP include engagement with stakeholders and we confirmed the MTFP is regularly reviewed to reflect any identified changes. There is regular monitoring of the Council's financial position. In the 2022/23 financial year the Council reported the significant financial pressures it faced including higher than budgeted pay awards, energy costs and external contracts. In particular reports considered by the Cabinet refer to the pressures faced by all Council functions and most significantly by the Children and Young People's service.

### How the body plans to bridge its funding gaps and identifies achievable savings

Our review confirmed that early iterations of MTFP (13), covering the financial years 2023/24 – 2026/27, have been presented to Cabinet and set out the challenges facing the Council in the medium term. This includes the significant savings requirement for the 2023/24 financial year. In November 2022 the Council was reporting forecast savings of £37.389 million for the period 2023/24 – 2026/2027, with £25.536 million of these falling in the 2023/24 financial year. These forecasts are based on prudent assumptions on future funding, demand and rising costs. Arrangements for identifying and delivering savings include a timetable for consultation with stakeholders ahead of approval before each financial year. The Council is also forecasting the use of reserves to support the delivery of a balanced budget. While such an approach would not be sustainable in the medium term, the Councils level of reserves allows some flexibility.

In 2021/22 the Council delivered its savings target. As at quarter 2 of 2022/23 it was reported to the November 2022 Cabinet that £1.960 million, which is 81% of the £2.427 million savings target for the year, had been delivered.

### How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

As detailed in MTFP (12) 'The council's existing MTFP strategy aligns with the council vision for 2035 which sets out our strategic direction and what we would like to achieve over the next 15 years and has three broad ambitions for the people of County Durham: More and better jobs; People live long and independent lives; and Connected communities'.

We confirmed the MTFP was based on reasonable assumptions available at the time of approving the Plan. The MTFP is regularly reviewed, including the main assumptions, and regularly reported including where changes in assumptions impact on the forecast financial position. There is regular budget monitoring including quarterly forecast of outturn reports which support the identification of in-year pressures, whether savings are being achieved and if resources need to be redirected to areas in need. We reviewed the 2021/22 outturn and identified no evidence of significant short-term measures. In-year pressures, such as those in the Children and Young People's service, were clearly reported and have been reflected in the MTFP.

The Corporate Overview and Scrutiny Management Board considers the MTFP at various stages throughout the year and allows for Member scrutiny and challenge.

The annual MTFP process includes reviewing the Council's earmarked reserves. We confirmed a review was completed in 2021/22 to ensure funding set aside remains in line with strategic and statutory priorities of the Council. This is evidenced in the outturn reports presented to Cabinet during the financial year.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria - continued

### How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

At its highest level the Council has a 'County Durham Plan' and 'County Durham Vision'. This is part of the Council's Strategic Planning Framework. The MTFP is part of this Framework. We confirmed that arrangements were in place for the development of the MTFP including: linking the financial plan to the Council's Corporate objectives to ensure the priorities of the Council are delivered; scrutinising the MTFP, and; documenting key assumptions with each savings plan being risk assessed to advise Members of the impacts. We have confirmed a similar timetable exists for setting the 2023/24 budget which is evidenced in the report to the July 2022 Cabinet and includes the high level forecast position for 23/24 (MTFP 13).

In line with the Prudential Code and the Council's Capital Strategy, the revenue implications of capital investment decisions are considered and form part of the MTFP planning and budget setting process. This is designed to ensure investments are fully funded. The capital plan is included in the MTFP including the Capital Strategy (detailed in appendix 9 of the MTFP). A detailed Capital plan is included in the MTFP. The Capital Member Officer Working Group (MOWG) remains in place and consider current and future capital programmes.

### How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council has an established MTFP process which is designed to reflect changes that affect the Council's financial plans. The forecast MTFP (13), for example, has been updated to reflect the known pressures identified in the 2022/23 financial year. In November 2022 the 2022/23 outturn report detailed the in-year pressures facing including pay awards, inflation, energy and contract payments which were higher than budgeted. The report forecast an overspend and the plans for mitigation which included the use of reserves. Reserves are forecast to reduce by £44.915m to £190.614m at 31 March 2023. The report details the pressure facing the Council over the MTFP period including the need to make savings of £52.569m for the period 2023/24-2026/27. Savings in 2023/24 are currently projected to be £37.389m.

The budget is monitored on a regular basis at department level ahead of quarterly reporting to the Cabinet. We have reviewed outturn reports presented during the year and noted that they reflect in year changes. An example of this is the demand pressures faced in the Children and Young People's services which have been

tracked and reported throughout the year. As a consequence the Council was able to manage the position in 2021/22 to ensure there was no detrimental overall impact. We reviewed the 2021/22 and identified no significant unplanned use of reserves. We have noted in the 2021/22 outturn that the Children and Young People's Services overspent against budget. Review of quarterly reporting confirmed this pressure was identified at an early stage which allowed for mitigating actions to be identified, approved and put in place.

The Council has an established risk management framework, with regular reviews and reporting to Audit Committee. We have confirmed through attendance that the Audit Committee receives regular risk management updates.

Our work did not identify any evidence to indicate a significant weakness in arrangements.



### 3. Commentary on VFM arrangements

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#### Governance

How the body ensures that it makes informed decisions and properly manages its risks





# 3. VFM arrangements – Governance

## Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

## Overall commentary on the Governance reporting criteria

### How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Audit Committee provides assurance over the adequacy of the Council’s risk management framework and associated control environment.

The Council has an in-house internal audit team. The Internal Audit Plan and Head of Internal Audit Report is reviewed by the Council’s Audit to determine the priorities of the internal audit activity, consistent with the Council’s goals. The Plan is discussed with Service leads ahead of being finalised.

The 2021/22 Plan was presented to the Audit Committee in February 2021. We attended all Audit Committee meetings and confirmed that progress against the Plan was reported at each meeting. The Head of Internal Audit Opinion was presented to the July 2022 Audit Committee meeting and provided an overall ‘moderate’ level of assurance. As reported in the Audit Opinion, there were 5 limited assurance reviews in the year. These reports have been presented to Members of the Audit Committee via the Part B section of the meetings. We considered each review to obtain assurance the matters identified in these reviews were not indicative of a significant weakness in arrangements.

We confirmed through our attendance at Audit Committee that Members challenge management where recommendations are not implemented within the agreed timeframe. We observed Member scrutiny of matters raised in Internal Audit reviews. There is also a standing item which considers overdue Internal Audit recommendations/actions

In 2022 Internal Audit compliance with the Public Sector Internal Audit Standards was subject to external review. As detailed in a report considered by the Audit Committee in July 2022, the report stated that “Durham County Council’s Internal Audit Service’s self-assessment is accurate and as such we conclude that they fully conform to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note’.

A Risk Management Policy and Strategy is in place and was considered by the Audit Committee most recently in February 2022. We have confirmed, via our attendance at the Audit Committee, there has been regular reporting against the Risk Management Strategy in the year.

The Council has an in-house Counter Fraud team. A Counter Fraud and Corruption Strategy is in place and has been subject to review. Counter Fraud activity has been reported throughout the year to the Audit Committee. The Protecting the Public Purse Annual Report was presented to the Audit Committee in July 2022. We have reviewed this report and did not identify any matters indicating a significant weakness in arrangements.

### How the body approaches and carries out its annual budget setting process

The Council adopted and followed a project timetable for setting the 2021/22 and future financial plans. The arrangements have been in place for several years and have supported the successful delivery of spending priorities. The Medium Term Financial Plan (MTFP) 13, covering the period 2023/24 to 2026/27, was initially presented to the Cabinet in July 2022. Although this is at a high level it illustrates the regular monitoring and refinement of the MTFP after Member input. The MTFP (13) report clearly sets out the challenges faced by the Council in the coming years.

Financial Procedure Rules are in place and they 3.2 Budget Preparation) detail the requirements for setting the budget over a period of four years. Financial Management Standards support the Council’s Financial Procedure Rules set out in the Council’s Constitution. Financial Procedure Rules provide the overall high level framework for managing the Council’s financial affairs and Financial Management Standards set out in more detail how these procedures will be implemented to embed sound financial management across the Council.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

**How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed**

We noted that regular reporting of the financial position took place throughout the 2021/22 financial year. Quarterly forecasts of outturn reports were presented to Senior Management Teams, Corporate Management Team, Cabinet and Overview and Scrutiny Committees. The reports included details of movements in the budget between quarters and remedial measures taken. The positions reported at quarter 3 and year end did not indicate a weakness in the Councils monitoring and reporting arrangements. The key areas of pressure reported throughout the year were in the Children and Young People’s services.

As well as financial performance data the Cabinet received quarterly performance management reports which presented an overview of progress towards achieving the key outcomes of the corporate performance framework and highlighted key messages to inform strategic priorities and work programmes.

The financial statements timetable for 2021/22 was approved by the Audit Committee and was achieved. Our audit of the financial statement did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

**How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee**

Membership of the Audit Committee includes Councillors and independent co-opted members. We have attended all meeting held in the year and post year end and found meetings to be effective and well represented. The Terms of Reference of the Audit Committee are detailed in the Constitution and we have identified no evidence to indicate they are not being delivered.

The Council publishes on its website notice of key decisions and all officer decisions made under the Officer Scheme of Delegations. The website also includes details on how decisions are made in the Council.

The Committee structure includes overview and scrutiny. Overview and scrutiny meetings are intended to allow for challenge of decisions. We have reviewed meetings held in 2021/22 and identified no evidence to suggest this function has not been fulfilled. The Corporate Overview and Scrutiny Management Board is in place to oversee and coordinate overview and scrutiny work of. We reviewed the Overview and Scrutiny Management Board’s Annual Report for 2021/2022 and identified no matters to indicate a weakness in arrangements. Below this Board are individual scrutiny groups such as the Children and Young People’s Scrutiny Committee which are in place to scrutinise individual services. We reviewed a sample of in-year meeting minutes which confirmed the Committees received regular performance data specific to the department being reviewed.

**How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).**

The Council constitution is reviewed annually. The Constitution sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Codes of Conduct and behaviours are also in place for Members and officers. The Monitoring Officer’s, as set out in the Constitution is: ‘The Council officer charged with ensuring that everything that the Council does is fair and lawful. The Monitoring Officer is currently the Head of Legal and Democratic Services. This is a statutory ‘proper officer’ role.’ Based on review we are not aware of any evidence of this role not being delivered in the year.

Registers of gifts and hospitality and registers of interest are maintained for Members and officers. These are available on the Council website and we have confirmed their existence in our audit procedures on related party disclosures. The Statement of Accounts also detail material related party transactions as well of senior officer pay and member allowances paid. Our work on these areas identified no matters to indicate a significant weakness in arrangements.

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

Contract Procedure Rules are in place and require procurement decisions to comply with standard principles. Contract registers are published and available on the Council website.

The Standards Committee is responsible for promoting and maintaining high standards of conduct by councillors, independent members and co-opted members. It is responsible for advising and arranging relevant training relating to the requirements of the code of conduct for councillors and for:

- the initial assessment, investigation and determination of allegations of misconduct;
- dealing with any alleged breaches by a councillor of other relevant council codes and protocols;
- overseeing the probity aspects of internal and external audit;
- overseeing the code of conduct for employees;
- overseeing the council's confidential reporting code;
- granting exemptions on the political restriction of officer posts; and
- overseeing the council's complaints handling arrangements and performance

The Committee receives updates on compliance with the Code of Conduct including details of any complaints managed in the year.

At the July 2022 Audit Committee the Council's assessment against the Financial Management Code was presented and scrutinised. No matters were noted that indicate a significant weakness in arrangements.

The Prudential Code and Treasury Management Policy are monitored as part of the MTFP process. This includes the annual approval of the prudential indicators (See Appendix 12 of the MTFP (12)). The Treasury Management Strategy was approved ahead of the 2021/22 financial year and sets out the Council's measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the Council's finances. Treasury Management performance is reported to the Cabinet on a regular basis.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

### 3. Commentary on VFM arrangements

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#### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### How financial and performance information has been used to assess performance to identify areas for improvement

As detailed in the previous sections we confirmed there was regular financial reporting during the year. Reporting includes consideration of HR implications and equality impact assessments. The Cabinet also receive regular updates on delivery of the MTFP savings.

The Council has a performance management framework which is designed to report against a corporate basket of indicators. Quarterly reports are considered by the Corporate Management Team, Cabinet and various scrutiny committees. The arrangements enable scrutiny of corporate performance and the identification of areas for improvement. This is underpinned by performance management within each service grouping, with a large number of services accessing demand, delivery, Service Level Agreement and performance information.

There is regular treasury management performance reporting which uses benchmarking and treasury management indicators to assess performance.

### How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council's Cabinet and scrutiny committees received quarterly performance management reports throughout 2021/22. Reports were in a consistent format and designed to report on the direction of travel of indicators and compare the Council's performance against national and regional comparatives.

The Council's services are reviewed by several regulators including the Care Quality Commission and Ofsted. In 2019 the Council's Children's Social Care Services were rated a 'requires improvement' by Ofsted. In the most recent review (dated May 2022) of Children's Services, the Council was rated as 'good'. This is indicative of the success of the arrangements the Council put in place to address the matters noted in the 2019 report.

Our attendance at Audit Committee confirmed regular reporting by Internal Audit of recommendations raised and management's response. We observed the Committee challenging management on individual reviews and also the actions taken in following up on recommendations.

### How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The County Durham Partnership monitors performance towards implementing County Durham Vision 2035 through individual performance reporting to each thematic partnership: Health and Wellbeing Board, Safer Durham Partnership, Economic Partnership, Environment & Climate Change.

The fourteen Area Action Partnerships are designed to engage with communities and identify and address local priorities and use locality budgets to drive improvements.

The Council uses various channels of communication and feedback mechanisms, including social media (Twitter, Facebook, Instagram and YouTube) to reach out to and meet the needs of its communities. During the pandemic, meetings have been streamed live and recordings of meetings are available on the Council website. The impact of the pandemic has seen an increase in the use of Council on-line services, including the 'do it online' option.

Our work did not identify any evidence to indicate a significant weakness in arrangements.

# 04

Section 04:

**Other reporting responsibilities and  
our fees**

# 4. Other reporting responsibilities and our fees

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

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

We have not exercised any of these statutory reporting powers.

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

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

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data.

We submitted this information to the NAO on 14 April 2023

## 4. Other reporting responsibilities and our fees

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in February 2022. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as follows:.

Area of work	2020/21 fees	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£193,030	£193,030
Additional fees in respect of VFM approach*	£27,300	£30,660
Additional fees in respect of additional audit work (e.g. infrastructure assets, property and pension liability valuations).*	£17,400	£35,019
<b>Total fees</b>	<b>£237,400</b>	<b>£258,709</b>

\*Additional fees are subject to PSAA approval.

### Fees for other work

In 2021/2 the Council engaged Mazars LLP for the following non-audit services:

- Housing Benefit Assurance - £16,600 plus VAT
- Teachers Pension Assurance - £5,500 plus VAT



# Mark Kirkham

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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 Committee****23 May 2023****Internal Audit Progress Update Report  
Period Ended 31 March 2023****Report of Paul Darby, Corporate Director of Resources****Electoral division(s) affected:**

Countywide.

**Purpose of the Report**

- 1 To provide Members of the Audit Committee with an update on the work that was carried out by Internal Audit during the period 1 April 2022 to 31 March 2023, as part of the Internal Audit Plan for 2022/23.

**Executive Summary**

- 2 The report provides an overview of performance against the Internal Audit Plan 2022/23, 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 – Performance against the Internal Audit Plan 2022/23;
- (b) Appendix 3 – Final reports issued in the quarter ended 31 March 2023;
- (c) Appendix 4 – The number of high and medium priority actions raised and implemented in 2022/23;
- (d) Appendix 5 – Internal Audit performance indicators;
- (e) Appendix 6\* – Overdue Actions.

## **Recommendations**

4 Members are asked to note:

- (a) The amendments made to the Internal Audit Plan during quarter 4;
- (b) The work undertaken by Internal Audit during the period ending 31 March 2023;
- (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 the first six months of 2022/23, covering the period 1 April 2022 to 30 September 2022, was approved by the Audit Committee on 24 May 2022, with the plan for the second six months, covering the period 1 October 2022 to 31 March 2023, being approved on 30 September 2022.

## Progress against the Internal Audit Plan

- 7 A summary of the approved Internal Audit Plan for each Service Grouping, updated to include work in progress and any audits brought forward from last year’s plan, is attached at Appendix 2. The appendix illustrates the status of each audit as at 31 March 2023 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	Preparation and Planning	In Progress	Draft Report	Final Report / Complete
Adult and Health Services (AHS)	0	2	2	2	11
Chief Executive (CE)	0	0	0	0	2
Children and Young People’s Services (CYPS) *Excluding Schools	0	0	2	1	17
Neighbourhoods and Climate Change (NCC)	0	0	0	0	13
Regeneration, Economy and Growth (REG)	0	1	2	0	20
Resources (RES)	0	9	6	0	42
Schools	0	4	10	4	27
<b>TOTAL</b>	<b>0</b>	<b>16</b>	<b>22</b>	<b>7</b>	<b>132</b>

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

- 10 The total number of productive days available during 2022/23 was originally estimated to be 3,241. As at 31 March 2023, the service had delivered 2,595 productive days, representing 80% of the total estimated planned days for the year. The target to the end of March was for 90% to have been delivered, therefore performance was below the profiled target.
- 11 As at 31 March, approximately 79% of the audits in the revised plan had been delivered.
- 12 Throughout the year the service faced ongoing staffing shortages and operational challenges, as outlined within previous progress reports, which have continued to impact on the delivery of the overall plan during the last quarter. These challenges have included vacant posts (resulting in only 88% of the planned staffing level being in post through the year). Over and above this, there has also been a long-term sickness absence, of a Senior Auditor, from late September 2022 to early March 2023.
- 13 The ongoing staffing recruitment and retention challenges resulted in changes being made to the service structure, which has involved removing one Principal Auditor post and 1.5 Senior Auditor posts from the staffing establishment and replacing these posts with one Graduate Trainee ICT Auditor post and two Audit Assistant posts. It is pleasing to report that all three of these posts have now been recruited to. This leaves one vacant Senior Auditor post on the staffing establishment and, following a recent recruitment exercise, five candidates were invited to attend interviews in early May 2023.
- 14 As a result of the challenges facing the service, the service regularly reviews the content of the plan to ensure that the audits included in the plan are prioritised on a risk basis and to ensure that all key financial systems and high risk areas of activity are reviewed on an annual basis.
- 15 Based on the work undertaken to date, and despite the resource challenges faced across the year, the Chief Internal Auditor will be able to issue an opinion on the adequacy of the internal control environment in place.

### **Internal Audit activity in the quarter**

#### **Amendments to the Approved Internal Audit Plan**

- 16 Three reviews were removed from the approved Internal Audit Plan in the quarter.

Service Grouping	Audit	Audit Type	Reason
Regeneration, Economy and Growth (REG)	Stanley Bowls	Audit of Accounts	Agreed with service to cancel due to low value and risk.
Regeneration, Economy and Growth (REG)	Technical Assets and Inventory	Advice and Consultancy	Agreed with service to cancel review as it was no longer required.
Regeneration, Economy and Growth (REG)	Homes England	Assurance	Agreed with service to defer review to 2023/24.

- 17 One unplanned review was added to the Internal Audit Plan in the quarter.

Service Grouping	Audit	Audit Type	Reason
Regeneration, Economy and Growth (REG)	Community Renewal Fund	Grant	Service request for certification to be carried out.

## Outstanding Management Responses to Draft Internal Audit Reports

- 18 There are no overdue management responses to draft reports.

## Survey Response Rate

- 19 The table below sets out the response rate and average score, by Service Grouping, for the customer satisfaction surveys issued during the period up to 31 December 2022. The average score of 4.7 out of 5 (where 1= Very Poor and 5 = Very Good) is below the average score from 2021/22, which was 4.8.

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Adult and Health Services (AHS)	4	4	100	4.8
Children and Young People's Services (CYPS) *Excluding Schools	7	6	86	4.3
Chief Executive (CE)	2	2	100	4.5
Neighbourhoods and Climate Change (NCC)	5	5	100	4.8

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Regeneration, Economy and Growth (REG)	9	9	100	4.6
Resources (RES)	24	24	100	4.6
Schools	27	15	52	4.9
<b>TOTAL</b>	<b>78</b>	<b>65</b>	<b>83</b>	<b>4.7</b>

## Responses to Internal Audit Findings and Recommendations

- 20 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.
- 21 A summary of progress on the actions due, implemented and overdue, as at 31 March 2023, 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)	9	8	1 (11%)	1	0
Chief Executive (CE)	1	1	0 (0%)	0	0
Children and Young People's Services (CYPS) [Excluding Schools]	71	69	2 (3%)	2	0
Neighbourhoods and Climate Change (NCC)	56	56	0 (0%)	0	0
Regeneration, Economy and Growth (REG)	27	27	0 (0%)	0	0
Resources (RES)	213	209	4 (2%)	4	0
<b>TOTAL</b>	<b>377</b>	<b>370</b>	<b>7 (2%)</b>	<b>7</b>	<b>0</b>

- 22 It is encouraging to note that, of the 377 actions due to be implemented, 370 (98%) have been implemented. Details of the actions that are overdue, following their agreed original target dates, are included at Appendix 6. All of the overdue actions have revised dates for expected implementation.



## Limited Assurance Audit Opinions

23 There were no 'limited assurance' opinion audits issued in the period.

## Performance Indicators

24 A summary of actual performance, as at the end of March 2023, 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**

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### **Legal Implications**

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

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

### **Finance**

There are no direct financial implications associated with this report.

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

### **Consultation**

All Corporate Directors 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 FOR PERIOD 1 APRIL 2022 TO 31 MARCH 2023

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
<b>2021 / 2022 audits brought forward into plan</b>					
Adult and Health Services	Public Health	Real Time Data Suicide Early Alert	Assurance	Final	Substantial
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Early Help, Inclusion and Vulnerable Children	Follow Up	Draft	N/A
Neighbourhoods and Climate Change	Community Protection Services	Online Licencing	Assurance	Final	Substantial
Neighbourhoods and Climate Change	Community Protection Services	Intelligence Handling	Assurance	Deferred	
Neighbourhoods and Climate Change	Partnerships and Community Engagement	COVID-19 Area Budgets	Assurance	Final	Substantial
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	Assurance	Final	Substantial
Regeneration, Economy and Growth	Corporate Property and Land	Milburngate Development Governance	Assurance	Deferred	
Regeneration, Economy and Growth	Corporate Property and Land	Potentially Violent Persons Register	Assurance	Final	Moderate
Regeneration, Economy and Growth	Corporate Property and Land	The Sands - Contract Management	Assurance	Final	Substantial
Regeneration, Economy and Growth	Planning and Housing	Protect and Vaccinate Grant	Grant	Complete	N/A
Regeneration, Economy and Growth	Planning and Housing	Homelessness	Assurance	Deferred	
Regeneration, Economy and Growth	Planning and Housing	Financial Assistance Policy & Capital & External Schemes	Assurance	Deferred	
Regeneration, Economy and Growth	Planning and Housing	Local Lettings Agency	Assurance	Final	Substantial
Regeneration, Economy and Growth	Culture, Sport and Tourism	Peterlee Leisure Centre	Assurance	Final	Substantial
Regeneration, Economy and Growth	Culture, Sport and Tourism	Seaham Leisure Centre	Assurance	Final	Substantial
Regeneration, Economy and Growth	Culture, Sport and Tourism	Stanley Bowls Club	Audit of Accounts	Complete	N/A
Regeneration, Economy and Growth	Culture, Sport and Tourism	Beamish Museum - Grant Review	Assurance	Final	Substantial
Regeneration, Economy and Growth	Culture, Sport and Tourism	Beamish Museum - Grant Review	Assurance	Final	Substantial
Regeneration, Economy and Growth	Culture, Sport and Tourism	Learn to Swim	Advice and Consultancy	Cancelled	
Resources	Corporate Finance and Commercial Services	Banking Arrangements	Assurance	Final	Substantial
Resources	Corporate Finance and Commercial Services	Review of Commercial Services	Assurance	Cancelled	
Resources	Corporate Finance and Commercial Services	Section 296 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	Creditors - Overarching Report	Key System	Final	Substantial
Resources	Procurement, Sales and Business Services	Fuel Cards (Follow Up)	Follow Up	Final	N/A
Resources	Procurement, Sales and Business Services	Creditor Payments	Key System	Final	Moderate
Resources	Procurement, Sales and Business Services	Contract Procedure Rules (CPRs)	Assurance	Final	Moderate
Resources	HR and Employee Services	Payroll - MyView - Establishment Changes	Key System	Final	Substantial
Resources	HR and Employee Services	Payroll - Preparation - Corrections	Key System	Final	Substantial
Resources	Transactional and Customer Services	Business Rates - Overarching Report	Key System	Final	Moderate
Resources	Transactional and Customer Services	Business Rates - Liability	Key System	Final	Substantial
Resources	Transactional and Customer Services	COVID-19 Small Business Rates Relief	Assurance	Final	Moderate
Resources	Transactional and Customer Services	COVID-19 Retail, Hospitality and Leisure Grant Fund	Assurance	Final	Moderate
Resources	Transactional and Customer Services	Procurement Cards - Projects (Follow Up)	Follow Up	Final	N/A
Resources	Transactional and Customer Services	Creditors - Processing of Payments through ContrOCC	Key System	Final	Substantial
Resources	Transactional and Customer Services	Debtors (Refunds)	Assurance	Final	Substantial
Resources	Transactional and Customer Services	Debtors (Direct Debits)	Assurance	Final	Substantial
Resources	Transactional and Customer Services	Cash Management	Key System	Final	Moderate
Resources	Transactional and Customer Services	Cash Management - Crook CAP	Assurance	Final	Substantial
Resources	Digital Services	ICT - Vulnerability Management	Advice and Consultancy	Complete	N/A
Resources	Digital Services	ICT - Mobile computing	Advice and Consultancy	Complete	N/A
Resources	Digital Services	ICT - SharePoint	Advice and Consultancy	Complete	N/A
Resources	Digital Services	ICT - Purchasing	Assurance	Preparation and Planning	
Resources	Digital Services	ICT - Business Continuity for ICT	Assurance	Final	Moderate
<b>Internal Audit Plan for period from 1st April 2022 to 31 March 2023</b>					
Adult and Health Services	Commissioning	Commissioning of Learning Disability Services	Assurance	Preparation and Planning	
Adult and Health Services	Public Health	Personalisation - Virtual Budgets	Assurance	Final	Substantial
Adult and Health Services	Commissioning	Commissioning of Mental Health Services	Assurance	Preparation and Planning	
Adult and Health Services	Adult Care	Hawthorn House	Assurance	Final	Substantial
Adult and Health Services	Public Health	COVID-19 Test and Trace Service Support Grant	Grant	Complete	N/A
Adult and Health Services	Commissioning	Mental Health Alliance Project Board	Advice & Consultancy	Complete	N/A
Adult and Health Services	Adult Care	Workforce Development Fund	Grant	Final	N/A
Adult and Health Services	Adult Care	Azeus - Governance Board	Advice & Consultancy	Complete	N/A
Adult and Health Services	Adult Care	Azeus - Finance Process	Advice & Consultancy	Complete	N/A
Adult and Health Services	Adult Care	Azeus - Panel Process	Assurance	Draft	
Adult and Health Services	Adult Care	Azeus - System Upgrade testing Methodology	Assurance	Draft	
Adult and Health Services	Adult Care	Continuing Health Care and Free Nursing Care	Assurance	In Progress	
Adult and Health Services	Adult Care	Section 117 Payments	Assurance	In Progress	
Adult and Health Services	Commissioning	Universal Grant - Drug and Alcohol	Grant	Complete	N/A
Adult and Health Services	Commissioning	In Patient Detoxification Grant	Grant	Complete	N/A
Adult and Health Services	Public Health	Adult Weight Management Contract	Grant	Complete	N/A
Adult and Health Services	Adult Care	Transition Arrangements between Childrens and Adult Services	Assurance	Deferred	
Adult and Health Services	Commissioning	Integration of Health & Care Plan for County Durham	Assurance	Deferred	
Adult and Health Services	Commissioning	Commissioning of Residential Care	Assurance	Deferred	
Adult and Health Services	Commissioning	Commissioning of Domiciliary Care	Assurance	Deferred	
Adult and Health Services	Public Health	Public Health Claims Processed via Pharmoutcomes	Advice & Consultancy	Deferred	
Adult and Health Services	Public Health	Stop Smoking Service	Assurance	Deferred	
Adult and Health Services	Commissioning	Approval and Payment of Commissioned Services - Panel arrangements for payments to providers	Assurance	Deferred	
Adult and Health Services	Public Health	Pharmoutcomes - Data Matching	Advice & Consultancy	Cancelled	
Chief Executive	Corporate Affairs	Equality, Diversity and Community Cohesion	Assurance	Final	Moderate
Chief Executive	Corporate Affairs	Data Quality	Assurance	Final	Moderate
Children and Young People's Services	Children's Social Care	New Lea Children's Home	Assurance	Final	Substantial
Children and Young People's Services	Children's Social Care	Moorside Children's Home	Assurance	Final	Substantial
Children and Young People's Services	Children's Social Care	Hicksted Children's Home	Assurance	Final	Substantial
Children and Young People's Services	Children's Social Care	Coxhoe Children's Home	Assurance	Final	Moderate
Children and Young People's Services	Children's Social Care	Youth Justice Information System (Childview)	Assurance	Final	Substantial
Children and Young People's Services	Education and Skills	Durham Learn	Assurance	Final	Moderate
Children and Young People's Services	Education and Skills	SFVS	Advice & Consultancy	Final	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme: Claim 01 - June 2022			
			Grant	Final	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme: Claim 02 - September 2022			
			Grant	Final	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme: Claim 03 - December 2022			
			Grant	Final	N/A
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme: Claim 04 - March 2023			
			Grant	Final	N/A
Children and Young People's Services	Children's Social Care	Liquidlogic - Board Meetings	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Children's Social Care	Liquidlogic - Financial Process Meetings	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Children's Social Care	Children in Need	Assurance	In Progress	
Children and Young People's Services	Education and Skills	Governor Training	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Education and Skills	SFVS	Assurance	In Progress	
Children and Young People's Services	Education and Skills	Durham Benevolent Fund	Grant	Final	N/A
Children and Young People's Services	Operational Support	Caldicott Group	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Education & Skills	Greenfield Community College - One Vision Grant	Grant	Final	N/A
Children and Young People's Services	Education - Schools	School Programme (governance and financial management)	Assurance	In Progress	27 Final Reports (18 Substantial, 8 Moderate and 1 limited assurance opinions)
Children and Young People's Services	Education - Schools	Audit of School Voluntary Funds	Fund Certification	39 Complete	N/A
Children and Young People's Services	Children's Social Care	Special Guardianship and Child Arrangement Orders	Follow Up	Deferred	
Children and Young People's Services	Children's Social Care	Placement Resource Panel (PRP) Arrangements	Assurance	Deferred	
Children and Young People's Services	Children's Social Care	Supervised Spend - Leaving Care Service	Assurance	Deferred	
Children and Young People's Services	Children's Social Care	Local Adoption Governance	Assurance	Deferred	
Children and Young People's Services	Children's Social Care	Disability Commissioning Arrangements (Short Breaks)	Assurance	Deferred	
Children and Young People's Services	Education and Skills	High Needs Top Up Funding Arrangements in Schools	Assurance	Deferred	
Children and Young People's Services	Commissioning	Home to School Transport Review	Advice & Consultancy	Cancelled	
Children and Young People's Services	Education & Skills	Review of Swimming SLA	Assurance	Cancelled	
Neighbourhoods and Climate Change	Environment	Review of arrangements for reporting on carbon emissions performance	Assurance	Deferred	
Neighbourhoods and Climate Change	Environment	Carbon Connects	Grant	Final	N/A
Neighbourhoods and Climate Change	Environment	SMEPower (Claim 6)	Grant	Final	N/A
Neighbourhoods and Climate Change	Environment	InnovateUK	Grant	Cancelled	
Neighbourhoods and Climate Change	Environment	Domestic Vehicle Charging Working Group	Advice and Consultancy	Complete	N/A
Neighbourhoods and Climate Change	Highway Services	Local Transport Capital Block Funding for NECA	Grant	Final	N/A
Neighbourhoods and Climate Change	Environment	REV UP (Regional Electric Vehicle Unified Plan)	Grant	Final	N/A
Neighbourhoods and Climate Change	Environment	Business Energy Efficiency Project (BEEP)	Advice and Consultancy	Final	N/A
Neighbourhoods and Climate Change	Community Protection Services	Fees and Charges	Assurance	Deferred	
Neighbourhoods and Climate Change	Community Protection Services	Anti Social Behaviour	Advice and Consultancy	Cancelled	
Neighbourhoods and Climate Change	Environment	Durham Crematorium	Assurance	Final	Substantial
Neighbourhoods and Climate Change	Environment	Mountsett Crematorium	Assurance	Final	Substantial

## INTERNAL AUDIT PLAN FOR PERIOD 1 APRIL 2022 TO 31 MARCH 2023

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Neighbourhoods and Climate Change	Highway Services	Charging Arrangements	Assurance	Deferred	
Neighbourhoods and Climate Change	Environment	Rebus	Grant	Final	N/A
Neighbourhoods and Climate Change	Environment	Carbon Connects 9	Grant	Final	N/A
Neighbourhoods and Climate Change	Environment	SMEPower (Claim 7)	Grant	Deferred	
Neighbourhoods and Climate Change	Environment	LoCarbo	Grant	Final	N/A
Regeneration, Economy and Growth	Culture, Sport and Tourism	Technical Assets and Inventory	Advice and Consultancy	Cancelled	
Regeneration, Economy and Growth	Corporate Property and Land	Policies and procedures for due diligence on new tenants	Advice and Consultancy	Deferred	
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone	Grant	Final	N/A
Regeneration, Economy and Growth	Planning and Housing	Disabled Facilities Grant	Grant	Final	N/A
Regeneration, Economy and Growth	Planning and Housing	Green Homes Grant - Phase 2	Grant	Preparation and Planning	
Regeneration, Economy and Growth	Planning and Housing	Selective Licensing Group	Advice and Consultancy	Complete	N/A
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	Culture, Sport and Tourism	CLUK Income Share Agreement	Assurance	In Progress	
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Community Engagement	Grant	Final	N/A
Regeneration, Economy and Growth	Planning and Housing	Homes England	Assurance	Deferred	
Regeneration, Economy and Growth	Planning and Housing	Planning Applications	Assurance	Final	Substantial
Regeneration, Economy and Growth	Planning and Housing	Green Homes Grant - Phase 1b	Grant	Final	N/A
Regeneration, Economy and Growth	Business Durham	Stephanie	Grant	Final	NA
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	Assurance	In Progress	
Regeneration, Economy and Growth	Planning and Housing	Choice Based Letting Scheme	Assurance	Deferred	
Regeneration, Economy and Growth	Economic Development	Finance Durham	Assurance	Deferred	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Stanley Bowls	Audit of Accounts	Cancelled	
Regeneration, Economy and Growth	Culture, Sport and Tourism	Consett Empire Theatre	Assurance	Deferred	
Regeneration, Economy and Growth	Economic Development	Community Renewal Fund	Grant	Final	N/A
Resources	Transactional and Customer Services	Housing Benefits and Council Tax Reduction - Accuracy Award Indicator	Assurance	Final	Substantial
Resources	Transactional and Customer Services	Financial Assessments	Assurance	Preparation and Planning	
Resources	Legal & Democratic Services	Police and Crime Panel	Grant	Final	N/A
Resources	Legal & Democratic Services	RIPA Officers Group	Advice and Consultancy	Complete	N/A
Resources	Legal & Democratic Services	External Legal Fees	Advice and Consultancy	In Progress	
Resources	Legal & Democratic Services	Company Governance Group	Advice and Consultancy	Complete	N/A
Resources	Procurement, Sales and Business Services	SLA Board	Advice and Consultancy	Complete	N/A
Resources	Procurement, Sales and Business Services	Tendering System - System Implementation	Advice and Consultancy	Complete	N/A
Resources	Procurement, Sales and Business Services	Rapid Improvement Workshops	Advice and Consultancy	Complete	N/A
Resources	Procurement, Sales and Business Services	Business Support links to Payroll and Employee Services (PES)	Advice and Consultancy	Complete	N/A
Resources	Procurement, Sales and Business Services	Creditors - Invoice and PO Authorisation (PO Hierarchy)	Key System	Cancelled	
Resources	Procurement, Sales and Business Services	Petty Cash and Payment Cards Workstream	Advice and Consultancy	Complete	N/A
Resources	Transactional and Customer Services	ResourceLink Programme Board	Advice and Consultancy	Complete	N/A
Resources	Transactional and Customer Services	Business, Energy and Industrial Strategy (BEIS) Grant Evidence	Advice and Consultancy	Complete	N/A
Resources	Transactional and Customer Services	Enforcement Arrangements	Advice and Consultancy	Complete	N/A
Resources	Digital Services	ICT - Incident Management	Assurance	In Progress	
Resources	Digital Services	Digital Durham	Grant	Final	N/A
Resources	Digital Services	Information Governance Group	Advice and Consultancy	Complete	N/A
Resources	Procurement, Sales and Business Services	Creditors - Retrospective POs	Key System	In Progress	
Resources	Transactional Services	Deputies and Appointees - Personal Allowance Payments	Assurance	Deferred	
Resources	Corporate Finance and Commercial Services	Bank Reconciliation	Key System	Final	Substantial
Resources	Corporate Finance and Commercial Services	Direct Debit Payments	Key System	Deferred	
Resources	Corporate Finance and Commercial Services	Short Term Investments	Key System	In Progress	
Resources	Corporate Finance and Commercial Services	Leases - IFRS16	Advice and Consultancy	Complete	N/A
Resources	Corporate Finance and Commercial Services	Budgetary Control and Financial Reporting	Key System	Deferred	
Resources	Corporate Finance and Commercial Services	Section 256 Agreements	Grant	In Progress	
Resources	Corporate Finance and Commercial Services	Better Care Fund and Improved BCF (Sn 75)	Grant	Final	N/A
Resources	Procurement, Sales and Business Services	Contract Management	Assurance	Deferred	
Resources	Procurement, Sales and Business Services	Creditors - Overarching	Key System	In Progress	
Resources	Procurement, Sales and Business Services	Creditors - Receipting of Goods	Key System	Preparation and Planning	
Resources	HR and Employee Services	Payroll - Overarching	Key System	Cancelled	
Resources	HR and Employee Services	Payroll - Preparation: Temporary Input	Key System	Preparation and Planning	
Resources	Transactional and Customer Services	Business Rates - Overarching	Key System	Cancelled	
Resources	Transactional and Customer Services	Business Rates - Valuation	Key System	Preparation and Planning	
Resources	Transactional and Customer Services	Business Rates - Billing and refunds	Key System	Deferred	
Resources	Transactional and Customer Services	Housing Benefit and CTR - Overarching	Key System	Preparation and Planning	
Resources	Transactional and Customer Services	Housing Benefit and CTR - Overpayment Recovery	Key System	Deferred	
Resources	Transactional and Customer Services	Housing Benefits and Council Tax Reduction - Supported Accommodation	Advice and Consultancy	Complete	N/A
Resources	Transactional and Customer Services	Council Tax - Overarching	Key System	Cancelled	
Resources	Transactional and Customer Services	Council Tax - Valuation	Key System	Preparation and Planning	
Resources	Digital Services	Active Directory	Assurance	Preparation and Planning	
Resources	Digital Services	IT Asset Management	Advice and Consultancy	Complete	N/A
Resources	Transactional and Customer Services	Energy Bill Support Scheme Alternative Funding	Advice and Consultancy	Preparation and Planning	

**FINAL REPORTS ISSUED IN PERIOD ENDING 31 MARCH 2023**

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
<b>ADULT AND HEALTH SERVICES (AHS)</b>		
Adult Weight Management Contract	Grant Certification	N/A
<b>CHIEF EXECUTIVE (CE)</b>		
Data Quality	Assurance review of the arrangements in place to mitigate against the risk failure to report accurate and relevant performance data.	Moderate
<b>NEIGHBOURHOODS AND CLIMATE CHANGE (NCC)</b>		
Durham Crematorium	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> <li>- Income is not accounted for/misappropriated.</li> <li>- Significant risks are not being managed and the objectives are not being achieved.</li> <li>- Ineffective budget monitoring processes are in place.</li> <li>- Unauthorised payments are made.</li> <li>- Employees are incorrectly paid.</li> <li>- Equipment failure.</li> <li>- Non-compliance with the Cremation Regulations 2008 and with the Federation of British Cremation Authorities Code of Cremation Practice.</li> <li>- Lack of experienced staff.</li> <li>- Insufficient capacity to meet demand in the event of an epidemic, pandemic or major disaster.</li> <li>- Stock / Assets are not accounted for / misappropriated.</li> <li>- Damage / theft of equipment.</li> <li>- Ashes are disposed of incorrectly.</li> </ul>	Substantial
Mountsett Crematorium	As above.	Substantial
Rebus	Grant Certification	N/A
Carbon Connects 9	Grant Certification	N/A

**AUDIT AREA****BRIEF DESCRIPTION OF SCOPE OF THE AUDIT****FINAL  
OPINION**

<b>REGENERATION, ECONOMY AND GROWTH (REG)</b>		
Beamish Museum Grant Review	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> <li>- Grant awards are inappropriate.</li> <li>- Grant usage by the cultural/leisure provider is not in line with aims.</li> <li>- Cultural/leisure provider fails to achieve agreed performance/goals.</li> <li>- Provider ceases to operate.</li> </ul>	Substantial
Bowes Museum Grant Review	Assurance review of the arrangements in place to mitigate against the risks of: <ul style="list-style-type: none"> <li>- Grant awards are inappropriate.</li> <li>- Grant usage by the cultural/leisure provider is not in line with aims.</li> <li>- Cultural/leisure provider fails to achieve agreed performance/goals.</li> <li>- Provider ceases to operate.</li> </ul>	Substantial
Community Renewal Fund	Grant Certification	N/A

<b>RESOURCES (Res)</b>		
Banking Arrangements	Assurance review of the arrangements in place to mitigate against the risk of inadequate governance arrangements being in place for banking	Substantial
Bank Reconciliation	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>- Material errors / fraudulent activities within bank accounts and / or the General Ledger are not identified and corrected in a timely manner</li> <li>- Theft or misuse of Council funds and/or bank accounts.</li> <li>- Transaction errors made by the bank go unnoticed.</li> <li>- Inaccurate or misleading financial information.</li> <li>- Performance is not properly managed or monitored.</li> </ul>	Substantial
Better Care Fund and Improved BCF (Sn 75)	Grant Certification	Not Applicable

	Actions Due	Actions Implemented	Overdue Actions by original target date	Number of Actions where the original target has been revised	Overdue Actions following a revised target date
<b>ADULT AND HEALTH SERVICES (AHS)</b>					
<b>2020/21</b>					
High	0	0	0	0	0
Medium	4	3	1	1	0
<b>Total</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2021/22</b>					
High	0	0	0	0	0
Medium	1	1	0	0	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2022/23</b>					
High	0	0	0	0	0
Medium	4	4	0	0	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>9</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>CHIEF EXECUTIVE</b>					
<b>2022/23</b>					
High	0	0	0	0	0
Medium	1	1	0	0	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)</b>					
<b>2020/21</b>					
High	0	0	0	0	0
Medium	14	14	0	0	0
<b>Total</b>	<b>14</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2021/22</b>					
High	2	2	0	0	0
Medium	36	36	0	0	0
<b>Total</b>	<b>38</b>	<b>38</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2022/23</b>					
High	0	0	0	0	0
Medium	19	17	2	2	0
<b>Total</b>	<b>19</b>	<b>17</b>	<b>2</b>	<b>2</b>	<b>0</b>
<b>Overall Total</b>	<b>71</b>	<b>69</b>	<b>2</b>	<b>2</b>	<b>0</b>
<b>NEIGHBOURHOODS AND CLIMATE CHANGE (NCC)</b>					
<b>2020/21</b>					
High	3	3	0	0	0
Medium	20	20	0	0	0
<b>Total</b>	<b>23</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2021/22</b>					
High	0	0	0	0	0
Medium	9	9	0	0	0
<b>Total</b>	<b>9</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2022/23</b>					
High	9	9	0	0	0
Medium	15	15	0	0	0
<b>Total</b>	<b>24</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>56</b>	<b>56</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REGENERATION, ECONOMY AND GROWTH (REG)</b>					
<b>2020/21</b>					
High	2	2	0	0	0
Medium	13	13	0	0	0
<b>Total</b>	<b>15</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2021/22</b>					
High	0	0	0	0	0
Medium	5	5	0	0	0
<b>Total</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2022/23</b>					
High	0	0	0	0	0
Medium	7	7	0	0	0
<b>Total</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>27</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>RESOURCES (RES)</b>					
<b>2019/20</b>					
High	0	0	0	0	0
Medium	116	115	1	1	0
<b>Total</b>	<b>116</b>	<b>115</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2020/21</b>					
High	0	0	0	0	0
Medium	61	61	0	0	0
<b>Total</b>	<b>61</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2021/22</b>					
High	1	1	0	0	0
Medium	18	17	1	1	0
<b>Total</b>	<b>19</b>	<b>18</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2022/23</b>					
High	0	0	0	0	0
Medium	17	15	2	2	0
<b>Total</b>	<b>17</b>	<b>15</b>	<b>2</b>	<b>2</b>	<b>0</b>
<b>Overall Total</b>	<b>213</b>	<b>209</b>	<b>4</b>	<b>4</b>	<b>0</b>
<b>TOTAL COUNCIL</b>					
<b>2019/20</b>					
High	0	0	0	0	0
Medium	116	115	1	1	0
<b>Total</b>	<b>116</b>	<b>115</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2020/21</b>					
High	5	5	0	0	0
Medium	112	111	1	1	0
<b>Total</b>	<b>117</b>	<b>116</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2021/22</b>					
High	3	3	0	0	0
Medium	69	68	1	1	0
<b>Total</b>	<b>72</b>	<b>71</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>2022/23</b>					
High	9	9	0	0	0
Medium	63	59	4	4	0
<b>Total</b>	<b>72</b>	<b>68</b>	<b>4</b>	<b>4</b>	<b>0</b>
<b>OVERALL TOTAL</b>	<b>377</b>	<b>370</b>	<b>7</b>	<b>7</b>	<b>0</b>



## Performance Indicators as at 31 March 2023

<b>Efficiency</b>		<b>Objective: To provide maximum assurance to inform the annual audit opinion</b>	
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	<b>Actual</b>
Productive audit time achieved	% of planned productive time from original approved plan completed.	90% (Annually)	80% as at 31 March 2023
Timeliness of Draft Reports	% of draft reports issued within 20 working days of end of fieldwork/closure interview	100% (Quarterly)	96% (72 out of 75)
Timeliness of Final Reports	% of final reports issued within 10 working days of receipt of management response	100% (Quarterly)	96% (73 out of 76)
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)	100%
<b>Quality</b>		<b>Objective: To ensure that the service is effective and adding value</b>	
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	
Recommendations agreed	% of recommendations made compared with recommendations accepted	95% (Annually)	100%
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service satisfactory or above (3 out of 5) where 1 is poor and 5 is very good	100% (Quarterly)	98% (64 out of 65) Av. score of 4.7
Customers providing feedback response	% of customers returning satisfaction returns	70% (Quarterly)	83%

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**Audit Committee**

**23 May 2023**

**Internal Audit Strategy, Charter and Plan 2023/24**



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**Report of Tracy Henderson, Chief Internal Auditor and Corporate Fraud Manager**

**Electoral division(s) affected:**

Countywide.

**Purpose of the Report**

- 1 To submit the Internal Audit Strategy, Charter and Internal Audit Plan for the period 1 April 2023 to 31 March 2024, which are attached as Appendices 2, 3 and 4, for approval.

**Executive Summary**

- 2 Following the presentation of the first formal iteration of the Internal Audit Plan, for the period 1 April 2023 to 31 March 2024, to the Audit Committee on 28 February 2023, this report sets out the proposed final version of the annual plan. The report includes:
  - (a) The Internal Audit Strategy (Appendix 2);
  - (b) The Internal Audit Charter (Appendix 3);
  - (c) The Annual Internal Audit Plan for the period of 2023/24 (Appendix 4).

**Recommendation**

- 3 It is recommended that Members:
  - (a) Approve the Internal Audit Strategy in Appendix 2;
  - (b) Approve the Internal Audit Charter in Appendix 3;
  - (c) Approve the proposed Annual Internal Audit Plan for the period of 1 April 2023 to 31 March 2024, as detailed in Appendix 4.

## **Background**

- 4 From April 2013, CIPFA and the Chartered Institute of Internal Auditors launched a common set of Public Sector Internal Audit Standards (PSIAS) to be adopted across the public sector. The PSIAS set out the standards for Internal Audit and have been adopted by the service in Durham.
- 5 The principles in the PSIAS are consistent with the previous CIPFA Code for Internal Audit that applied across Local Government. They include the need for 'risk-based plans' to be developed for Internal Audit and for plans to receive input from management.
- 6 The Internal Audit Strategy, which has informed the development of the 2023/24 audit plan, has been reviewed and is included at Appendix 2.
- 7 The Internal Audit Strategy and the Internal Audit Charter are reviewed annually by the Audit Committee. No substantial changes have been made to either of these documents in the last year.

## **Internal Audit Charter**

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

- (i) Promotes organisational improvement.
- 10 There are no changes to the structure or content of the Audit Charter previously agreed by members this year.

### **Preparation of the 2023/24 Audit Plan**

- 11 The Emergent Internal Audit Plan was presented at the Audit Committee's meeting on 28 February 2023. The plan has now had further refinement and discussions have taken place with Corporate Management Team prior to presenting the final version to the Committee. This report sets out the proposed Annual Internal Audit Plan 2023/24 for consideration and approval by members of the Audit Committee.
- 12 The proposed Internal Audit Plan 2023/24 is attached at Appendix 4, includes provision for:
- (a) Work started in 2022/23 which was not complete by 31 March 2023;
  - (b) Work that was approved in the 2022/23 audit plan but has been deferred and carried forward into 2023/24 as previously agreed;
  - (c) Planned assurance work scheduled from the 5-year strategic audit plan;
  - (d) Annual due diligence on key systems and compliance with key corporate policies;
  - (e) Service requests identified through the consultation process with senior management;
  - (f) Grant certification work;
  - (g) Corporate provision for reactive advice and consultancy work and new emerging risks, including any reactive fraud investigations and irregularities;
  - (h) Corporate provision for planning, quality assurance and reporting;
  - (i) Follow up of agreed audit recommendations.
- 13 The detailed scope of some audit reviews included in the plan are not yet finalised, however an initial outline scope of each audit has been prepared. These will be further developed as part of the planning and preparation stage of each individual assignment in accordance with the agreed audit strategy. This ensures that audit resources assigned to individual reviews are focused upon operational risks, controls and the

assurance environment expected to be in place at the time reviews are actually carried out. This is particularly important due to the extent of change management across the Council.

- 14 Operational risks are those that arise directly from the core activities of delivering services and include:
- (a) Financial Management Risks;
  - (b) Project Risks;
  - (c) Performance Management Risks;
  - (d) Partnership Risks;
  - (e) Human Resources Risks;
  - (f) IT and Information Governance Risks;
  - (g) Procurement and Contract Risks;
  - (h) Legal Risks;
  - (i) Service Specific Risks.
- 15 In evaluating the management of these risks, Internal Audit aims to help the achievement of corporate priorities and objectives by providing assurance on:
- (a) The adequacy of risk identification, assessment and mitigation – including the adequacy and effectiveness of the strategic risk management process;
  - (b) The adequacy and application of controls to mitigate identified risk;
  - (c) The adequacy and extent of compliance with the Council’s corporate governance framework;
  - (d) The extent of compliance with relevant legislation;
  - (e) The extent to which the Council’s assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money;
  - (f) The quality and integrity of financial and other management information utilised within the Council.

- 16 In accordance with the Internal Audit Strategy, in consultation with Heads of Service and nominated service manager or key contact, the Service will prepare an agreed Terms of Reference prior to the start of each planned audit and where applicable a Control Risk Assessment (CRA) so as to:
- (a) Inform the scope for audit;
  - (b) Identify and agree key service/system operational objectives;
  - (c) Assess and agree key risks;
  - (d) Identify and agree expected/existing key controls;
  - (e) Identify other key sources of assurance and what assurance they provide that risks are effectively managed;
  - (f) Identify key stakeholders/contacts and circulation list for report;
  - (g) Provide a mechanism for ongoing self-assessment post audit.
- 17 The Service will make all reasonable endeavours to schedule audit work within the timing preference expressed by services, but inevitably this may not always be possible due to the practicalities of scheduling work across all service groupings to match estimated audit resources available.
- 18 Given the extent of the change agenda with which the Council is faced at this time, it is particularly important that the annual audit plan is flexible and allows for the service to be pro-active in supporting management in the consideration of control issues relating to new or emerging risks. As such a contingency provision is also included to respond to new and emerging risks and changes to the strategic audit plan to reflect changes in service priorities and/or risks.
- 19 Service requests are actively encouraged and will be considered in relation to the risk and the type of audit work required, e.g., control design and/or compliance assurance, grant certification work, advice and consultancy etc. and whether or not the service has the necessary skills and resources to undertake the work requested.
- 20 It is always the preference for Internal Audit to be involved in any changes to systems to advise on the appropriate controls before they are implemented rather than potentially auditing a system in retrospect that then requires any improvements.

- 21 Any proposals to amend approved plans will be discussed and agreed with Corporate Directors and any significant changes will be reported to the Audit Committee for approval.

### **Delivery of the Internal Audit Plan for the period 1 April 2023 to 31 March 2024**

- 22 As a result of this planning, the forecast of available resources to be allocated to the management and delivery of the annual audit plan is 4,431 days. As part of this calculation, it has been assumed that a Senior Auditor post, which is currently vacant, will be filled from July 2023. The detail of this allocation is shown in the table below.

<b>Estimated Gross Days Available</b>	4431.0
Non – Productive Time (Annual Leave, Sickness, Training, Office Duties etc.)	1279.0
Productive Time – not allocable to services, e.g. Audit Planning, Supporting Audit Committee, Quality Assurance, Contingency	1050.0
<b><u>Audit Plan for 1 April 2023 to 31 March 2024</u></b>	
Audit days required to complete and close audit reports relating to 2022/23	202.0
Chief Executive	15.0
Adult and Health Services (AHS)	189.0
Children and Young People Service (CYPS)	248.0
Neighbourhoods and Climate Change (NCC)	164.0
Regeneration, Economy and Growth (REG)	128.0
Resources (RES)	383.0
Schools	350.0
Durham Police and Crime Commissioner / Durham Constabulary	201.0
Durham and Darlington Fire & Rescue Authority	83.0
Aim High Academy Trust	16.0
Durham Crematorium	18.0
Mountsett Crematorium	18.0
Pension Fund	50.0
New College Durham	31.0
Durham City Charter	6.0
<b>TOTAL DAYS REQUIRED</b>	<b>4431.0</b>

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

<b>Contact:</b>	Tracy Henderson	Tel: 03000 269668
	Paul Monaghan	Tel: 03000 269662



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## **Appendix 1: Implications**

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### **Legal Implications**

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

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

### **Finance**

There are no direct financial implications associated with this report.

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

### **Consultation**

All Corporate Directors and Heads of Service.

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

There are no equality and diversity / public sector equality duty implications as a result of this report.

### **Climate Change**

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

### **Human Rights**

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

### **Crime and Disorder**

There are no crime and disorder implications as a result of this report.

### **Staffing**

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

## **Accommodation**

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

## **Risk**

The 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**

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

# DURHAM COUNTY COUNCIL



## Internal Audit Strategy

### 1. Introduction

- 1.1 The Internal Audit Strategy for 2023/24 focuses on the delivery of the assurance opinion and the Internal Audit plan to support this opinion. This strategy reflects Internal Audit's contribution to the Council's 'Excellent Council' agenda and fully supports the Council's ambitions as set out in the Sustainable Community Strategy. The Internal Audit Strategy incorporates best practice from the Chartered Institute of Public Finance and Accountancy (CIPFA) and Chartered Institute of Internal Audit (CIIA).
- 1.2 The requirement for an Internal Audit function for local authorities is within section 151 of the Local Government Act 1972 and authority has been delegated to the Corporate Director, Resources to fulfil this function. Part 2, Regulation 5 of the Accounts and Audit Regulations 2015 requires that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."
- 1.3 The mission of the Internal Audit service is 'to enhance and protect Durham County Council's organisational values by providing risk-based and objective assurance, advice and insight'.
- 1.4 The assurance is provided through three elements:
- Internal Control;
  - Governance and
  - Risk Management
- 1.5 The Terms of Reference of Internal Audit are contained within the Audit Charter. The measures in place to deliver these are set out below.

## **2. Strategy Statements**

- 2.1 There are overarching strategies to support the delivery of all of our services, these include:
- 2.2 We aim to deliver work of the highest quality, to the appropriate audience and at the most appropriate time.
- 2.3 We support and promote the Council's vision, ambitions, values and objectives in all of the work Internal Audit carries out. It is our ambition to ensure that the delivery of our service is influenced by and positively contributes to these developments together with the growing need for wider ranging assurances in all aspects of the Council's operations. We will also continue to consider and review the impact of organisational change on the Council's governance, internal controls and risks.
- 2.4 We will plan, organise and control the delivery of our service in line with professional standards (Public Sector Internal Audit Standards). We work to add value through providing reliable, objective assurance and insight on the effectiveness and efficiency of governance, risk management and internal control processes. We continually aim to challenge and inspire colleagues to improve.
- 2.5 We will create and communicate high quality information about the effective operation of management's control over risks and we will use our combined experience and knowledge to provide helpful and practical insight and recommendations, we know we can be a catalyst for improving the Council's effectiveness and efficiency based on analysis and assessments of data and business processes. The internal audit team has a comprehensive set of procedures and templates that are regularly reviewed and approved to ensure a consistent approach to our work. All audit work is reviewed to ensure it is evidenced based, independent, technically compliant, risk based, timely, has impact and is practical. We employ quality controls, quality monitoring and quality reviews of our work.
- 2.6 We identify the audit resources with the appropriate skill set to deliver the audit service, which meets the required professional standards. We are committed to integrity, accountability and high levels of customer care. We provide assistance with training and continuous professional development. The Council and the Internal Audit team subscribe to a number of professional support forums. The Chief Internal Auditor and Corporate Fraud Manager is a member of the Local Authority Chief Internal Auditor Network (LACAN) and of the Chartered Institute of Public Finance and Accountancy (CIPFA) Internal Audit Special Interest Group in order to utilise the peer support that these groups provide. We also have in place a Quality Assurance Improvement Plan (QAIP) as required by PSIAS.

2.7 We will strive to raise the profile of Internal Audit in a positive way at all times. The ways that we do this include:

- Professional advice and support to Members, Corporate Directors, Heads of Service and all employees.
- Delivery of our principal service including high quality audit reports (drafts and final) and Committee reports.
- Issuing Client Satisfaction Questionnaires for all work that we undertake whilst analysing and understanding the responses and acting on the messages conveyed to us.
- Maintaining good client relations and to this end:
  - Attend all Service Grouping management teams on at least a quarterly basis.
  - Provide time within the Internal Audit Plan for advice and consultancy with respect to internal controls for all of our clients.
  - Detailed Terms of Reference are prepared for each audit based on close liaison with clients.
  - Provide all Corporate Directors with quarterly and annual reports on the activity within their Service Groupings.
  - Provide a training module on internal control, risk management and fraud awareness currently through the 'Durham Managers' programme.

2.8 We aim to support good value for money in all that we do. Our work is designed to help in the promotion of continuous performance and internal control improvement through the issue of reports containing relevant and valued recommendations and action plans. We support effective financial management, help prevent fraud and corruption and undertake investigations where it is felt appropriate to do so. The service also participates in benchmarking to measure our performance and value for money against peer organisations.

2.9 We plan, record and monitor the time spent on all audit activities to manage our staffing resources efficiently and economically.

### **3. Delivery of the Service**

3.1 The Chief Internal Auditor and Corporate Fraud Manager is responsible for the Internal Audit Service and delivering of the Audit Plan in accordance with the Terms of Reference detailed in the Audit Charter.

3.2 The Internal Audit Service will be delivered on the basis of a five year risk based Strategic Audit Plan which is approved annually by the Audit Committee and is based on risks identified by the Chief Internal Auditor

and Corporate Fraud Manager in consultation with Service Groupings. The Chief Internal Auditor and Corporate Fraud Manager maintains a continuous review of the risks and issues affecting the Council and thus the Audit Plan using the following:

- Review of Council's priorities and objectives;
- Continuous assessment of risk identified by the strategic risk register and senior managers;
- Issues arising from changes in legislation;
- The implications of external inspection reports.

3.3 The Audit Plan must balance the needs to:

- Provide assurance on the effectiveness of internal controls operating within the Council
- Adequately review the assurance provided by key financial systems for management and the external auditor to place reliance on.
- Allow for the Internal Audit Service to offer advice and guidance on control issues to the Council's managers
- Investigate all suspected or detected frauds or irregularities.
- Provide time to allow Internal Audit to carry out appropriate unplanned work requested by managers.

3.4 The Chief Internal Auditor and Corporate Fraud Manager will assess the services resource requirements and formulate the Internal Audit Plan. The staffing structure of Internal Audit comprises a mix of professional, accounting technician and trainee posts with a mix of specialisms to reflect the varied workload of the service. These resources will be met internally within the Council supplemented by appropriately qualified external resources should there be the requirement.

#### **4. Review of the Strategy**

4.1 The strategy will be reviewed annually by the Audit Committee alongside the Internal Audit Charter and Annual Internal Audit Plan.



# **INTERNAL AUDIT CHARTER**

**May 2023**

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## 1. Introduction

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

## 2. Statutory Basis

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

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

- 2.2 The Public Sector Internal Audit Standards (PSIAS) and CIPFA’s Local Government Application Note (LGAN), which came into effect April 2013, constitute proper practices to satisfy the requirements for larger relevant local government bodies as set out in the Accounts and Audit Regulations 2015. The PSIAS were updated on 1 April 2017 and the charter has been updated to reflect these changes.

- 2.3 Section 151 of the Local Government Act 1972 states that every local authority should make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs (The Chief Financial Officer (CFO)). CIPFA has defined proper administration in that it should include, ‘compliance with the statutory requirements for accounts and internal audit’.

- 2.4 The CIPFA Statement on the Role of the Chief Financial Officer states that the CFO must:

- Ensure an effective internal audit function is resourced and maintained
- Ensure that the authority has but in place effective arrangements for internal audit of the control environment
- Support internal audit arrangements and
- Ensure the audit committee receives the necessary advice and information so that both functions can operate effectively

- 2.4 This Internal Audit Charter recognises the mandatory nature of the PSIAS including the definition of Internal Auditing, the Mission of Internal Audit, the Code of Ethics and the Standards themselves.

- 2.5 As required by the PSIAS, this Charter defines the group or body determined to fulfil the roles and responsibilities of the ‘board ‘and ‘senior management’ for the purpose of internal audit activity, as referred to in the individual standards. These definitions are set out in Appendix C.

### **3. Definition**

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

### **4. Mission**

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

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

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

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

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

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

### **6. Strategic Aims**

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

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

## **7. Objectives of Internal Audit**

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

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

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

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

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

- Disclose any qualification to that opinion, together with the reasons for that qualification
- Present a summary of the audit work undertaken from which the opinion is derived, including reliance placed on the work of others
- Draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken to the work that was planned and summarise the performance of the internal audit service

- Present a statement on conformance with the PSIAS and the results of a Quality Assurance and Improvement Programme (QAIP) required by the PSIAS.

7.5 Other objectives include:

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

## 8. Outcomes of Internal Audit

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

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

- Improved quality and reliability of financial and other management information used to support informed decisions.

## **9. Independence, Objectivity and Authority**

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

## 10. Scope of Audit Work

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

## 11. Strategic Audit Planning

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

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

## **12. Annual Audit Plans**

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



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

## 13. Audit Approach

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

### **Strategic Risk**

- 13.2 Reviews of strategic risks will provide assurance that:

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

### **Operational Risk**

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

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

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

## **14. Audit Reporting**

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

- 14.6 To assist managers in their response, the importance of findings/recommendations are categorised as High, Medium or Best Practice. Details of how the importance of audit findings is assessed leading to these recommendation rankings are given in Appendix A.
- 14.7 It is the responsibility of managers to address audit findings and implement audit recommendations or other agreed appropriate action, or accept the risk resulting from not taking action.
- 14.8 An overall opinion will be provided on each assurance audit review to help inform the overall opinion required to support the Council's Annual Governance Statement.
- 14.9 The determination of the audit assurance opinion is derived from the overall level of assurance on the effectiveness of controls operating in each specific area reviewed and is informed by the risk identified through recommendation rankings. Where a Limited Assurance opinion is given the control framework in place is considered to be ineffective and requires improvement to maintain an acceptable level of control. Further details of how assurance opinions are derived are given in Appendix A.
- 14.10 Management responses to recommendations made in draft reports will be incorporated into audit reports that will then be reissued as finals. Copies of all final reports are shared with the Council's External Auditor on request.
- 14.11 Wherever possible the circulation of audit reports will be agreed at the outset and will have due regard to confidentiality and legal requirements. Any information gained in the course of audit work remains confidential without limiting or preventing internal audit from meeting its reporting responsibilities to the wider organisation.
- 14.12 Internal Audit will follow-up progress made by managers in responding to draft reports and on the implementation of all high and medium priority recommendations agreed in final reports.
- 14.13 Progress on the response to draft reports issued and the implementation of agreed recommendations will be reported to Audit Committee. Any significant recommendations overdue will be reported to Committee on an exception basis each quarter. In accordance with the Committee's request, where any significant recommendations remain overdue the following quarter the responsible manager will be asked to attend Audit Committee to provide an explanation for the delay.
- 14.14 Management is required to provide a response to draft reports issued within 20 working days. If a response has not been received within this timescale the following escalation process will then be invoked:
  - A reminder will be sent to the key contact, and copied into the relevant head of service, requesting a response within the next 10 days

- If a response is still not forthcoming, a second reminder will be issued direct to the head of service, advising that if a response is not received within the next 5 days the matter will be reported to the relevant Corporate Director
- All draft reports remaining outstanding at the end of each quarter will be reported to the Audit Committee.

14.15 Audit Managers / Principal Auditors will report quarterly to Service Grouping Management Teams on progress made on delivering the agreed annual plan, unplanned work carried out and any proposed amendments to the plan, overdue responses to draft reports, any significant issues arising from audit work and progress made by managers in implementing audit recommendations.

14.16 To help focus attention on areas of significant risk, quarterly progress reports will include by exception details of all audits resulting in a limited assurance opinion.

14.17 Where a limited assurance opinion is given, it is the intention of Internal Audit to follow up the audit within six months of issue to verify that the recommendations have been made in line with the agreed actions. A follow up report detailing progress made and any actions that are still to be completed will be prepared on completion of the review.

14.18 In accordance with the PSIAS, to maintain organisational independence, Internal Audit will report on the functionality of the audit service to Audit Committee by:

#### **Reporting a draft annual risk based audit plan for approval**

##### **Presenting Quarterly Internal Audit Progress reports:**

- To consider progress made in delivering the agreed annual plan
- To inform Members of significant issues arising from audit assurance work and the impact this may have if control weaknesses identified are not addressed
- To inform Members of other audit work carried out or planned
- To consider progress made by managers in the implementation of audit recommendations drawing attention to significant risks not being effectively managed

### **Presenting an Annual Audit Report to:**

- Compare actual activity with planned work and performance targets
- Provide an overall opinion on the control environment
- Provide a summary of work undertaken to formulate the annual opinion on the entire control environment, including reliance placed on work by other assurance bodies
- Demonstrate the extent of compliance with the PSIAS and the results of the Quality Assurance and Improvement Programme, including internal and any external assessments carried out.
- Draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement.

## **15. Responsibilities of Managers**

- 15.1 Internal Audit is involved in a wide range of internal and external relationships. The quality of these relationships impacts on the effective delivery of the service, its reputation and independence.
- 15.2 Internal Audit will strive to build effective working relationships with all stakeholders, internal and external, by encouraging an environment of mutual trust, confidence and understanding.
- 15.3 A key relationship is with managers across the organisations. Managers at all levels need complete confidence in the integrity, independence and capability of internal audit.
- 15.4 Managers' role is to manage the risks facing their service and to maintain an adequate and effective system of internal control to mitigate these risks. Managers are also responsible for ensuring that employees are aware of the processes and procedures required to operate the control systems in place.
- 15.5 It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of fraud and irregularities. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- 15.6 Internal Audit will endeavour to plan its work so that it has a reasonable expectation of detecting significant control weaknesses and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

15.7 Managers are encouraged to maximise the effectiveness of the outcome of internal audit work by:

- Commenting on, and inputting to, strategic and annual audit plans.
- Working with audit staff in the development of a control and risk assessment (CRA) for the service activity or system as part of the preparation and planning stage of each assurance review.
- Agreeing terms of reference, informed by the CRA where applicable, for each audit assignment to ensure attention is focused on areas of greatest risk or concern.
- Giving information and explanations that are sought during audit reviews.
- Providing access at all reasonable times to premises, personnel, documents and assets as necessary.
- Giving early notification of plans for change, including potential new initiatives, operational systems and processes.
- Ensuring key contacts provide responses to draft audit reports within the required timescales.
- Ensuring agreed actions arising from audit recommendations are carried out efficiently and on a timely basis
- Notifying internal audit of any suspected fraud, irregularity, improper use or misappropriation of the Council's property or resources.
- Pending investigation and reporting, take all responsible steps to prevent further loss and to secure records and documents against removal or alteration.
- Acting in line with the Council's disciplinary procedures.

## **16. Relationship with the Audit Committee**

16.1 The Council has adopted best practice in implementing an Audit Committee. This committee is independent of both the Executive and Scrutiny function, and reports directly to the Council on matters it feels are relevant. Terms of Reference, reflecting best practice, have been agreed.

16.2 The existence of an independent and effective Audit Committee helps to convey to employees and the public the importance Members and Officers attach to risk management, corporate governance and internal control.

16.3 The Audit Committee is not just the concern of auditors as it has responsibility for ensuring that the Council has good corporate governance arrangements in place to help deliver the best services to support the Council's priorities, aims and objectives and ensure excellent use of resources.

- 16.4 Internal Audit is one of a number of assurance providers that contribute to the Council's corporate assurance framework. It does this by providing an opinion on the level of assurance the Council can place upon the entire internal control environment and by making recommendations to improve it. This includes Internal Audit's evaluation of the effectiveness of the Council's risk management and corporate governance arrangements.
- 16.5 It is important that the Council seeks independent assurance about the mechanisms underpinning the various aspects of governance and one of the responsibilities of the Audit Committee is to review the functionality and effectiveness of Internal Audit.

## **17. Audit Resources, Skills and Service Quality**

- 17.1 In order for Internal Audit to demonstrate high standards of professional conduct, the Internal Auditor must be impartial in discharging all responsibilities. Bias, prejudice or undue influence must not be allowed to limit or override objectivity.
- 17.2 The service is required to operate in compliance with both the PSIAS and the LGAN. Policies and standard working practices have been put in place to ensure all audit staff understand and comply with the PSIAS/LGAN.
- 17.3 An important element of the PSIAS is the requirement to undertake regular quality assurance assessments and maintain a quality assurance and improvement programme.
- 17.4 A quality assurance framework, detailing the policies, procedures and working practices under which the service operates has been defined and documented in an Audit Manual.
- 17.5 The Chief Internal Auditor and Corporate Fraud Manager is responsible for providing periodically a self-assessment on the effectiveness of the internal audit service and compliance with agreed procedures to ensure professional standards are maintained. Any areas of non-compliance with the standards and or the LGAN will be reported as part of the Annual Audit Report to Corporate Management Team and the Audit Committee.
- 17.6 In accordance with the PSIAS, an external assessment will be carried out at least every five years. The results of this external assessment will also be reported to the Corporate Management Team and the Audit Committee.
- 17.7 The service is provided by Durham County Council's in house internal audit team, supported in specialist areas as and when considered necessary by a third party partner. The staffing structure will, as far as possible, be comprised of a suitable mix of qualifications, experience and skills.

- 17.8 The Chief Internal Auditor and Corporate Fraud Manager ensures internal audit resources are sufficient to meet its responsibilities and achieve its objectives. Resource requirements are reviewed annually in relation to draft annual audit plans. Resources will be considered in terms of available days and the skills and experience of audit staff. Any concerns that the Chief Internal Auditor and Corporate Fraud Manager has regarding resources available to deliver the service in accordance with the PSIAS will be reported to the Corporate Director, Resources and the Audit Committee.
- 17.9 Individual training needs are identified in accordance with the Council's Performance Appraisal Scheme and supplemented by regular audit skills assessments and post audit reviews. As well as basic training in audit techniques and the development of specialist skills, the service is committed to coaching and mentoring its staff and to providing opportunities for continuous professional development to all staff.
- 17.10 Internal Audit maintains its awareness of national and local issues through membership and subscription to professional bodies such as CIPFA's Better Governance Forum, Technical Information Service, Finance Advisory Network (FAN), County Chief Internal Auditor Network, the Institute of Internal Auditors and through regular liaison with external audit.
- 17.11 The service will keep abreast of best audit practice by adhering to CIPFA's and the IIA's practice advisories and practice guides, where applicable, as well as networking with other internal audit service providers.
- 17.12 In this regard the service considers trends and emerging issues that could impact the organisation.
- 17.13 A suite of performance indicators (PIs) and targets has been developed to measure and monitor the performance and effectiveness of the service. The current PI's are detailed in Appendix B. PIs and targets will be reviewed annually.
- 17.14 In accordance with the requirements of the Accounts and Audit Regulations 2015, an annual review of the effectiveness of the internal audit service is undertaken by the Audit Committee. This will be informed by a review of the service carried out by the Corporate Director Resources and from consideration of the Quality Assurance and Improvement Programme and any internal or external assessments required by the PSIAS. By reviewing the service the Audit Committee is able to gain assurance that the service maintains its independence and objectivity, that it is effective and conforms to the expected professional quality standards so that it can place reliance on its work and the annual audit opinion.
- 17.15 The outcome from the annual effectiveness review is reported to the Corporate Management Team and Audit Committee as part of the Annual Internal Audit Report.



## 18. Approval and Review

- 18.1 The Chief Internal Auditor and Corporate Fraud Manager will review this Charter annually to ensure that it is kept up to date and fit for purpose. The Charter is endorsed by the Corporate Management Team and approved by the Audit Committee. Any amendments will be reported to the Audit Committee for approval. A copy of the Charter will be made available on the Council's intranet.

## 19. Key Contact

Name:

Tracy Henderson, Chief Internal Auditor and  
Corporate Fraud Manager

Tel:

03000 269668

Email:

tracy.henderson@durham.gov.uk

Address

Internal Audit, Risk and Corporate Fraud  
Corporate Resources  
Durham County Council  
County Hall  
Durham  
DH1 5UL

## 20. Other Related Documents

Other related documents that should be read in conjunction with this Charter are:

- Public Sector Internal Audit Standards
- CIPFA's Local Government Application Note
- The Council's Risk Management Strategy
- The Council's Constitution – Financial Procedure Rules
- The Council's Constitution – Local Code of Corporate Governance
- The Council's Constitution – Codes of Conduct
- The Council's Counter Fraud and Corruption Strategy and Fraud Response Plan
- The Council's Confidential Reporting Code (Whistle Blowing Policy)

## ASSESSMENT OF AUDIT FINDINGS, RECOMMENDATIONS AND AUDIT OPINIONS

## APPENDIX A

**Findings**

Individual findings are assessed on their impact and likelihood based on the assessment rationale in the tables below:

<b>Impact Rating</b>	<b>Assessment Rationale</b>
<b>Critical</b>	<b>A finding that could have a:</b>
	<b>Critical</b> impact on operational performance (Significant disruption to service delivery)
	<b>Critical</b> monetary or financial statement impact (In excess of 5% of service income or expenditure budget )
	<b>Critical</b> breach in laws and regulations that could result in significant fine and consequences (Intervention by regulatory body or failure to maintain existing status under inspection regime)
	<b>Critical</b> impact on the reputation of the Council (Significant reputational damage with partners/central government and/or significant number of complaints from service users)
	<b>Critical</b> impact on the wellbeing of employees or the public (Loss of life/serious injury to employees or the public)
<b>Major</b>	<b>A finding that could have a:</b>
	<b>Major</b> impact on operational performance (Disruption to service delivery)
	<b>Major</b> monetary or financial statement impact (1-5% of service income or expenditure budget )
	<b>Major</b> breach in laws, regulations or internal policies and procedures (non compliance will have major impact on operational performance, monetary or financial statement impact or reputation of the service)
	<b>Major</b> impact on the reputation of the service within the Council and/or complaints from service users
<b>Minor</b>	<b>A finding that could have a:</b>
	<b>Minor</b> impact on operational performance (Very little or no disruption to service delivery)
	<b>Minor</b> monetary or financial statement impact (less than 1% of service income or expenditure budget )
	<b>Minor</b> breach in internal policies and procedures (non compliance will have very little or no impact on operational performance, monetary or financial statement impact or reputation of the service)

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

**Overall Finding Rating**

This grid is used to determine the overall finding rating.

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

**Priority of recommendations**

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

<b>High</b>	Action required, that is considered <b>imperative</b> , to improve the control environment so that objectives are not exposed to unacceptable risks through lack of or weaknesses in critical or key controls.
<b>Medium</b>	Action required to improve the control environment so that objectives are not exposed to risks through weaknesses in controls.
<b>Best Practice</b>	The issue merits attention and its implementation will enhance the control environment.

**Overall Assurance Opinion**

Based upon the ratings of findings and recommendations arising during the audit as summarised in risk matrix above we define the overall conclusion of the audit through the following assurance opinions:

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

**PERFORMANCE INDICATORS**

**APPENDIX B**

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<b>Efficiency</b>		
<b>Objective: To provide maximum assurance to inform the annual audit opinion</b>		
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>
Productive audit time achieved	% of planned productive time from original approved plan completed as at 31 <sup>st</sup> March.	90% (Monthly)
Timeliness of Draft Reports	% of draft reports issued within 20 working days of end of fieldwork/closure interview	100% (Monthly)
Timeliness of Final Reports	% of final reports issued within 10 working days of receipt of management response	100% (Monthly)
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)
<b>Quality</b>		
<b>Objective: To ensure that the service is effective and adding value</b>		
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Monthly)
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (3 out of 5) where 1 is poor and 5 is very good	100% (Quarterly)
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)

## Public Sector Internal Audit Standards

### Definition of the terms 'Board' and 'Senior Management' for the purpose of Internal Audit Activity

Standard		Reference to board or senior management	Proposed body/group to fulfil role	
Ref	Title		Senior Management	Board
1000	Purpose, authority and responsibility	<b>Senior Management</b> and the <b>board</b> must approve the Internal Audit Charter	Corporate Management Team (CMT)	The Audit Committee
1110	Organisational Independence	<p>The Chief Audit Executive (CAE) must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The CAE must confirm to the <b>board</b> at least annually the organisational independence of the Internal Audit activity.</p> <p>The CAE must report functionality to the <b>board</b>. The CAE must also establish effective communication with, and have free and unfettered access to the Chief Executive and the Chair of the Audit Committee.</p> <p>Functionality includes:</p> <ul style="list-style-type: none"> <li>• Approving the Internal Audit Charter</li> <li>• Approving the Risk Based Internal Audit Plan</li> <li>• *Approving the internal audit budget and resource plan</li> </ul>		<p>The Audit Committee</p> <p>The Audit Committee with the exception of those functions marked with an* which are the responsibility of the Corporate Director, Resources who has delegated authority from Council to maintain an effective internal service.</p>

## DEFINITIONS UNDER PSIAS

## APPENDIX C

		<ul style="list-style-type: none"> <li>• Receiving communications for the CAE on the internal audit activity's performance relative to its plan and other matters</li> <li>• *Approving decisions regarding the appointment and removal of the CAE</li> <li>• *Approving the remuneration of the CAE and</li> <li>• Making appropriate enquiries of management and the CAE to determine whether there are inappropriate enquires of management and CAE to determine whether there are inappropriate scope or resources limitations</li> </ul>		<p><b>Note</b></p> <p>The public sector interpretation with the PSIAS acknowledges that in the UK public sector the board would not generally approve the CAE's remuneration.</p> <p><i>"The underlying principle is that the independence of the CAE is safeguarded by ensuring that his or her remuneration or performance assessment is not inappropriately influenced by those subject to audit. In the UK public sector this can be achieved by ensuring that the Chief Executive undertakes, countersigns, contributes feedback to or reviews the performance appraisal of the CAE and that feedback is also sought from the Chair of the Audit Committee"</i></p>
1130. C2	Impairment to Independence or Objectivity	Approval must be sought from the <b>board</b> for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement		The Audit Committee
1312	Quality Assurance and Improvement Programme (QAIP)	External Assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team form outside the organisation. The CAE must discuss with the <b>board</b> :		The Audit Committee

**DEFINITIONS UNDER PSIAS**

**APPENDIX C**

		<ul style="list-style-type: none"> <li>• The form of external assessments</li> <li>• The qualifications and independence of the external assessor or assessment, including any potential conflict of interests</li> </ul> <p>NB The Public Sector requirement of this standard states,</p> <p><b>“The CAE must agree the scope of external assessments with an appropriate sponsor e.g. the Accounting/Accountable Officer or Chair of the audit committee as well as with the external assessor or assessment team”</b></p>		
1320	Reporting the results of QAIP	The CAE must communicate the results of the quality assurance and improvement programme to <b>senior management</b> and the <b>board</b> .	CMT	The Audit Committee
1322	Disclosure of Non - Conformance	Instances of non-conformance with the definition of Internal Auditing , the Code of Ethics or the standards impacts the overall scope or operation of the Internal Audit Activity, must be reported to the <b>board</b> by the CAE. More significant deviations must be considered for inclusion in the annual governance statement		The Audit Committee

## DEFINITIONS UNDER PSIAS

## APPENDIX C

2020	Communications and Approval	<p>The CAE must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to <b>senior management</b> and the <b>board</b> for review and approval.</p> <p>Where the CAE believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the <b>board</b>.</p>	CMT	The Audit Committee
2060	Reporting to Senior Management and the Board	<p>The CAE must report periodically to <b>senior management</b> and the <b>board</b> on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must include significant risk exposures and control issues, including fraud risks governance issues and other matters needed or requested by senior management and the board.</p>	CMT	The Audit Committee
2600	Communicating the Acceptance of Risk	<p>When the CAE concludes that management has accepted a low level of risk that may be unacceptable to the organisation, the CAE must discuss the matter with <b>senior management</b>. If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the <b>board</b>.</p>	CMT	The Audit Committee

**NB. The role of Chief Audit Executive referred to in the Standards is that undertaken by the Chief Internal Auditor and Corporate Fraud Manager.**



APPENDIX 4: DURHAM COUNTY COUNCIL ANNUAL INTERNAL AUDIT PLAN 2023/24				
Service Grouping	Service	Audit Title	Reference	Estimated Days
Chief Executive	Corporate Affairs	Changing Places Toilets	00671/2024	3.0
Chief Executive	Corporate Affairs	Data Quality	11080/2024	12.0
<b>TOTAL ESTIMATED DAYS FOR CHIEF EXECUTIVE</b>				<b>15.0</b>
Adult and Health Services	Commissioning	Joint Committee Development	50033/2024	8.0
Adult and Health Services	Commissioning	Commissioning of Domiciliary Care	50102/2024	12.0
Adult and Health Services	Public Health	Public Health Claims Processed via Pharmoutcomes	50220/2024/02	17.0
Adult and Health Services	Public Health	Stop Smoking Service	50236/2024	12.0
Adult and Health Services	Adult Care	CITO System Review	58801/2024	12.0
Adult and Health Services	Adult Care	Pathways	54302/2024	25.0
Adult and Health Services	Adult Care	Extra Care	57800/2024	25.0
Adult and Health Services	Adult Care	New CQC Inspection Regime	50036/2024 (new)	10.0
Adult and Health Services	Commissioning	Workforce Development Fund	00638/2024	4.0
Adult and Health Services	Commissioning	Review of Commissioning Arrangements with Medequip	50014/2024	12.0
Adult and Health Services	Adult Care	Azeus	58814/2024	30.0
Adult and Health Services	Public Health	Provider Selection Regime (Procurement)	50238/2024 (new)	10.0
Adult and Health Services	Public Health	Healthy Start Vitamin Distribution	50239/2024 (new)	12.0
<b>TOTAL ESTIMATED DAYS FOR ADULTS AND HEALTH SERVICES</b>				<b>189.0</b>
Children and Young People's Services	Childrens Social Care	Special Guardianship and Child Arrangement Orders	50202/2024.fw	10.0
Children and Young People's Services	Childrens Social Care	Placement Resource Panel (PRP) Arrangements	50203/2024	15.0
Children and Young People's Services	Childrens Social Care	Local Adoption Governance	50233/2024	12.0
Children and Young People's Services	Childrens Social Care	Supervised Spend - Leaving Care Service	53002/2024	15.0
Children and Young People's Services	Commissioning	Disability Commissioning Arrangements (Short Breaks)	54300/2024	12.0
Children and Young People's Services	Education and Skills	High Needs Top Up Funding Arrangements in Schools	70510/2024	15.0
Children and Young People's Services	Childrens Social Care	Childrens Homes - Procurement Cards	53007/2024 (new)	10.0
Children and Young People's Services	Childrens Social Care	Childrens Homes - Review of Financial Procedures	53000/2024	15.0
Children and Young People's Services	Childrens Social Care	Liquid Logic/ ContrOCC / Manual Payments	58813/2024	30.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	One Point Hubs / Family Centres	53006/2024	20.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Supporting Families Programme	00611/2024	10.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Family Hubs and Start for Life	53006/2024/01	5.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Fun with Food Initiative	53008/2024 (new)	12.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Turnaround Programme (Youth Justice)	00673/2024	10.0
Children and Young People's Services	Early Help, Inclusion and Vulnerable Children	Aycliffe Secure Centre	53401/2024	15.0
Children and Young People's Services	Education and Skills	The Woodlands Pupil Referral Unit - (Finance and Governance)	71100/2024	5.0
Children and Young People's Services	Education and Skills	Governor Training	78854/2024	5.0
Children and Young People's Services	Education and Skills	SFVS	70420/2024	5.0
Children and Young People's Services	Education and Skills	Home to School Transport - Procurement Workstream	78463/2024	15.0
Children and Young People's Services	Operational Support	Caldicott Group	58810/2024	2.0
Children and Young People's Services	Operational Support	Caldicott Compliance	58809/2024	10.0
<b>TOTAL ESTIMATED DAYS FOR CHILDREN AND YOUNG PEOPLE'S SERVICE</b>				<b>248.0</b>
Neighbourhoods and Climate Change	Community Protection Services	Intelligence Handling	44096/2024	12.0
Neighbourhoods and Climate Change	Environment	Carbon Emissions Performance	26053/2024	12.0
Neighbourhoods and Climate Change	Environment	SMEPower (Claim 7)	00642/2024	3.0
Neighbourhoods and Climate Change	Environment	Trade Waste	22003/2024	15.0
Neighbourhoods and Climate Change	Environment	Fleet Management - Hire Process	20100/2024	15.0
Neighbourhoods and Climate Change	Environment	Fuel Stocks and Stores	20050/2024	15.0
Neighbourhoods and Climate Change	Environment	Domestic Vehicle Charging Group	20102/2024	1.0
Neighbourhoods and Climate Change	Environment	Business Energy Efficiency Project (BEEP) / Replacement Processes	26052/2024	10.0
Neighbourhoods and Climate Change	Environment	Carbon Connects (1)	00640/2024/01	5.0
Neighbourhoods and Climate Change	Environment	Carbon Connects (2)	00640/2024/02	5.0
Neighbourhoods and Climate Change	Environment	Stocks and Stores	20020/2024	20.0
Neighbourhoods and Climate Change	Environment	Nature for Climate Peatland (Claim 1)	00676/2024/01	5.0
Neighbourhoods and Climate Change	Environment	Nature for Climate Peatland (Claim 2)	00676/2024/02	5.0
Neighbourhoods and Climate Change	Highway Services	Local Transport Capital Block Funding for NECA	00627/2024	4.0
Neighbourhoods and Climate Change	Highway Services	Highways Permits	25891/2024	12.0
Neighbourhoods and Climate Change	Partnerships and Community Engagement	Community Grants - Review of Funding Processes	11033/2024	5.0
Neighbourhoods and Climate Change	All Services	Additional Audit Support	99836/2024	20.0
<b>TOTAL ESTIMATED DAYS FOR NEIGHBOURHOODS AND CLIMATE CHANGE</b>				<b>164.0</b>

APPENDIX 4: DURHAM COUNTY COUNCIL ANNUAL INTERNAL AUDIT PLAN 2023/24				
Service Grouping	Service	Audit Title	Reference	Estimated Days
Regeneration, Economy and Growth	Corporate Property and Land	Milburngate Development Governance	13136/2022	10.0
Regeneration, Economy and Growth	Corporate Property and Land	Policies and Procedures for due diligence on new tenants	13554/2023	5.0
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Project Manager	00643/2024/01	3.0
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Heritage Skills	00643/2024/02	3.0
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Community Engagement	00643/2024/03	3.0
Regeneration, Economy and Growth	Corporate Property and Land	Bishop Auckland Heritage Action Zone - Conservation Area Grant Scheme	00643/2024/04	3.0
Regeneration, Economy and Growth	Economic Development	Finance Durham	10935/2023	12.0
Regeneration, Economy and Growth	Planning and Housing	Financial Assistance Policy and Property Re-Purpose Loans	00612/2022	10.0
Regeneration, Economy and Growth	Planning and Housing	Homes England	00661/2023	7.0
Regeneration, Economy and Growth	Corporate Property and Land	Asset Valuation	13551/2024	20.0
Regeneration, Economy and Growth	Corporate Property and Land	Surplus property process and procedures	13556/2024	12.0
Regeneration, Economy and Growth	Culture, Sport and Tourism	Gala Stage School	14902/2024	12.0
Regeneration, Economy and Growth	Economic Development	UK Shared Prosperity Fund	13577/2024	12.0
Regeneration, Economy and Growth	Planning and Housing	Disabled Facilities Grant	00614/2024	7.0
Regeneration, Economy and Growth	Transport and Contract Services	Local Transport Capital Block Funding	00620/2024	4.0
Regeneration, Economy and Growth	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	00622/2024	5.0
<b>TOTAL ESTIMATED DAYS FOR REGENERATION, ECONOMY AND GROWTH</b>				<b>128.0</b>
Resources	Corporate Finance and Commercial Services	Budgetary Control and Financial Reporting	11065/2024	12.0
Resources	Procurement, Sales and Business Services	Contract Management	11055/2024	10.0
Resources	Transactional and Customer Services	Business Rates - Billing & Refunds	00553/2024	12.0
Resources	Transactional and Customer Services	Housing Benefits: Overpayment Recovery	00701/2024	10.0
Resources	Transactional and Customer Services	Deputy and Appointees - Personal Allowance Payments	50023/2024	15.0
Resources	Corporate Finance and Commercial Services	Section 256 Agreements	50078/2024	10.0
Resources	Corporate Finance and Commercial Services	Better Care Fund (Section 75)	50079/2024	5.0
Resources	Corporate Finance and Commercial Services	Leases	10927/2024	4.0
Resources	Digital Services	Information Governance Group	11010/2024	2.0
Resources	Digital Services	Information Management	11101/2024	12.0
Resources	Digital Services	CRM - Internal Management and Governance	12995/2024	12.0
Resources	Digital Services	Change Management	98002/2024	10.0
Resources	Digital Services	Platform Security	98040/2024	10.0
Resources	Digital Services	Vulnerability Management	98007/2024	8.0
Resources	Digital Services	Active Directory	98038/2023	4.0
Resources	Digital Services	Digital Strategy	98102/2024	8.0
Resources	Digital Services	Third Party Access	98109/2024	8.0
Resources	Digital Services	Digital Durham	98112/2024	2.0
Resources	Digital Services	IT Asset Management	98142/2024	5.0
Resources	HR and Employee Services	Payroll - Overarching	10210/2024	1.0
Resources	HR and Employee Services	ResourceLink Programme Board	10215/2024	1.0
Resources	HR and Employee Services	Payroll - Taxation/PAYE	10213/2024	10.0
Resources	HR and Employee Services	Payroll - Preparation - Permanent Input	10218/2024	10.0
Resources	HR and Employee Services	Payroll - Agency System	11023/2024	12.0
Resources	Legal & Democratic Services	Police and Crime Panel	00647/2024	3.0
Resources	Legal & Democratic Services	RIPA Officers Group	11011/2024	1.0
Resources	Legal & Democratic Services	Company Governance Group	11071/2024	2.0
Resources	Legal & Democratic Services	RIPA Compliance	11034/2024	12.0
Resources	Legal & Democratic Services	Tender Opening Arrangements	11053/2024	12.0
Resources	Legal & Democratic Services	Public Interest Report - Culture and Governance	11066/2024	10.0
Resources	Procurement, Sales and Business Services	Support for standard process using HALO. <b>SLA charging process.</b>	10929/2024	5.0
Resources	Procurement, Sales and Business Services	Creditors - Overarching	10150/2024	1.0

APPENDIX 4: DURHAM COUNTY COUNCIL ANNUAL INTERNAL AUDIT PLAN 2023/24				
Service Grouping	Service	Audit Title	Reference	Estimated Days
Resources	Procurement, Sales and Business Services	Petty Cash and Payment Cards workstream	10105/2024	7.0
Resources	Procurement, Sales and Business Services	Procurement Cards	10112/2024	15.0
Resources	Procurement, Sales and Business Services	Business Support links to Payroll and Employee Services (PES)	10937/2023	3.0
Resources	Transactional and Customer Services	Business Rates - Overarching	00550/2024	1.0
Resources	Transactional and Customer Services	Business Rates - Recovery	00555/2024	12.0
Resources	Transactional and Customer Services	Housing Benefits and Council Tax Reduction - Overarching	00700/2024	1.0
Resources	Transactional and Customer Services	Housing Benefits and Council Tax Reduction - Supported Accommodation	00713/2024	15.0
Resources	Transactional and Customer Services	Council Tax - Overarching	00500/2024	1.0
Resources	Transactional and Customer Services	Council Tax - Recovery	00505/2024	12.0
Resources	Transactional and Customer Services	Council Tax - QA and Appeals	00508/2024	12.0
Resources	Transactional and Customer Services	Cash Management	10460/2024	15.0
Resources	Transactional and Customer Services	Debtors	10400/2024	20.0
Resources	Transactional and Customer Services	BACS Submissions	10115/2024	10.0
Resources	Transactional and Customer Services	Customer Services process review	00786/2024	5.0
Resources	Transactional and Customer Services	Household Support Fund	00787/2024	5.0
Resources	All Services	Additional Audit Support	99834/2024	10.0
<b>TOTAL ESTIMATED DAYS FOR RESOURCES</b>				<b>383.0</b>

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# Post Transformation Change and VFM

## Audit Committee

**Steve Evans**  
**Head of Corporate  
Affairs**



# Purpose and Format

## Purpose

- To Inform Audit Committee of the council's approach to planning, performance, delivering major projects and change to help secure VFM

## Format

- History of previous transformation programme
- Progress against original programme
- Current Approach
- Performance Framework
- Major Projects Assurance
- Business Intelligence
- Conclusion

# Transformation Background

- Took a programme approach to provide the best services with the resources available and build a Council “Fit for the Future”
- Four Transformation Objectives:
  - Redesign our services to better meet customers’ needs at reduced cost to the Council.
  - Help communities become more self-reliant and resilient
  - Move our partnership working from good to great
  - Become renowned for our skilled and flexible workforce and our employee engagement.

# The three interlinking elements

## Inspiring People

- New Council values to drive behavioural change
- Programme of employee engagement, empowerment and innovation – Change Champions
- Investment in digital skills, promote Smarter Working
- Invest in Organisational Development and refresh of HR policy and practice

## Inspiring Places

- Created Inspiring, Smarter Working environments to improve productivity, flexibility and collaboration
- Built a new HQ, redevelop Aykley Heads for jobs and investment
- Shared space and greater collaboration across public services
- Consolidate the Council's portfolio of property and rented space

## Inspiring Change

- Lean business process reviews, processes redesigned through staff engagement from the service users' perspective
- Digital by default, Data Insight and Business Intelligence,
- Commercial practices to support social outcomes
- Review locality working, managing demand at source



NB: PWC Potential saving opportunities were thought to be over-optimistic and savings targets assumptions were to be tested

1



**Digital Customer & Demand Management** - Actively use customer insight and analytics to manage demand more effectively and provide services in more cost effective ways through reducing avoidable contact, channel shift and broader digitisation. Simplified, workflowed processes are a necessity.

2

**Digital Workforce** - Inspire programme is underway to design new ways of working for staff at Durham. The Council now has the opportunity to digitally enable all your staff - whether they be front-office, back-office or direct facing.

2a



**Business Support** - Opportunity to professionalise and rebrand the function, including a move to 'hub & spoke' model, standardisation of service menus, digitalisation and self-service.

2b



**Strategic Support** - Rationalise reporting requirements and teams using tools such as Enterprise BI. Reduce the number of projects and projects resource.

2c



**Management and HR** - opportunity to standardise processes, move to greater self service; reduce spans and layers across the Council and strategic focus HR to support the transformation

2d



**Mobile working** - Corporate approach to mobile working - i.e. mobile by default. Eliminate duplicate processes and paperwork.

3



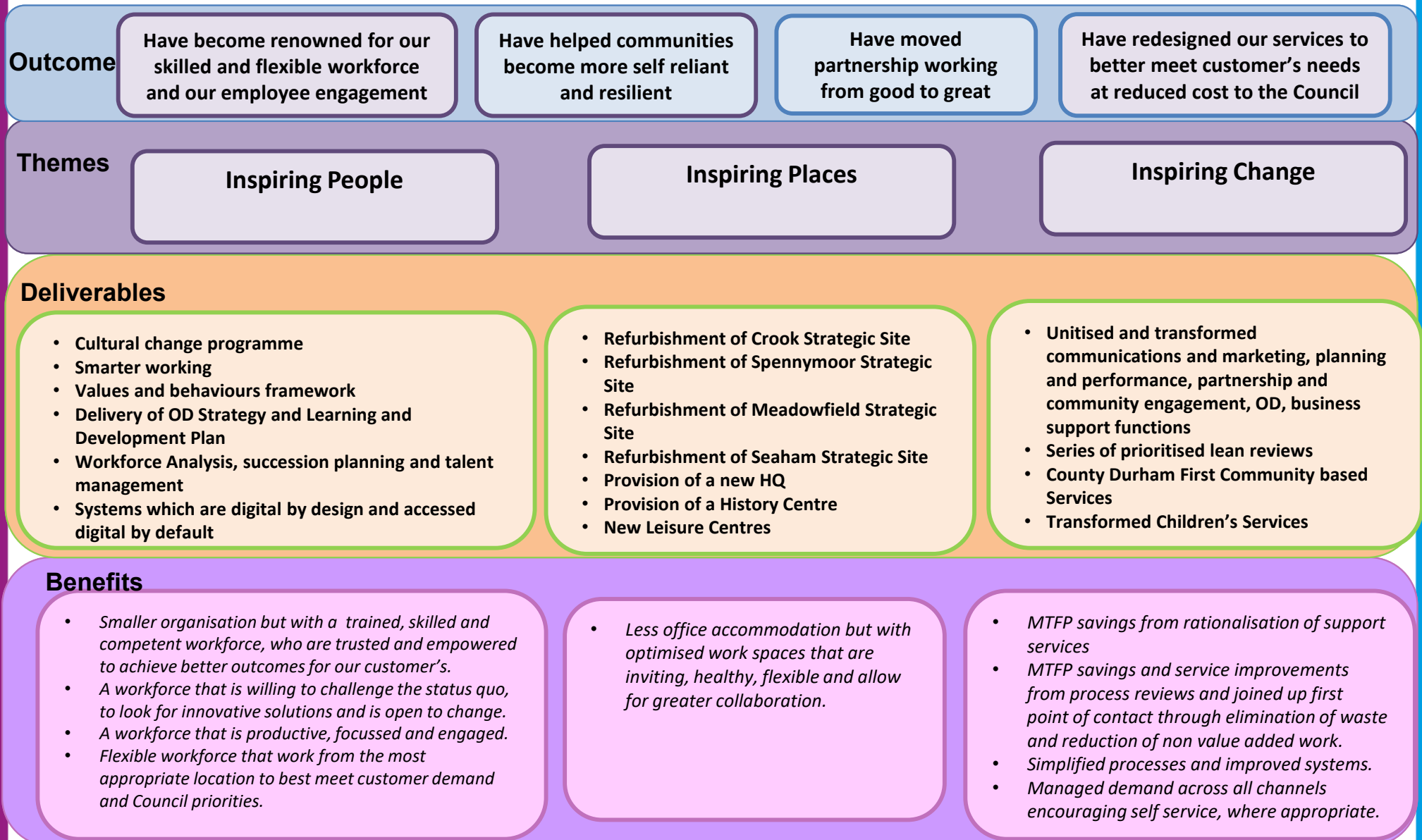
**Sourcing** - Opportunity to review approach to soft and hard facilities management. Also consider end to end effective contract management enabled by technology, organisation capability and performance management.

4



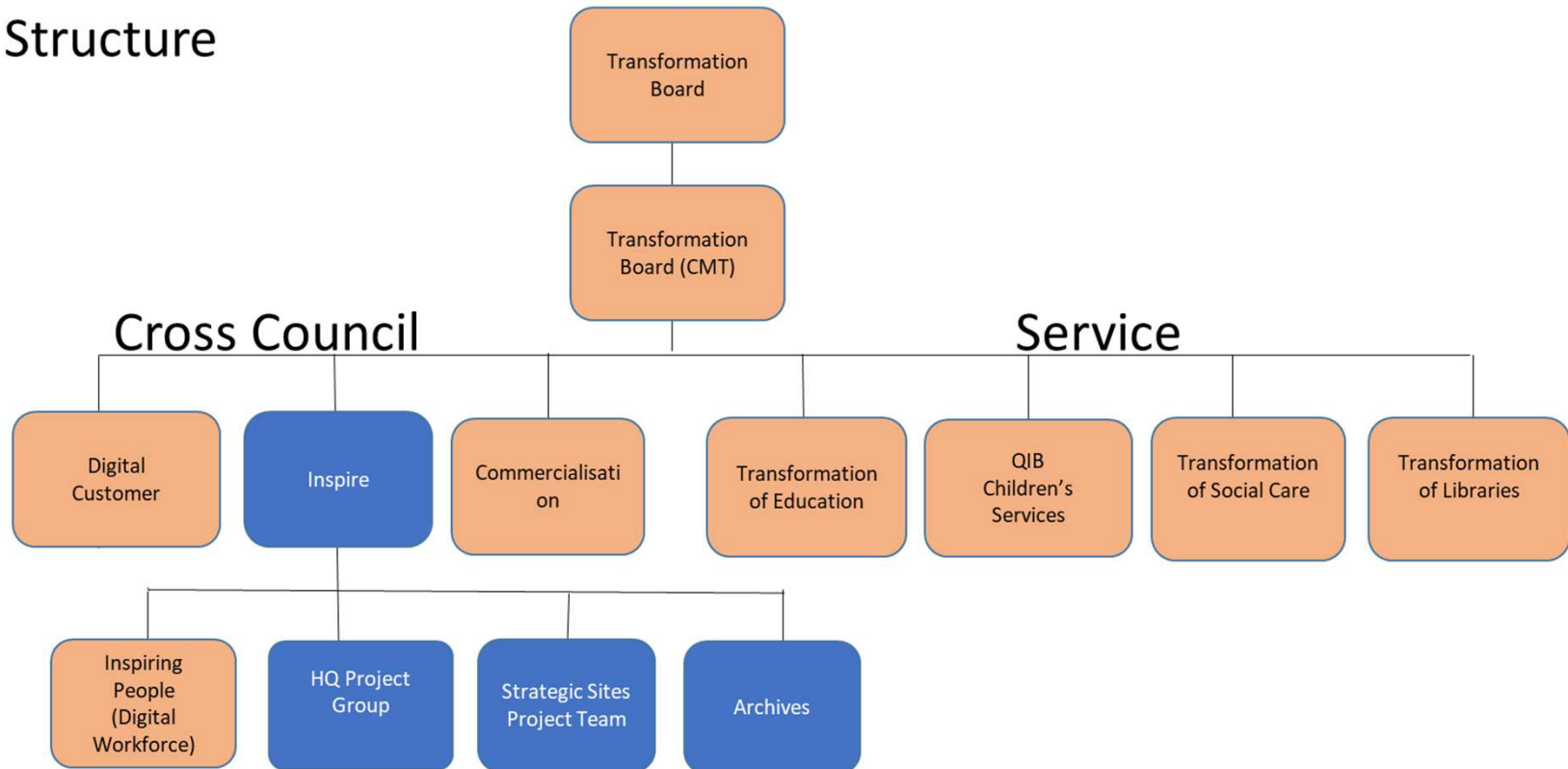
**Commercialisation** - Advertising and sponsorship; greater use of assets; regional mortuary and funeral directors; bundling of currently traded services to provide more consistent and united offering of greater value.

# Transformation Programme 2017-2022



# Original Governance

## Proposed Structure



# Benefits Delivered

## Note – Benefits Delivered Including through Covid period

### Inspiring People

- OD Strategy and workforce learning and development plan
- Vision and Values embedded throughout the organisation
- People have the digital skills and equipment to work in a hybrid environment

### Inspiring Places

- Inspiring Places – Refurbishing of Crook, Green Lane and Meadowfield. Capacity prior to refurbishments was 1,109 and is currently 1,834 rationalising office accommodation needs..
- History Centre underway.
- Ability to respond to changing needs in an agile way – resulting in a new dispersed staff model after the sale of The Sands. Plots C and D agreed.

# Benefits Delivered

## Inspiring Change

- Liquid Logic and Azeus Social Care Case Management Systems now embedded within the Services and being used extensively, reducing the need for administration
- E-Enabled ResourceLink including migrating staff from paper payslips to electronic (non financial and financial benefits); Absent management processes, onboarding, My View dashboard.
- Integrated Customer Services Model developed, ensuring staff offering a telephony service to members of the public are on the same telephony platform and introduction of ECKho technology.
- Unitisations of Comms and Marketing, followed by Policy, Planning and Performance.
- Unitisation of Business Support resulting in significant MTFP savings (£2.15m) delivered with a further £200k anticipated from April 2023/2024.
- Sustainable Income through Increased commercial activity.

# VFM - Current Approach



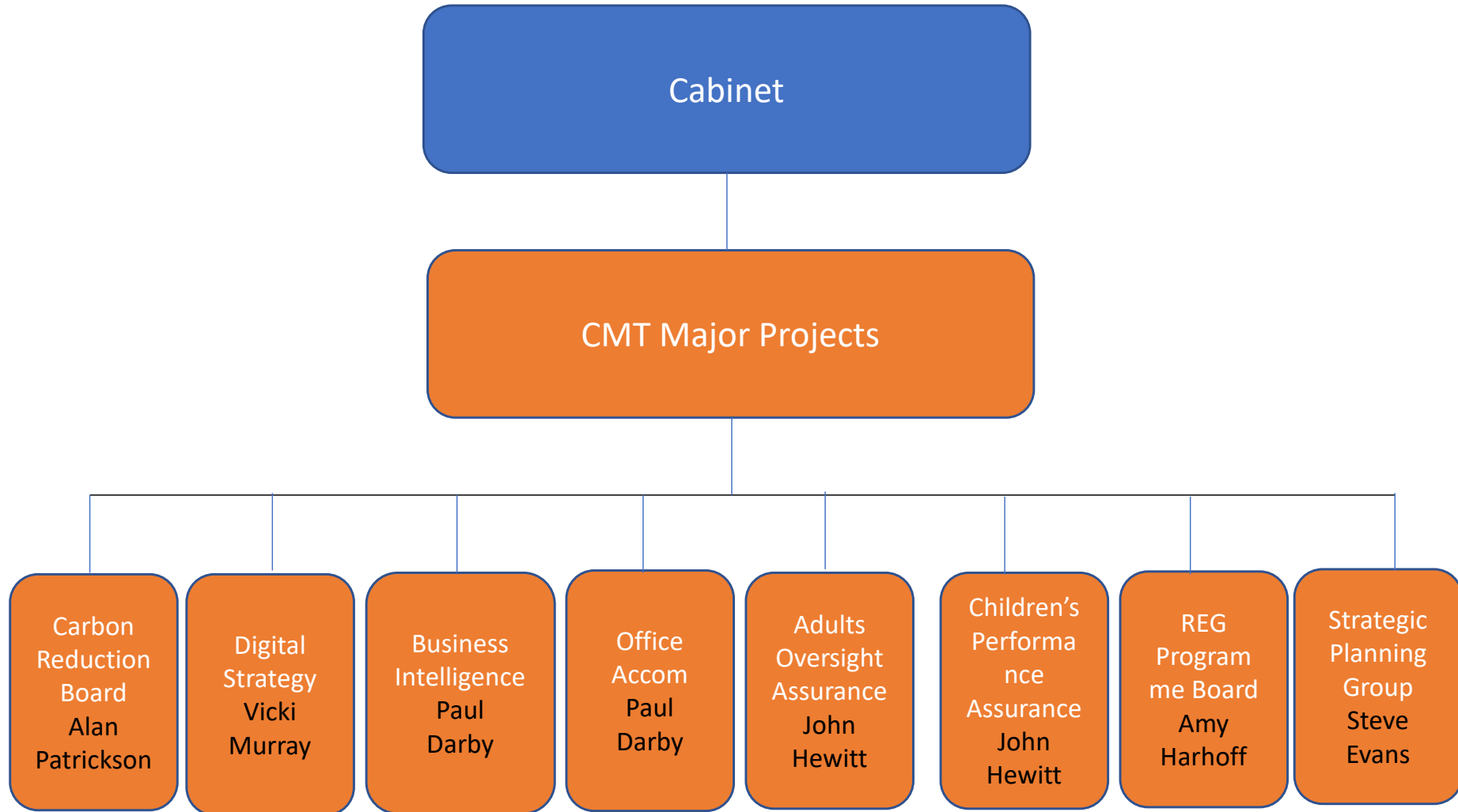


# Strategic Core

Ensuring ‘proper arrangements to secure the “3 E’s” of VFM - **Economy, Efficiency and Effectiveness**

- **County Durham 2035** – sets out how DCC will work in partnership to deliver improved outcomes
- **Council Plan** – refreshed annually focus on priority actions over the same time period as the MTFP
- **MTFP** – reviewed annually and developed with CMT & EMT
- **Service Planning** – Plan, do, review undertaken annually with focus on actions for coming 12 months
- **Intelligence & Prioritisation** – Data driven approach and assessment of needs
- **Workforce development** – programme to enable transformation
- **Performance Monitoring** – Corporate framework tailored to meet service specific needs
  - Regular performance reporting processes in services
  - Quarterly performance reporting linked to Council Plan – Cabinet and thematic scrutiny Boards
  - Focussed “deep dive” activity
- **Qualitative review** – e.g. Ofsted & CQC inspections

# Governance





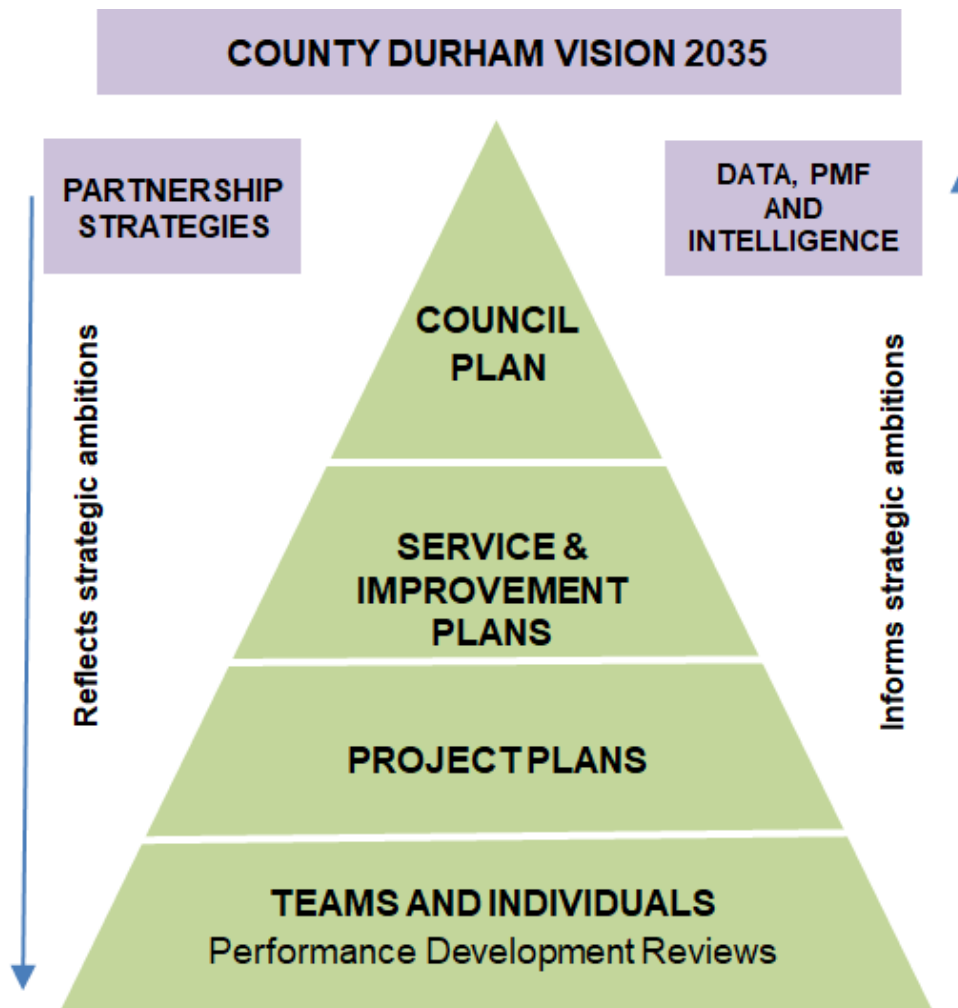
# Current Approach to Strategic Planning and Value for Money



# Council Plan Objectives and Major Strategies

Council Plan Objective	Key Strategies
Our Economy	Inclusive Economic Strategy, Local Transport Plan, County Durham Plan
Our Environment	Climate Change Strategy and Emergency Response Plan, Ecological Emergency Action Plan
Our People	Joint Health and Wellbeing Strategy, Growing Up in County Durham, SEND Strategy
Our Communities	Housing Strategy, Towns and Villages Strategy, Safe Durham Plan
Our Council	Medium-Term Financial Plan, Workforce Strategy, Procurement Strategy, Digital Strategy

# Council Performance Management



- Council Plan & aligned MTFP
- Detailed Service & Improvement Plans aligned to service budgets
- Major Project Plans
- Major Projects Assurance through Boards
- Quarterly assurance report to CMT
- Quarterly Performance Reports to CMT, Cabinet and Scrutiny
- Supported by Transformation and Performance Teams

# Workforce Transformation

## Workforce Priorities

The priorities in our Workforce Strategy act as enablers to transform our people and services by developing and putting the right transformational people practices in place

### PRIORITY 1: Planning for the future and refocusing our workforce

- Evidenced based workforce decision making, planning and delivery supported by accurate workforce data and insight
- Workforce plans for each of our services to address current and future workforce needs
- Strong succession planning and talent management strategies to help us 'grow and develop our own employees'
- Developing modern HR practices & approaches which will enable us to transform what it is like to work for the Council and how we manage the organisation

### PRIORITY 2: Building leadership capacity and culture change

- Investing in our leaders and managers to be the best and to inspire and empower employees
- To develop a model of leadership which is conducive to leading flexibly in a modern organisation
- Embedding our values in everything we do
- Creating a supportive and inclusive working culture where employees thrive and perform

### PRIORITY 3: Developing our workforce

- Giving all employees the opportunity to develop and grow to achieve their full potential
- Ensuring our employees have the right skills to support them in their roles and to deliver high quality services to our communities and build a council for the future
- Building learning and development into everyday work
- Focusing our programmes on critical skills and competencies for the future
- Enabling accessible & easy access to learning and development by a one stop shop/ blended learning offer

### PRIORITY 4: Being a good employer

- Attracting and retaining the best talent through a branded employment offer, creating a great place to work and being an employer of choice
- Investing in new and flexible ways of working to develop an agile workforce
- Valuing our employees through effective employee engagement and recognition, a range of employee benefits and encouraging ideas and innovation
- Ensuring employees are supported through a holistic health and wellbeing approach

# Deliverables – Workforce Transformation Initiatives

Our deliverables over the last few years provide a fantastic platform for us to build on.



# Current Change Programme & Projects

## Major Projects in Council Plan overseen by CMT

### Major Projects and Service Improvements

- Devolution
- Humanitarian Support
- Home to School Transport
- Review of Education
- Ayckley Heads
- Millburngate
- Durham City of Culture
- Stanley CAP
- DLI refurbishment
- The Story (History Centre)
- Leisure Centres
- Towns and Villages
- Libraries Review
- Bishop Auckland Town Centre
- Stronger towns fund programme
- Council house build
- Waste Contracts

### Cross Council Change Programme

- Digital Insight / Business Intelligence
- Office Accommodation
- Digital Strategy & Skills
- Intranet Review
- Unified Comms
- County Durham Together
- AAP Review

# Future VFM Development Areas

## Qualitative Assurance

- Adult Social Care assurance framework – CQC inspection
- Office for Local Government (Oflog)

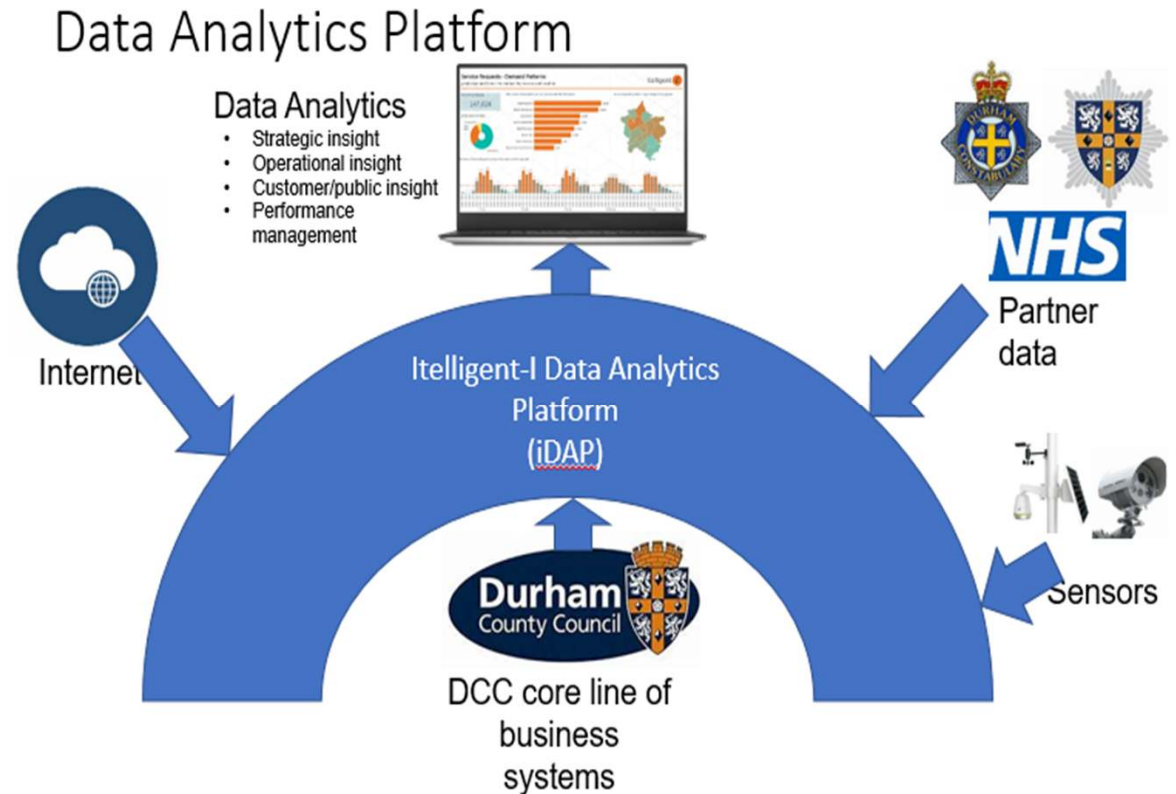
## Evolution & Development of Current Processes

- Data Driven Approach – Using data as a corporate asset
  - BI Project
  - Customer access
  - Upstream demand management
  - Service design
  - Spend
- **Greater integration of Service Planning & MTFP** – joining up spend and performance plans in a multi year format



# Improving VFM through Business Intelligence

- Council has invested in a new Business Intelligence system
- It will join up Council Systems and later Council and partners systems
- Joined up real time performance and finance data in one place.
- Better targeting of resources and services
- Managing and predicting demand





# Conclusions

- Track record of sustainable finance, strong performance and business development over many years
- History of strong external audit statements of councils approach to delivering Value for money
- VFM now integrated into more robust and joined up Performance Management, MTFP and Project Governance arrangements
- Governance through multi disciplinary, monthly Boards and quarterly CMT assurance meetings.
- Future improvements through joined up digital data and better insight analysis.
- Previous Transformation Programme largely completed
- Working Practice changed across the whole Council (not just Inspired Sites) due to Pandemic

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

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