



## **Audit Committee**

**Date**        **Thursday 22 November 2012**  
**Time**        **10.00 am**  
**Venue**       **Committee Room 1A, County Hall, Durham**

---

### **Business**

#### **Part A**

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

1. Minutes of the meeting held on 27 September 2012 (Pages 1 - 6)
2. Declarations of interest, if any
3. Single Asset Register Phase 2 - Report of Corporate Director, Resources (Pages 7 - 12)
4. Council Tax Collection Performance & Provision for Bad Debts - Report of Corporate Director, Resources (Pages 13 - 18)
5. Earmarked and General Reserves - Briefing Note of Corporate Director, Resources (Pages 19 - 34)
6. Internal Audit Progress Report - Quarter Ended 30 September 2012 - Report of the Manager of Internal Audit and Risk (Pages 35 - 62)
7. Action Plan - 2011/12 Audit of Accounts - Report of Corporate Director, Resources (Pages 63 - 74)
8. Report of the Audit Committee for the Period April 2012 to September 2012 to County Council - Report of Chair (Pages 75 - 82)
9. Annual Audit Letter 2011/12 (Pages 83 - 84)
10. Strategic Risk Management - Progress Report for the Quarter period July to September 2012 - Report of Corporate Director, Resources (Pages 85 - 100)
11. Local Code of Corporate Governance - Report of Corporate Director, Resources (Pages 101 - 124)
12. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
13. 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)

14. Internal Audit Progress Report - Quarter Ended 30 September 2012 - Report of the Manager of Internal Audit and Risk (Pages 125 - 130)
15. Fraud and Irregularity Update 2012/13 - Report of the Manager of Internal Audit and Risk (Pages 131 - 154)
16. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration

**Colette Longbottom**  
Head of Legal and Democratic Services

County Hall  
Durham  
14 November 2012

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

Councillor E Bell (Chairman)  
Councillor O Temple (Vice-Chairman)

Councillors C Carr, B Harrison, M Hodgson, L Marshall, B Myers,  
R Ord and D J Southwell

**Co-opted Members:**

T Hoban and K Larkin-Bramley

---

**Contact: Jackie Graham**

**Tel: 03000269704**

---

**DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in **Committee Room 1A - County Hall, Durham** on **Thursday 27 September 2012 at 10.00 am**

**Present:**

**Councillor E Bell in the Chair**

**Members of the Committee:**

Councillors C Carr, B Myers, R Ord, and D J Southwell

**Co-opted Members:**

Mr T Hoban and Ms K Larkin-Bramley

**Apologies:**

Apologies for absence were received from Councillors M Hodgson and O Temple

**Also Present:**

C Waddell and C Banks (Audit Commission)

**1 Minutes**

The Minutes of the meeting held on 30 July 2012 were agreed as a correct record and signed by the Chairman.

Mr I Herberson, Assistant Finance Manager, Corporate Finance provided members with an update on minute 4, concerning the increase in corporate and democratic core costs. He explained that a review had been undertaken on the costs post LGR, with an analysis of the charging going to the core to identify what constitutes a central core cost. It had been identified that overall there had been a decrease in the overall costs of £3.5m. He advised that the new methods of recording were more aligned to the code of practice, and provided a greater level of transparency.

Consideration was given to all current items on the Committee's Action Plan (for copy of action plan see file of Minutes). Several items on the Plan were considered later in the meeting, the position with others was provided and dates were set when these would be reported back to Committee. The Plan would be updated accordingly.

**2 Declarations of Interest**

Declarations of interest were provided by Members of the Committee. A generic declaration of interest would be recorded given that Members were school governors, members of various Committees of the Council, former District Councillor's and bodies such as the Probation Board, Fire Authority and Police

Authority. Together with other declarations from Ms Larkin-Bramley, a declaration be provided that she is a lecturer at New College Durham.

### **3 Statement of Accounts for the year ended 31 March 2012**

The Committee considered a report of the Corporate Director, Resources which presented the Statement of Accounts for the year ended 31 March 2012 (for copy see file of Minutes).

In response to a question from Councillor Southwell on the financial position of Newcastle airport, Members were referred to the information relating to the Newcastle International Airport Limited (NIAL) on page 89 of the accounts. The Committee was also advised that a report on the future partnering and finance arrangements for the airport was due to be considered by Cabinet on 24 October.

The Corporate Director, Resources updated the Committee on the position with the recovery of funds from Icelandic banks, which had been reported to the last Council meeting. Reasons for the variations in the forecast percentage of funds to be repaid between what was reported in the draft accounts in July and those reported in the final accounts were explained.

Councillor Ord commented on the general reserves. He hoped that part of this could be used to fund repairs to some of the dilapidated schools in the county. The Corporate Director, Resources advised that decisions of this nature are made in line with policies and strategies in place in the Authority. This being said, Cllr Ord, requested that assurance be provided to the Committee that the level of reserves was appropriate.

**Resolved:**

That the statement of accounts for the County Council for the financial year ended 31 March 2012 be approved.

### **4 Final Annual Governance Statement 2011/12**

The Committee considered a report of the Corporate Director, Resources which proposed amendments to the draft Annual Governance Statement (AGS) and sought approval to the final AGS to be published as part of the Council's audited Statement of Accounts 2011/12 (for copy see file of Minutes).

Councillor Southwell requested that for a future meeting, assurance be provided on the group working arrangements with East Durham Homes and Dale and Valley Homes referred to in paragraph 4 of the report.

**Resolved:**

The Committee approved the amendments listed in the report that would be reflected in the revised AGS included in the Statement of Accounts.

## **5 Final Durham County Council Annual Governance Report 2011/12**

The Committee considered the Annual Governance Report relating to Durham County Council (for copy see file of Minutes).

The External Auditor presented the report to the Committee. He advised that he expected to complete his final review and closure procedures, and issue an unqualified opinion, after the Committee had considered the Annual Governance Report, and had approved the revised financial statements.

He would issue an unqualified opinion on the accounts, the group accounting statements, and the Value for Money Conclusion. He advised that overall the accounts produced were a significant improvement to the previous year in terms of the quality of the accounts. They had been received on time and with an asset register. There were, however, improvements still to be made on the working papers particularly relating to capital accounting.

He circulated a draft letter for the information of the Committee which provided an update on the work undertaken on the audit since the report was circulated to the Committee (for copy see file of Minutes).

### **Resolved:**

1. That the Annual Governance Report of the Audit Commission be noted.
2. That the letter of representation be approved.
3. An action plan summarising recommendations and progress made by managers on implementation to be brought back to Committee.

## **6 Final Pension Fund Annual Governance Report 2011/12**

The Committee considered the Annual Governance Report relating to the Pension Fund (for copy see file of Minutes).

The External Auditor presented the report to the Committee. He advised that he expected to complete his final review and closure procedures, and issue an unqualified opinion, on the pension fund financial statements.

He advised that overall the accounts produced were significantly improved to the previous year, and this was partially due to using the Cipfa model of accounting statements. He reported there were some minor errors however nothing significant to report.

### **Resolved:**

That the Annual Governance Report of the Audit Commission be noted.

**7 Internal Audit Progress Report- Quarter Ended 30 June 2012**

The Committee considered a report of the Manager of Internal Audit and Risk which informed members of the work carried out by Internal Audit during the period April to June 2012 ( for copy see file of Minutes).

**Resolved:**

That the outturn position on delivering the internal audit plan for the period April to June 2012 to gain assurance on the adequacy and effectiveness of the Council's internal control environment, be noted.

**8 Training Workshop**

The Manager of Internal Audit and Risk advised that a training workshop on risk based approach to internal audit was to be arranged for members.

**Resolved:**

That the workshop be held on 30 October at 10 a.m.

**9 Exclusion of the Public**

That under Section 100 (A) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the said Act.

**10 Internal Audit Progress Report- Quarter Ended 30 June 2012**

The Committee considered a report of the Manager of Internal Audit and Risk which informed members of the work carried out by Internal Audit during the period April to June 2012 ( for copy see file of Minutes).

The Committee noted options to be considered to secure additional IT Audit skills and requested an update at a future meeting.

**Resolved:**

That the report together with the recommendations included therein be approved.

Action Plan - Work of Audit Committee - Part A - 22 November 2012

Ref No.	Date of Meeting	Item No.	Title of Report	Action Required	By Whom	Report to Committee (date)/ implemented
1	29.9.11 10.11.11 5.1.12 16.2.12 22.3.12	4	Single Asset Register	Progress report on phase 2 to be brought to a future meeting	Phase 2 Single Asset register	22.11.12  <b>Agenda Item 3</b>
2	16.2.12	6	F M Standards	Once Section 151 Officer had completed the process, further details be brought back to Committee	Corporate Director, Resources	16.2.13  Delayed due to revised target date for completion of standards
3	30.7.12	4	Statement of Accounts for the year ended 31 March 2012	Update on Council Tax collection performance and bad debt provision to be reported in 6 months.	Corporate Director, Resources	22.11.12  <b>Agenda Item 4</b>
4	27.9.12	3	Statement of Accounts	Assurance be provided that the level of reserves are appropriate	Corporate Director, Resources	22.11.12  <b>Agenda Item 5</b>
5	27.9.12	4	Final Annual Governance Statement 2011/12	To provide assurance on the working group arrangements with ALMO's	Manager of Internal Audit and Risk	22.11.12  <b>Verbal Update</b>
6	27.9.12	5	Annual Governance Report (and Interim Governance Report)	Action plan and progress made by managers in implementing recommendations to be brought back to Committee for monitoring	Ian Herberson, Asst Finance Manager	22.11.12  <b>Agenda Item 7</b>
7	27.9.12	7 & 10	Internal Audit Progress Report	Update on actions being taken to secure additional IT audit resource	Manager of Internal Audit and Risk	22.11.12  <b>Verbal Update</b>

This page is intentionally left blank



**Audit Committee**

**22 November 2012**

**Single Asset Register Phase 2**



---

**Jeff Garfoot, Head of Finance – Corporate Finance**

---

**Purpose of the Report**

- 1 To provide an update on the second phase of the development of the Single Asset Register.

**Background**

- 2 At a meeting of this Committee held on 22 March 2012, Members were advised that work on phase 1 of the single asset register project was complete and that a report on phase 2 would be brought to a future meeting.
- 3 The Audit Commission's Annual Governance Report, reported to this Committee on 27 September 2012, noted that despite stretched resources "the financial statements were produced on time and to a much higher standard than last year". The report also noted that "Easington Council Dwellings records are held on a village basis and not on an individual asset basis", and recommended "the Council should look to migrate all three housing asset registers for council dwellings onto the IPF Asset Manager as soon as is practicable" (recommendation 3, high priority).
- 4 Completion of the asset register is identified as a key task in the Council Plan 2012-2016 (building a more streamlined corporate infrastructure).

**Scope**

- 5 Following completion of the 2011/12 financial statements, work can now progress on phase 2. Those assets not included in phase 1 are Council Dwellings, Vehicles Plant and Equipment, Intangible Assets and Infrastructure.
- 6 It is important to note the distinction between Council Dwellings and other Housing assets. Council Dwellings relate solely to the council's social housing stock, for example houses, flats and bungalows. Assets under other categories can be used in the provision of housing, for example some community facilities, housing offices and vehicles; and their costs are chargeable to the Housing Revenue Account (HRA). Where applicable, these assets were dealt with in phase 1 (i.e. housing offices were included in the

single asset register under Land and Buildings but HRA vehicles will be included at the Vehicles Plant and Equipment stage).

- 7 The following paragraphs set out the proposed prioritisation of the outstanding categories.
- 8 Of the remaining asset categories, Council Dwellings represent the largest balance sheet value (£479m at 31 March 2012, 25% of the Property Plant and Equipment value) and is the most complex to measure and account for. The three housing area registers (Easington, City of Durham and Wear Valley), are currently held separately. It is anticipated that migrating Council Dwellings to the AssetManager.NET system will generate the greatest benefits in terms of producing the financial statements on time and reducing risk of error associated with the current spreadsheet arrangement. In view of this and the Annual Governance Report recommendation, migration of Council Dwellings will be the highest priority.
- 9 In addition, some of the Council's garages are associated with the HRA and it is planned that these are migrated as part of phase 2.
- 10 Vehicles Plant and Equipment and Intangible Assets are lower value and simpler to measure and account for. The reduced complexity means that some work can progress in parallel with the Council Dwellings migration, but will be of lower priority.
- 11 Infrastructure assets are also more straightforward to account for. However, CIPFA has recently consulted on its proposal to require full adoption of the Transport Infrastructure Code measurement requirements from the 2014/15 financial year (including comparators for 2013/14). These requirements use the Depreciated Replacement Cost approach to valuation that provides the current cost of replacing an asset with its modern equivalent asset. It is proposed to defer the migration of Infrastructure assets from spreadsheets to the single asset register until the implications of this change can be evaluated, with the possibility that migration may be delayed to coincide with the implementation of the new requirements.

## **Work Plan**

- 12 A work plan specifying each task has been prepared and attached at Appendix 2. The plan builds in tasks to ensure a full audit trail is completed, and will be reviewed regularly to assess progress, risks and issues. The proposed completion date is 15 February 2013.
- 13 Finance and Assets will work together to achieve this target, calling upon the expertise of the Housing Finance team and the valuer where appropriate.
- 14 It is proposed that each district is migrated separately, with a test followed by a live migration, as this approach worked successfully in phase 1.

## **Risks and Issues**

- 15 Key risk and issues to consider as part of the project are:

- The need to ensure consistent treatment across the three housing districts. For example, Easington assets are currently summarised at village level in the asset register and need to be migrated at unit (house) level.
- Consideration needs to be given to componentisation and whether or not it is appropriate for Council Dwellings. The decision, which will be made in consultation with Housing Finance, will need to be assessed to see if it needs to be incorporated into the migration process or dealt with afterwards. Implementation will require input from the valuer.
- Even though there is a possibility that Large Scale Voluntary Transfer (LSVT) of the Council's remaining housing stock could go ahead in the future, the lead time means that there will still be several financial years to account for. It is also important that the housing data is as complete and up to date as possible for any LSVT process.
- The need to ensure that a complete audit trail is available for all adjustments made on conversion.

### **Recommendations and Reasons**

- 16 Members are asked to note the prioritisation of phase 2 and to note the work plan in Appendix 2 which aims to complete the housing module of the single asset register by 15 February 2013.

---

**Contact: Jeff Garfoot**

**Tel: 03000 261946**

---

---

## **Appendix 1: Implications**

---

### **Finance**

None

### **Staffing**

None

### **Equality and Diversity**

None

### **Accommodation**

None

### **Crime and Disorder**

None

### **Human Rights**

None

### **Consultation**

None

### **Procurement**

None

### **Disability Discrimination Act**

None

### **Legal Implications**

None

**Appendix 2: Single Asset Register Phase 2 (Migration of Council Dwellings)**

Task Reference	Task	Sub Task Reference	Sub Task	Responsibility	Estimated Duration (working days)	Estimated Start Date	Estimated End Date	Note	Actual Start Date	Actual End Date
1	Preparation	1.01	Determine asset numbering protocol	Strategic Finance, Asset Information Team		Mon 05/11/2012	Fri 16/11/2012	Work on the spreadsheet can begin without this, but will need to be revisited once this task is complete		
		1.02	Determine Group / Archetype / Beacon structure	Strategic Finance, Housing Finance, Valuation Team		Mon 05/11/2012	Fri 16/11/2012	Work on the spreadsheet can begin without this, but will need to be revisited once this task is complete		
		1.03	Consider componentisation	Strategic Finance, Housing Finance		Mon 05/11/2012	Fri 16/11/2012	Work on the spreadsheets can progress without this		
		1.04	Consider the introduction of depreciation (as a replacement for the use of Major Repairs Allowance as a proxy)	Strategic Finance, Housing Finance, Valuation Team		Mon 05/11/2012	Fri 16/11/2012	Work on the spreadsheets can progress without this		
		1.05	Introduction of depreciation - valuer to provide asset lives and land/building splits	Valuation Team		Mon 05/11/2012	Mon 26/11/2012	Work on the spreadsheets can progress without this but this task needs to be complete before the file is sent to CIPFA for test		
		1.06	Make decision about garages (bring in City of Durham garages (currently in land and buildings)?)	Strategic Finance, Housing Finance		Mon 05/11/2012	Fri 16/11/2012	Work on the spreadsheets can progress without this (COD garages could be done as a separate migration if necessary)		
		1.07	Make decision about inclusion of other HRA assets (e.g. Communal Rooms) - find out from CIPFA if this is appropriate to include in Housing module	Strategic Finance, Housing Finance		Mon 05/11/2012	Fri 16/11/2012	Work on the spreadsheets can progress without this (could be done as a separate migration if necessary)		
		1.08	Prepare reconciliation sheets for each area	Strategic Finance		Mon 05/11/2012	Fri 16/11/2012			
2	Loading of Wear Valley data	2.01	Complete migration spreadsheet with individual houses (including asset name, group, archetype)	Asset Information Team	5	Mon 05/11/2012	Fri 09/11/2012			
		2.02	Complete migration spreadsheet with individual garages (including asset name, location)	Asset Information Team	5	Mon 05/11/2012	Fri 09/11/2012			
		2.03	Reconcile list to Housing database	Asset Information Team, Housing Finance	3	Mon 12/11/2012	Wed 14/11/2012			
		2.04	Complete migration spreadsheet with financial information (as at 31/03/2012)	Strategic Finance	10	Thu 15/11/2012	Wed 28/11/2012			
		2.05	Complete reconciliation sheets, ensuring all variances are documented	Strategic Finance	1	Thu 29/11/2012	Thu 29/11/2012			
		2.06	Review spreadsheet before sending to data co-ordinator	Strategic Finance	1	Fri 30/11/2012	Fri 30/11/2012	The housing spreadsheet has no validation facility.		
		2.07	Review spreadsheet before sending to CIPFA	Asset Information Team	1	Mon 03/12/2012	Mon 03/12/2012	The housing spreadsheet has no validation facility.		
		2.08	Send spreadsheet to CIPFA for TEST	Asset Information Team	1	Tue 04/12/2012	Tue 04/12/2012			
		2.09	CIPFA to load spreadsheet into TEST	CIPFA	5	Tue 04/12/2012	Mon 10/12/2012			
		2.10	Review TEST migration (both asset and financial information)	Strategic Finance, Asset Information Team	1	Tue 11/12/2012	Tue 11/12/2012			
3	Loading of Easington data	2.11	CIPFA to load spreadsheet into LIVE	CIPFA	5	Wed 12/12/2012	Tue 18/12/2012			
		2.12	Review LIVE migration (both asset and financial information)	Strategic Finance, Asset Information Team	1	Wed 19/12/2012	Wed 19/12/2012			
		2.13	Produce post-merge reports and ensure all working papers are complete	Strategic Finance	2	Wed 19/12/2012	Thu 20/12/2012			
		3.01	Complete migration spreadsheet with individual houses (including asset name, group, archetype)	Asset Information Team	5	Thu 15/11/2012	Wed 21/11/2012			
		3.02	Obtain list of garages in order to itemise the garage value	Asset Information Team	1	Thu 15/11/2012	Thu 15/11/2012			
		3.03	Complete migration spreadsheet with individual garages (including asset name, location)	Asset Information Team	5	Fri 16/11/2012	Thu 22/11/2012			
		3.04	Reconcile list to Housing database	Asset Information Team, Housing Finance	3	Fri 23/11/2012	Tue 27/11/2012			

Task Reference	Task	Sub Task Reference	Sub Task	Responsibility	Estimated Duration (working days)	Estimated Start Date	Estimated End Date	Note	Actual Start Date	Actual End Date
4	Loading of City of Durham data	3.05	Develop approach to apportion financial information across individual dwellings, and agree with External Audit	Strategic Finance, External Audit	5	Mon 03/12/2012	Tue 11/12/2012	Easington only		
		3.06	Complete migration spreadsheet with financial information (as at 31/03/2012)	Strategic Finance	8	Wed 12/12/2012	Fri 21/12/2012			
		3.07	Complete reconciliation sheets, ensuring all variances are documented	Strategic Finance	1	Mon 07/01/2013	Mon 07/01/2013			
		3.08	Review spreadsheet before sending to data co-ordinator	Strategic Finance	1	Tue 08/01/2013	Tue 08/01/2013			
		3.09	Review spreadsheet before sending to CIPFA	Asset Information Team	1	Wed 09/01/2013	Wed 09/01/2013	The housing spreadsheet has no validation facility.		
		3.10	Send spreadsheet to CIPFA for TEST	Asset Information Team	1	Thu 10/01/2013	Thu 10/01/2013	The housing spreadsheet has no validation facility.		
		3.11	CIPFA to load spreadsheet into TEST	CIPFA	5	Thu 10/01/2013	Wed 16/01/2013			
		3.12	Review TEST migration (both asset and financial information)	Strategic Finance, Asset Information Team	1	Thu 17/01/2013	Thu 17/01/2013			
		3.13	CIPFA to load spreadsheet into LIVE	CIPFA	5	Fri 18/01/2013	Thu 24/01/2013			
		3.14	Review LIVE migration (both asset and financial information)	Strategic Finance, Asset Information Team	1	Fri 25/01/2013	Fri 25/01/2013			
		3.15	Produce post-merge reports and ensure all working papers are complete	Strategic Finance	2	Fri 25/01/2013	Mon 28/01/2013			
		4.01	Complete migration spreadsheet with individual houses (including asset name, group, archetype)	Asset Information Team	5	Wed 28/11/2012	Tue 04/12/2012			
		4.02	Complete migration spreadsheet with individual garages (including asset name, location) (if applicable for Durham)	Asset Information Team	5	Wed 28/11/2012	Tue 04/12/2012			
		4.03	Reconcile list to Housing database	Asset Information Team, Housing Finance	3	Fri 07/12/2012	Tue 11/12/2012			
		4.04	Complete migration spreadsheet with financial information (as at 31/03/2012)	Strategic Finance	10	Wed 09/01/2013	Tue 22/01/2013			
4.05	Complete reconciliation sheets, ensuring all variances are documented	Strategic Finance	1	Fri 25/01/2013	Fri 25/01/2013					
4.06	Review spreadsheet before sending to data co-ordinator	Strategic Finance	1	Mon 28/01/2013	Mon 28/01/2013					
4.07	Review spreadsheet before sending to CIPFA	Asset Information Team	1	Tue 29/01/2013	Tue 29/01/2013	The housing spreadsheet has no validation facility.				
4.08	Send spreadsheet to CIPFA for TEST	Asset Information Team	1	Wed 30/01/2013	Wed 30/01/2013	The housing spreadsheet has no validation facility.				
4.09	CIPFA to load spreadsheet into TEST	CIPFA	5	Wed 30/01/2013	Tue 05/02/2013					
4.10	Review TEST migration (both asset and financial information)	Strategic Finance, Asset Information Team	1	Wed 06/02/2013	Wed 06/02/2013					
4.11	CIPFA to load spreadsheet into LIVE	CIPFA	5	Thu 07/02/2013	Wed 13/02/2013					
4.12	Review LIVE migration (both asset and financial information)	Strategic Finance, Asset Information Team	1	Thu 14/02/2013	Thu 14/02/2013					
4.13	Produce post-merge reports and ensure all working papers are complete	Strategic Finance	2	Thu 14/02/2013	Fri 15/02/2013					

Note the timescales above build in two weeks' downtime across the Christmas / New Year break

## Audit Committee

22 November 2012

### Council Tax Collection Performance & Provision for Bad Debts



---

**Paul Darby, Head of Finance – Financial Services**

---

#### Purpose of the Report

- 1 This report provides members of the Audit Committee with an overview of in-year Council Tax collection performance for 2012/13 and an update on the collection rate for 2010/11 and 2011/12, together with an update on the Council Tax provision for bad and doubtful debts calculation.

#### Background

- 2 On 30 July 2012 the Committee considered the Statement of Accounts for the year ended 31 March 2012. Members referred to the increase in short term debtors under the category of 'other entities and individuals'. The increase from £60m to £71m was mainly due to the increase in Council Tax arrears (£7.6m) in year.
- 3 Members were advised that this was linked to the implementation of the new single Revenues and Benefits system 2011/12, during which unavoidable backlogs in benefit claims processing had arisen and recovery action had been limited in the first 9 months of the year.
- 4 Members were assured that recovery plans were in place and progressing well in terms of addressing the backlog of benefit claims and ensuring that all appropriate recovery action was now being taken, which had resulted in improvements in the recovery of the additional arrears that had built up in 2011/12, with improved in-year collection performance in the current year too.

#### Council Tax Performance

- 5 As part of the annual target setting process monthly targets are set based on changes to the payment trends of customers and the subsequent adjustment to recovery cycles accounting for these changes.
- 6 The 2012/13 recovery cycles have been adjusted to specifically target any customers that have made no payments or are at least two months in arrears. This ensures that those customers clearing their accounts before March 2013 do not receive any reminders avoiding unnecessary customer contact and postage costs.
- 7 There has also been an increase of direct debit payers paying over twelve months and the number of new non direct debit payers extending instalments to February / March 2013.

- 8 The in-year collection rate is monitored on a weekly basis, with monthly monitoring reports being considered by the Corporate Director, Resources and quarterly reports being considered by Corporate Management Team, Cabinet and Overview and Scrutiny Committee. This is supplemented by detailed management information tracking reminder processes; aged debt analysis reports showing the debt outstanding, the current recovery stage, and the length of time at the current stage etc.
- 9 The current in year collection rate of 55.2% at 30 September is 1.4% above the same position last year, which was 53.8% and is above the year to date target of 55%. The collection rate is still some way down on the 2010/11 performance at the end of September but comparisons with 2010/11 can be misleading due to the fact that there are more customers paying over 12 months now and there are an increased number of customers that delayed payment in 2011/12 that are making payments against this years and last years accounts.
- 10 To ensure that the collection fund attains a balanced / surplus position the overriding target is to ensure that Durham County Council collects at least 98.5% within a three year period. The tables below provide an overview of in-year performance and overall collection performance:

*Table 1 – In Year Collection Performance*

	<b>Apr %</b>	<b>May %</b>	<b>Jun %</b>	<b>Jul %</b>	<b>Aug %</b>	<b>Sep %</b>	<b>Oct %</b>	<b>Nov %</b>	<b>Dec %</b>	<b>Jan %</b>	<b>Feb %</b>	<b>Mar %</b>
2010/11	10.9	20.8	29.6	38.3	48.2	57.8	67.4	77.0	86.4	95.3	96.4	96.7
2011/12	9.4	18.3	26.7	35.3	44.5	53.8	64.0	72.9	80.7	89.7	92.6	93.8
<b>2012/13</b>	<b>9.8</b>	<b>19.1</b>	<b>27.7</b>	<b>36.8</b>	<b>45.9</b>	<b>55.2</b>	-	-	-	-	-	-
Target	10.0	20.0	28.0	36.5	45.5	55.0	65.0	75.0	86.0	96.0	96.8	97.3

*Table 2 – Overall Collection Performance & Arrears Position*

<b>Performance Indicator - Council Tax Collected</b>	<b>Actual Collection Rate to 31 March 2011 %</b>	<b>Actual Collection Rate to 31 March 2012 %</b>	<b>Actual Collection Rate to 30 Sept. 2012 %</b>	<b>2012/13 Tracker Target %</b>	<b>3 Year Target %</b>
2010/11	96.7	97.9	98.3	98.5	98.5
2011/12	n/a	93.8	95.6	96.8	98.5
<b>Performance Indicator – Council tax Arrears (£)</b>	<b>Council tax Outstanding @ 31 March 2011 £</b>	<b>Council tax Outstanding @ 31 March 2012 £</b>	<b>Council tax Outstanding @ 30 Sept. 2012 £</b>		
2010/11	5,980,643	3,722,233	3,305,782		
2011/12	n/a	11,719,875	8,551,293		
<b>Performance Indicator – Council tax Write Off (£)</b>	<b>Written Off as Uncollectable 31 March 2011 £</b>	<b>Written Off as Uncollectable 31 March 2012 £</b>	<b>Written Off as Uncollectable 30 Sept. 2012 £</b>		
2010/11	20,136	137,002	175,931		
2011/12	n/a	35,892	100,255		



- 11 To add further detail to the 2011/12 figures, the following changes have occurred during the period from 1 April 2012 to 30 September 2012:
- Net debit collectable has decreased by £0.932m, from £199.761m to £198.829m, this is due to the increase in benefit awarded (as the service has eradicated the backlog of claims and returned performance to pre-system implementation levels), plus other exemption and discount awards against 2011/12 liabilities.
  - Net payments received have increased by £2.727m, from £187.296m to £190.023m;
- 12 In addition to weekly / monthly monitoring of performance in respect of the current and previous two financial years, the service also monitors performance in recovering sums outstanding for all years prior to 2010/11. At 30 September 2012 the overall collection rate for all years prior to 2010/11 was 99.47%, with the percentage of Council Tax written off in relation to accounts falling due for these periods being 0.27%.

### **Provision for Bad and Doubtful Debts**

- 13 The merger of the seven former District Council Tax systems into the single unitary system during 2011/12 provided the opportunity, through enhanced reporting functionality, for a review of the calculation of the provision for bad and doubtful debts.
- 14 Since 1 April 2009, in line with accounting policies, the provision was calculated as 30% of outstanding arrears at the year end, with no adjustment for age or stage of recovery reached for the debt. This was considered too crude a method and produced a provision for bad and doubtful debt below the required level and certainly lower than other authorities in the region. Taking into account a more considered approach linked to categorisation of the age and recovery stage of the debts, other authorities were making provisions of around 35% of arrears outstanding.
- 15 The ability to increase the overall proportion of the outstanding arrears covered by provision was affected by the fall in the collection rate during 2011/12, which increased the value of arrears outstanding at 31 March 2012, the reasons for which have been outlined earlier. If the method for calculating the provision had remained at a flat rate of 30%, as in previous years, then the provision would have increased by £2.5m from £4.5m to £7.0m.
- 16 It was realised that transition to the desired provision (c35% of arrears covered by the provision) could take a number of years if the stability of the Collection Fund was not to be undermined and an acceptable compromise was achieved at the end of 2011/12, applying differing rates for the age of the debts and the stage of recovery reached.
- 17 This change in accounting policy resulted in an increase to the 30% flat rate calculation previously used, resulting in a £0.7m increase in the required provision, bringing the total provision required to £7.7m at 31 March 2012. It is important to note that the accounting conventions require this provision to be divided between the major precepting authorities with Durham County

Council's share being £6.5m. In 2011/12 the overall coverage from the provision rose from 30% to 33.23%, a significant improvement.

- 18 The provision requirements relating to previous years are tracked each month and show a steady decrease in the amount required, in line with the increased collection rates demonstrated earlier in this report.
- 19 In addition the current year performance is encouraging in terms of provisions that will be required at the 2012/13 year end. Nevertheless, members of the Audit Committee should note that at the year end, when the recalculation of the provision is formalised, that an overall increase will be necessary to make progress towards the desired level of coverage set out above. It is expected that this will be offset by an improved position on the Collection Fund generally as a result of taxbase growth in year.

### **Conclusion**

- 20 Council Tax was introduced in 1993 and during the period 1 April 1993 to 31 March 2012, Durham County Council and the former districts have been tasked with collecting a net council tax of £2,285bn. The overall collection rate as at 30 September 2012, for all prior years, stands at 99.0%, with only 0.24% having actually been written off as uncollectable. This is testament to the thorough and robust collection and recovery procedures used by Durham County Council.
- 21 The Councils financial strategy is to achieve coverage for bad and doubtful debt provisions of 35% of arrears outstanding. Significant progress was made towards that target in 2011/12 and further steps towards achieving that goal will be made in the current year.

### **Recommendations**

- 22 Members are asked to note the in year and overall Council Tax collection performance as outlined in the report, together with the update on the provision for bad and doubtful debts.

---

**Contact: Paul Darby**

**Tel: 03000 261930**

---

---

## **Appendix 1: Implications**

---

### **Finance**

The reports sets out details of the arrears recovery performance and impacts on the provision for bad and doubtful debts calculation.

### **Staffing**

None

### **Risk**

None

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

None

### **Accommodation**

None

### **Crime and Disorder**

None

### **Human Rights**

None

### **Consultation**

None

### **Procurement**

None

### **Disability Issues**

None

### **Legal Implications**

None

This page is intentionally left blank

**Audit Committee 22 November 2012**

**Briefing Note – Earmarked and General Reserves**



- 1 The County Council establishes and uses reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 2 Each year, the Council's Section 151 Officer, the Corporate Director Resources must report to Members at the budget setting meeting his opinion on the 'Adequacy of the Reserves' held by the County Council. This advice is shown at Appendix 1. This broadly explains that there are no specified limits, maximum or minimum for the level of reserves held by a local authority. It is the professional judgement of the Section 151 Officer, taking into account guidance from CIPFA, along with the level of risk and uncertainties that are identified at the time of setting the budget.
- 3 There are two types of reserve, general and earmarked, which are usually held for three main purposes, as:
  - A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
  - A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
  - A means of building up funds, earmarked reserves, to meet known or predicted requirements.
- 4 As at 31 March 2012 the County Council's general reserves were £21.874m and earmarked reserves, including Schools' balances totalled £100.425m. The Housing Revenue Account (HRA) had general reserves of £7.821m and earmarked reserves of £2.460m.
- 5 An extract from the Statement of Accounts detailing the reserves is attached at Appendix 2. Also shown in this appendix is the purpose for which each of the highest value earmarked reserves were established.
- 6 During 2012/13 Services Groupings forecast the anticipated use of or contribution to earmarked reserves. This is reported to Cabinet quarterly in the Forecast of Outturn Reports.
- 7 At 30 September 2012, it is anticipated that
  - £5.565m of earmarked reserves will be used to provide general fund services during 2012/13.
  - £2.142m of the HRA's earmarked reserves are forecast to be used.

- General Reserves are forecast to increase by £4.488m. This is as a result of expenditure on interest and similar payments being less than budget due to lower than forecast interest rates on loans and borrowing taking place later than estimated due to higher levels of cash balances than forecast, coupled with additional interest receipts on the higher cash balances.
- 8 An analysis of the anticipated movement on reserves is shown at Appendix 3.
- 9 The current level of earmarked and general reserves are deemed to be prudent when considering the current period of unprecedented and continuing spending reductions.

### **Adequacy of Reserves**

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Local Authority Accounting Panel (LAAP) has issued a guidance note on Local Authority Reserves and Balances (LAAP Bulletin 77) to assist local authorities in this process. This guidance is not statutory, but compliance is recommended in CIPFA's Statement on the Role of the Finance Director in Local Government. It is best practice to follow this guidance.
2. The guidance however states that no case has yet been made to set a statutory minimum level of reserves, either as an absolute amount or a percentage of budget. Each Local Authority should take advice from its Chief Financial Officer and base its judgement on local circumstances.
3. Reserves can be held for three main purposes:
  - A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
  - A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
  - A means of building up funds, earmarked reserves, to meet known or predicted requirements.
4. The most recent bulletin, published in November 2008 highlights a range of factors, in addition to cash flow requirements that Councils should consider; these include the treatment of inflation, the treatment of demand led pressures, efficiency savings, partnerships and the general financial climate, including the impact on investment income. The bulletin also refers to reserves being deployed to fund recurring expenditure and indicates that this is not a long-term option. If Members choose to use reserves as part of this budget process appropriate action will need to be factored into the MTFP to ensure that this is addressed over time.
5. The risk management process has identified a number of key risks which could impact on the County Council's resources. In particular, a number are likely to impact in the short-term.
6. The setting of the level of reserves is an important decision not only in the budget for 2012/13, but also in the formulation of the MTFP over the next 4 years.
7. It is recommended that the County Council adopts a policy for reserves as follows:

- Set aside sufficient sums in earmarked reserves as it considers prudent to do so. The Corporate Director Resources will be authorised to establish such reserves as are required, to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Resources and to Cabinet.
  - Aim to maintain, broadly, general reserve levels in the medium to longer-term of at least between 3% and 4% of the budget requirement or at least £13m to £17m in cash terms.
8. Earmarked reserves have been established to provide resources for specific purposes. Of these reserves, the use of schools balances is outside of the control of the County Council.
9. In my view, if the County Council were to accept the Cabinet's recommended freeze of Council Tax, funding for unavoidable service pressures and investments, proposals for savings and for capital then the level of risks identified in the budget process, alongside the Authority's financial management arrangements suggest that the level of reserves is adequate.



---

**Appendix 2: Reserves – Extract from Statement of Accounts 2011/12**

---

**23. Usable reserves**

Movements in the County Council's usable reserves are detailed in the Movement in Reserves Statement.

31 March 2010 £000	31 March 2011 £000		31 March 2012 £000
23,613	1,206	Usable Capital Receipts Reserve	173
1,200	-	- Major Repairs Reserve	-
8,511	7,688	Housing Revenue Account	7,821
26,977	17,320	General Fund Balance	21,874
95,140	90,975	Earmarked reserves	100,425
-	3,202	Earmarked reserves - HRA	2,460
<hr/> 155,441	<hr/> 120,391	<b>Total</b>	<hr/> 132,753

**Usable Capital Receipts Reserve**

Proceeds of fixed assets' sales available to meet future capital investment.

**Major Repairs Reserve**

This reserve represents the amount of the Major Repairs Allowance unspent at the year end.

**Housing Revenue Account**

Resources available to meet future running costs for council housing.

**General Fund Balance**

Resources available to meet future running costs for services other than council housing.

**Earmarked Reserves**

Earmarked Reserves are shown in more detail in Note 8 and are resources set aside for future spending plans.

The significant earmarked reserves are as follows:

**Schools' Revenue Balances**

Surplus or deficit balances of locally managed schools, which are committed to be spent on the education service. The net surplus at 31 March 2012 comprised individual school balances totalling £20.890m, net of loans outstanding of £0.953m.

**AAP / Members Reserve**

The purpose of the reserve is to ensure the projects can be funded in 2012/13 where an agreed spending plan exists.

**Cash Limit Reserve**

To carry forward under and overspends to meet future service demands.

**Dedicated Schools Grant and Education Reserve**

To carry forward the unspent, central element of Dedicated Schools Grant funding for multi agency operations, and to provide Education business links between schools, and local businesses

### **Equal Pay Reserve**

To provide resources to meet the cost of additional employee costs as a result of Equal Pay and Job Evaluation effective from 1 April 2005.

### **Insurance Reserve**

To provide resources to cover selected risks. The major risks relate to fire, public liability and employer's liability claims below the policy excess levels.

### **MTFP Redundancy and Early Retirement Reserve**

To provide for the costs of redundancy and early retirements approved.

### **Planning Reserve**

To provide a resource for improvements to the planning service.

### **Social Care Reserve**

To fund expected demographic pressures in future years and for projects jointly agreed by Adults Wellbeing and Health and the Primary Care Trust.

### **Sport and Leisure Reserve**

To provide a resource for leisure initiatives and sports development.

### **Earmarked Reserves - HRA**

Earmarked Reserves are shown in more detail in Note 8 and are resources set aside for future spending plans for council housing.

## **24. Unusable reserves**

01 April 2010 (restated) £000	31 March 2011 £000		31 March 2012 £000
533,833	436,918	Revaluation Reserve	412,848
1,219,989	1,051,614	Capital Adjustment Account	940,450
-3,557	-2,687	Financial Instruments Adjustment Account	-2,500
2,806	1,944	Deferred Capital Receipt	979
-18,174	-9,934	Short Term Accumulating Absences Account	-15,369
-975,648	-728,212	Pensions Reserve	-897,886
1,053	804	Available for Sale financial Reserve	509
1,505	546	Collection Fund	-5
<hr/> 761,807	<hr/> 750,993	<b>Total</b>	<hr/> 439,026

### **Revaluation reserve**

The Revaluation Reserve contains the gains made by the County Council arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. The balance is reduced when assets with accumulated gains are:

- ❖ revalued downwards or impaired and the gains are lost
- ❖ used in the provision of services and the gains are consumed through depreciation, or
- ❖ disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2010-11 £000	2011-12 £000
521,075 <b>Balance at 1 April (as reported)</b>	436,918
12,758 Prior period adjustment (Heritage Assets)	-
533,833 <b>Balance at 1 April (restated)</b>	436,918
43,799 Upward revaluation of assets	29,198
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the	
-106,617 Provision of Services	-17,712
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the	
-62,818 Provision of Services	11,486
-12,214 Difference between fair value depreciation and historical cost depreciation	-13,594
-21,883 Accumulated gains on assets sold or scrapped	-28,475
- Historical cost impairment adjustment	6,513
-34,097 Amount written off to the Capital Adjustment Account	-35,556
<b>436,918 Balance at 31 March (restated)</b>	<b>412,848</b>

### Available for sale financial instruments reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the County Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- ❖ revalued downwards or impaired and the gains are lost
- ❖ disposed of and the gains are realised.

2010-11 £000	2011-12 £000
1,053 <b>Balance at 1 April</b>	804
- Upward revaluation of investments	-
-249 Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-295
804	509
- Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
<b>804 Balance at 31 March</b>	<b>509</b>

### Capital adjustment account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction

or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the County Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010-11 £000	2011-12 £000
1,220,076 <b>Balance at 1 April (as reported)</b>	1,051,614
-87 Prior period adjustment (Heritage Assets)	-
1,219,989 <b>Balance at 1 April (restated)</b>	1,051,614
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
-69,906 - Charges for depreciation and impairment of non-current assets	-75,193
-182,288 - Revaluation losses on Property, Plant and Equipment	-65,360
-1,025 - Amortisation of intangible assets	-1,210
-16,891 - Revenue expenditure funded from capital under statute	-6,015
-62,735 - Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-71,848
- - Exceptional Item: Payment to the Secretary of State (HRA reform)	-52,891
-332,845	-272,517
34,097 Adjusting amounts written out of the Revaluation Reserve	35,556
-298,748 Net written out amount of the cost of non-current assets consumed in the year	-236,961
Capital financing applied in the year:	
27,525 - Use of Capital Receipts Reserve to finance new capital expenditure	9,458
13,144 - Use of the Major Repairs Reserve to finance new capital expenditure	11,696
59,354 - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	74,686
13,854 - Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	14,453
17,920 - Capital expenditure charged against the General Fund and HRA balances	15,630
131,797	125,923
-1,424 Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-126
1,051,614 <b>Balance at 31 March (restated)</b>	940,450

### Financial instruments adjustment account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The County Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory

arrangements for spreading the burden on Council Tax. In the County Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

Over the previous two financial years, the account was also used to defer the impact of impairment of Icelandic loans to the general fund. Regulations allowing this came to an end on the 31 March 2011 and all values have now been transferred to the general fund.

2010-11 £000		2011-12 £000
-3,557	<b>Balance at 1 April</b>	-2,687
-	- Interest on Icelandic loans credited to I&E in year	-
432	Premiums amortised to General Fund in year	214
-51	Discounts amortised to General Fund in year	-27
-	- Impairment of Icelandic loans	-
489	Reversal of all previous Icelandic loan entries	-
870	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	187
-2,687	<b>Balance at 31 March</b>	-2,500

### Pensions reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The County Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the County Council makes employer's contributions to pension funds, or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the County Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Deferred Capital Receipts Reserve (England and Wales).

2010-11 £000		2011-12 £000
-975,648	<b>Balance at 1 April</b>	-728,212
42,610	Actuarial gains or losses(-) on pensions assets and liabilities	-174,700
588	Difference between Actuary's estimate and Actual Employers' Pension Contributions	672
134,680	Reversals of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-53,270
69,558	Employer's pensions contributions and direct payments to pensioners payable in the year	57,624
-728,212	<b>Balance at 31 March</b>	-897,886

### Deferred capital receipts reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the County Council does not treat these gains as usable for

financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

2010-11 £000		2011-12 £000
2,807	<b>Balance at 1 April</b>	1,945
	- Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	435
	-862 Transfer to the Capital Receipts Reserve upon receipt of cash	-1,401
1,945	<b>Balance at 31 March</b>	979

### Collection fund adjustment account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010-11 £000		2011-12 £000
1,505	<b>Balance at 1 April</b>	546
	-959 Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-551
546	<b>Balance at 31 March</b>	-5

### Accumulated absences account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010-11 £000		2011-12 £000
-18,174	<b>Balance at 1 April</b>	-9,935
18,174	Settlement or cancellation of accrual made at the end of the preceding year	9,935
-9,935	Amounts accrued at the end of the current year	-15,369
8,239	Amount by which office remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-5,434
-9,935	<b>Balance at 31 March</b>	-15,369

### Appendix 3: Earmarked and General Reserves Position as at 30 September 2012

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	2011/12 CLOSING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	2012/13 CLOSING BALANCE	PURPOSE OF THE RESERVE
ACE AAP/Members Reserve	ACE	-2,364	34	-575	0	-541	-2,905	The purpose of the reserve is to ensure the projects can be funded in 2012/13 where an agreed spending plan exists.
ACE Grant Reserve	ACE	-233	0	0	0	0	-233	
ACE Operational Reserve	ACE	-140	0	0	0	0	-140	
ACE Regeneration and Communities Reserve	ACE	0	0	0	0	0	0	
Heritage and Culture Reserve	CAS	-209	100	-300	0	-200	-409	
Social Care Reserve	CAS	-9,368	4,478	-2,000	0	2,478	-6,890	To fund expected demographic pressures in future years and for projects jointly agreed by Adults Wellbeing and Health and the Primary Care Trust.
Health and Wellbeing Reserve	CAS	-1,347	902	0	0	902	-445	
Community Safety Reserve	CAS	-75	75	0	0	75	0	
Aycliffe Young People's Centre Reserve	CAS	-475	178	0	0	178	-297	
Continuing Professional Development Reserve	CAS	-373	0	0	0	0	-373	
Education Reserve	CAS	207	0	0	0	0	207	
CYPS Leisure Reserve	CAS	-52	0	0	0	0	-52	
LEP Reserve	CAS	0	0	0	0	0	0	
Special Projects Reserve	CAS	-60	0	0	0	0	-60	
Youth Forum Reserve	CAS	0	0	0	0	0	0	
Neighbourhoods AAP Reserve	NS	-504	163	0	0	163	-341	
Customer Services Reserve	NS	-360	300	0	0	300	-60	
Direct Services Reserve	NS	-1,406	116	0	0	116	-1,290	The purpose of the reserve is to hold contingency sums for jobs undertaken by Direct Services – Building Services where the defects liability period has not yet expired; to hold unspent budget from within the Direct Services street scene operational area of Refuse & Recycling and the Business and Projects operational area of Strategic Waste to continue the Alternate Weekly Collection scheme roll out during 2012/13

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	2011/12 CLOSING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	2012/13 CLOSING BALANCE	PURPOSE OF THE RESERVE
Env. Health and Consumer Protection Reserve	NS	-141	18	0	0	18	-123	
Sport and Leisure Reserve	NS	-1,765	550	-101	0	449	-1,316	To provide a resource for leisure initiatives and sports development.
Strategic Waste Reserve	NS	-104	104	0	0	104	0	
Transport Asset Management Programme Reserve	NS	-365	26	0	0	26	-339	
Economic Development Reserve	RED	-1,666	30	0	0	30	-1,636	The purpose of the reserve was to support the RED service grouping's objectives and was established from residual ABG funds, LEGI funds etc.
Planning Reserve	RED	-1,774	105	0	0	105	-1,669	To provide a resource for improvements to the planning service.
Employability and Training Reserve	RED	-855	75	0	0	75	-780	
RED Regeneration Reserve	RED	-990	434	0	0	434	-556	
Housing Regeneration Reserve	RED	-95	74	0	0	74	-21	
Housing Solutions Reserve	RED	-1,321	137	0	0	137	-1,184	The purpose of the reserve is to finance numerous Housing Solution schemes/projects committed into 2012/13 and future years
Restructure Reserve	RED	-500	0	0	0	0	-500	
LSVT Reserve	RED	-122	0	0	0	0	-122	
Transport Reserve	RED	-364	0	0	0	0	-364	
Funding and Programmes Management Reserve	RED	-193	37	0	0	37	-156	
North Pennines Reserve	RED	0	0	0	0	0	0	
Resources Corporate Reserve	Resources	-1,164	0	-417	0	-417	-1,581	The purpose of the reserve is to fund the cost of building surveys and to finance procurement
Resources DWP Grant Reserve	Resources	-159	0	0	159	159	0	
Resources System Development Reserve	Resources	-700	0	0	200	200	-500	
Resources Housing Benefit Subsidy Reserve	Resources	-1,200	0	-900	0	-900	-2,100	The purpose of the reserve is to meet the cost of Housing Benefit backdated claims which are not fully funded by Government Subsidy due to their age
Resources Land Search Fees Reserve	Resources	-1,000	0	0	0	0	-1,000	
Resources Elections Reserve	Resources	-800	0	0	0	0	-800	



EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	2011/12 CLOSING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	2012/13 CLOSING BALANCE	PURPOSE OF THE RESERVE
Corporate Regeneration Reserve	Corporate Fin	-578	0	0	578	578	0	
Cabinet Reserve	Corporate Fin	-498	0	0	0	0	-498	
Equal Pay Reserve	Corporate Fin	-3,408	57	-1,600	0	-1,543	-4,951	To provide resources to meet the cost of additional employee costs as a result of Equal Pay and Job Evaluation effective from 1 April 2005.
Insurance Reserve	Corporate Fin	-11,841	0	0	0	0	-11,841	To provide resources to cover selected risks. The major risks relate to fire, public liability and employer's liability claims below the policy excess levels.
Performance Reward Grant Reserve	Corporate Fin	-1,319	149	0	-578	-429	-1,748	The purpose of the reserve is to fund initiatives in future years from the unspent element of the Performance Reward Grant.
MTFP Redundancy and Early Retirement Reserve	Corporate Fin	-9,552	2,992	0	0	2,992	-6,560	To provide for the costs of redundancy and early retirements approved.
New Homes Bonus Reserve	Corporate Fin	-206	0	0	0	0	-206	
<b>Total Non-Schools Reserve</b>		<b>-59,439</b>	<b>11,134</b>	<b>-5,893</b>	<b>359</b>	<b>5,600</b>	<b>-53,839</b>	
<b>Schools' Balances</b>								
Schools' Revenue Balance	CAS	-20,890	0	0	0	0	-20,890	Surplus or deficit balances of locally managed schools, which are committed to be spent on the education service. The net surplus at 31 March 2012 comprised individual school balances totalling £20.890m, net of loans outstanding of £0.953m.
Schools' Unspent Grants	CAS	0	0	0	0	0	0	
DSG Reserve	CAS	-4,210	0	0	0	0	-4,210	To carry forward the unspent, central element of Dedicated Schools Grant funding for multi agency operations, and to provide Education business links between schools, and local businesses
<b>Total Schools and DSG Reserve</b>		<b>-25,100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-25,100</b>	

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	2011/12 CLOSING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	2012/13 CLOSING BALANCE	PURPOSE OF THE RESERVE
<b>Cash Limit Reserves</b>								
Assistant Chief Executive		-1,133	455	-227	0	228	-905	To carry forward under and overspends to meet future service demands.
Children and Adults Services		-8,092	2,320	-2,334	0	-14	-8,106	
Neighbourhood Services		-2,205	1,529	0	0	1,529	-676	
Regeneration and Economic Dev Resources		-2,960	207	-698	0	-491	-3,451	
		-1,496	0	-928	-359	-1,287	-2,783	
<b>Total Cash Limit Reserves</b>		<b>-15,886</b>	<b>4,511</b>	<b>-4,187</b>	<b>-359</b>	<b>-35</b>	<b>-15,921</b>	
<b>Total GF Earmarked Reserves</b>		<b>-100,425</b>	<b>15,645</b>	<b>-10,080</b>	<b>0</b>	<b>5,565</b>	<b>-94,860</b>	
<b>HRA:</b>								
Capital Reserve	RED	-2,000	2,000			2,000	0	HRA Earmarked Reserves are resources set aside for future spending plans for council housing.
Stock Options Reserve	RED	-60	60			60	0	
DCH Improvements Reserve	RED	-400	82			82	-318	
<b>Total HRA Earmarked Reserves</b>		<b>-2,460</b>	<b>2,142</b>	<b>0</b>	<b>0</b>	<b>2,142</b>	<b>-318</b>	
<b>Total Earmarked Reserves</b>		<b>-102,885</b>	<b>17,787</b>	<b>-10,080</b>	<b>0</b>	<b>7,707</b>	<b>-95,178</b>	

	SERVICE GROUPING	2011/12 CLOSING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	2012/13 CLOSING BALANCE	PURPOSE OF THE RESERVE
<b>General Reserves</b>								
General Fund	Corporate Fin	-21,874		-4,488		-4,488	-26,362	
<b>Total General Fund - General Reserves</b>		<b>-21,874</b>	<b>0</b>	<b>-4,488</b>	<b>0</b>	<b>-4,488</b>	<b>-26,362</b>	
HRA	RED	-7,821				0	-7,821	
<b>Total HRA - General Reserves</b>		<b>-7,821</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-7,821</b>	

This page is intentionally left blank

**Audit Committee**

**22<sup>nd</sup> November Sept 2012**

**Internal Audit Progress Report  
Quarter Ended 30<sup>th</sup> September 2012**



---

**Report of Manager of Internal Audit & Risk**

---

**PURPOSE OF THE REPORT**

1 The purpose of this report is to inform Members of work carried out by Internal Audit during the period June to September 2012.

2 The report aims to:

- Provide a high level of assurance, or otherwise, on internal controls operated across the Council that have been subject to audit
- Advise you of significant issues where controls need to improve to effectively manage risks
- Advise you of any other types of audit work carried out such as grant certification or consultancy reviews where an assurance on the control environment may not be applicable
- Advise you of amendments to planned work
- Advise you of unplanned work carried out or to be carried out
- Track progress on the response to audit reports and the implementation of agreed audit recommendations
- Advise you of any changes to the audit process
- Provide an update on our performance indicators comparing actual performance against planned

3 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.)

- Appendix 1 Report Implications
- Appendix 2 Background to the preparation and approval of the 2012/13 plan
- Appendix 3 Audit methodology
- Appendix 4 Progress on plan
- Appendix 5 Final reports issued this quarter

- Appendix 6 High and medium priority actions raised and implemented
- Appendix 7 \*Overdue actions
- Appendix 8 Performance Indicators

## **BACKGROUND**

- 4 Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations.
- 5 The background to the preparation and approval of the 2012/13 annual audit plan and the approved risks based audit strategy to be applied to deliver it is attached at Appendix 2.
- 6 The audit methodology used to determine the risk priority for addressing audit findings and how we arrive at our assurance opinions is given in Appendix 3.

## **PROGRESS AGAINST PLANNED WORK**

- 7 A summary of the approved annual plan for your service grouping, updated to reflect work in progress and /or brought forward from last year's plan, is attached at Appendix 4. The status of each audit as at 30<sup>th</sup> September 2012 is indicated.
- 8 The status of each type of planned audit, as shown in Appendix 4, is summarised below:

<b>Status</b>	<b>Assurance</b>	<b>Advice &amp; Consultancy</b>	<b>Counter Fraud</b>
Not Yet Started	47	6	8
Planning & Preparation	21	10	1
TOR agreed	17	1	4
Fieldwork in progress	13	12	2
Complete (draft or final report stage)	17	4	0
<b>Total</b>	<b>115</b>	<b>33</b>	<b>15</b>

- 9 Where work is finalised the resultant assurance opinion, if applicable, is also shown in Appendix 4.
- 10 A summary of final audit reports issued this quarter is given in Appendix 5.

## **SIGNIFICANT ISSUES ARISING THIS QUARTER**

### **Amendments to the approved 2012/13 Audit Plan**

- 11 The following amendments to planned work have been agreed with Corporate Directors with quarter:

<b>Service Grouping</b>	<b>Audit</b>	<b>Type of Amendment</b>	<b>Reason</b>
CAS	Durham Schools Continuing Professional Development Partnership	Deletion	Identified risks covered in Education Development audit

			2011/12
CAS	Surplus school balances	Addition	Added at the request of head of Education in lieu of above deletion

- 12 16 unplanned reviews have been added to the plan. Of these 14 relate to investigations. Details of investigations will be provided in the 6 monthly fraud and irregularity update report.
- 13 The 2 unplanned reviews added to address new or emerging risks from the contingency provision within the plan are:

Service Grouping	Audit
NS	School Crossing Patrols
NS	Quality Management System

### Outstanding Management Responses to Draft Reports

- 14 It is pleasing to report that there are no outstanding management responses to draft reports this quarter.

### Response to audit findings and recommendations

- 15 Details of the numbers of High and Medium priority ranking recommendations raised and overdue, by Service Grouping and Audit Year, are given in Appendix 6. A summary of progress on actions due by the 30 September is given below:

Service	Actions Due by 30/9/12	Overdue Actions by Original Target Dates		Overdue Actions where revised date agreed		Revised overdue actions	
		No	%	No	%	No	%
ACE	5	1	20	1	100	0	0
CAS	116	8	7	3	38	7	6
NS	364	17	5	14	82	9	2
RED	292	12	4	9	75	5	2
RES	410	44	11	44	100	0	0
<b>TOTAL</b>	<b>1187</b>	<b>82</b>	<b>7</b>	<b>71</b>	<b>87</b>	<b>21</b>	<b>2</b>

- 16 Your attention is drawn to the 21 actions highlighted which are still overdue despite a revised target date having been agreed. These are detailed in Appendix 7.

## Limited/ No Assurance Opinion Audits

- 17 Details of audits finalised in this quarter which resulted in an inadequate assurance opinion (limited or no assurance opinion) are given below:

### **GL: Key controls and reconciliations (Limited Assurance)**

This audit covered the key issues highlighted in the Audit Commission's Interim Governance and Annual Governance Reports for 2010/11. The key issues identified were that;

- There is no action plan detailing exactly what work will be carried out to implement the recommendations made by the Audit Commission;
- Although each recommendation made by the Audit Commission has been assigned to a designated officer not all of these officers were aware of the requirement to take appropriate action. Furthermore, in a number of cases the agreed action has not been taken.
- Progress on the implementation of each recommendation is reported to the Audit Committee though in many cases there is no evidence to support the progress that has been reported.

It should be noted that all outstanding items from 2010/11 are included within the Audit Commission's 2011/12 interim governance report, and a significant amount of work has already been carried out to address these. The Strategic Finance Manager is to present an action plan in relation to this to the Audit Committee in November.

## **PERFORMANCE INDICATORS**

- 18 A summary of our actual performance at the end of September compared to agreed target performance indicators is given in Appendix 8.
- 19 This is the first quarter of the 2012/13 audit plan (July 2012-June 2013). 17 out of 115 reviews are complete. Work has commenced on another 51. In addition to planned assurance reviews, time has also been incurred this quarter on grant certification work and a number of unplanned investigations and ad hoc advice and consultancy requests. There has also been a high proportion of Police Authority Work delivered this quarter, at the client's request, to provide better assurance for the Police Authority prior to its demise in November. Audit days available this quarter were at their lowest due to summer annual leave.

## **RECOMMENDATIONS**

- 20 Members are asked to note,:
- The amendments made to the 2012/13 Annual Audit Plan
  - Work undertaken by Internal Audit during the quarter ended September 2012 and
  - Note the progress made by service managers in responding to the work of internal audit





---

**Appendix 1: Implications**

---

**Finance**

There are no direct financial implications arising for the Council as a result of this report, although we aim through our audit planning arrangements to review core systems in operation and ensure through our broad programme of work that the Council has made safe and efficient arrangements for the proper administration of its financial affairs.

**Staffing**

None

**Risk**

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

**Equality and Diversity**

None

**Accommodation**

None

**Crime and disorder**

None

**Human rights**

None

**Consultation**

None

**Procurement**

None

**Disability Discrimination Act**

None

**Legal Implications**

None

### Background to the preparation of the 2012/13 Annual Audit Plan

- 1 The 2012/13 annual audit plan was developed in consultation with each service grouping's senior management team and was endorsed by CMT and the Audit Committee on the 6<sup>th</sup> June 2012 and the 28<sup>th</sup> June 2012 respectively.
- 2 The planned assurance work included in the plan reflects the agreed audit strategy to review each key service activity and each key system over a five year rolling programme. In applying a risk based approach we aim to support managers embed operational/inherent risk management through the development of Control Risk Assessments (CRAs).
- 3 Through the development of CRAs in consultation with nominated key contacts, as part of the planning and preparation stage of each planned assurance review, we will add value by helping service managers to:
  - Identify and assess risks
  - Document service objectives, risks and existing controls
  - Assess the adequacy of the existing control framework (control design) and identify additional controls to improve operational risk management and /or highlight controls that are unnecessary
  - Identify and assess the reliability of assurance provided from other sources to avoid any unnecessary duplication and highlight any assurance gaps
- 4 Through independent testing of expected controls we add value by providing reliable and objective assurance that controls established by managers are operating in practice and that they are effective in reducing the likelihood and / or impact of agreed risks occurring.
- 5 Through the identification and assessment of operational risks we are also able to add value to the strategic risk management process. This is done by providing assurance that controls identified to manage strategic risks are both adequate and effective. Potential new or emerging strategic risks may also be identified.
- 6 Applying a risk based audit approach ensures that audit resources are focused on the right things. The planning and preparation stage of each audit review with the right key contact(s) is essential. It is not until this planning and preparation stage is complete that we can determine the scope and timing of each audit.
- 7 Following initial planning and preparation discussions, draft terms of reference specifying the proposed scope of each audit will be issued for the agreement of the key contact. The planned start date (fieldwork) and planned

completion date (issue of draft report) will also be shown. It should be noted that wherever possible any timing preferences expressed by service managers at the audit planning and preparation stage will be considered when determining planned start dates but these cannot be guaranteed.

- 8 Confirmation of actual start dates and expected completion dates will be given to key contacts prior to fieldwork commencing. It should be noted that these timescales are subject to the following assumptions:
  - All relevant documentation, including source data, reports and procedures will be made available promptly on request
  - Staff and management will make reasonable time available for interviews and will promptly follow-up questions or requests for documentation and
  - Assistance will be available in scheduling meetings and interviews where required
- 9 Should audit staff not be able to commence the fieldwork as planned, the key contact will be advised accordingly. Wherever possible advance notice will be given but there may be circumstances when this cannot be done e.g unplanned leave of absence. Likewise, we request that should a key contact become aware of something that may prevent the fieldwork starting as planned that they immediately let us know so that if necessary audit resources can be reallocated.
- 10 Should any problems be encountered in progressing an audit these will be reported to the relevant head of service and /or the Corporate Director, and if necessary the Audit Committee.
- 11 In accordance with our Internal Audit Charter, we will give an assurance opinion on the effectiveness of internal controls each time we complete an assurance review.
- 12 The % of planned assurance reviews completed from the annual audit plan is one of the corporate basket of indicators which is monitored through the Council's quarterly performance reporting framework and is challenged by the Audit Committee. Failure to deliver the agreed plan may prevent an annual audit opinion being given and the Council failing to meet its statutory requirements. It will also delay the embedding of operational risk management exposing the Council to potential greater risk.
- 13 It is managers' responsibility to ensure that effective controls operate within their service areas. To provide independent assurance that adequate progress is made in the implementation of agreed recommendations at the appropriate service operational level, all high and medium recommendations contained within actions plans within individual audit reports are followed up by internal audit. The method of audit follow up will vary according to the priority of the recommendation. In addition, listings of all recommendations outstanding at the end of each month are produced and issued to nominated representatives to assist your own internal monitoring processes.
- 14 Audit recommendations are allocated a priority ranking reflecting the significance of the audit findings to which they relate.

**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>	<p><b>A finding that could have a:</b></p> <p><b>Critical</b> impact on operational performance (Significant disruption to service delivery)</p> <p><b>Critical</b> monetary or financial statement impact (In excess of 5% of service income or expenditure budget)</p> <p><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)</p> <p><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)</p> <p><b>Critical</b> impact on the wellbeing of employees or the public (Loss of life/serious injury to employees or the public)</p>
<b>Major</b>	<p><b>A finding that could have a:</b></p> <p><b>Major</b> impact on operational performance (Disruption to service delivery)</p> <p><b>Major</b> monetary or financial statement impact (1-5% of service income or expenditure budget)</p> <p><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)</p> <p><b>Major</b> impact on the reputation of the service within the Council and/or complaints from service users</p>
<b>Minor</b>	<p><b>A finding that could have a:</b></p> <p><b>Minor</b> impact on operational performance (Very little or no disruption to service delivery)</p> <p><b>Minor</b> monetary or financial statement impact (less than 1% of service income or expenditure budget)</p> <p><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)</p>

<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	L
	Minor	Major	Critical
		<b>IMPACT</b>	

**Priority of our recommendations**

We define the priority of our recommendations arising from each overall finding as follows;

<b>High</b>	Action that is considered imperative to ensure that the service/system/process objectives are not exposed to <b>significant risk</b> from weaknesses in critical or key controls
<b>Medium</b>	Action required to ensure that the service/system/process objectives are not exposed to <b>major risk</b> from weaknesses in controls
<b>Low</b>	Action required to ensure that the service/system/process objectives is not exposed to <b>minor risk</b> from weaknesses in controls
<b>Advisory</b>	Action that is considered desirable to address minor weaknesses in control that if implemented may not reduce the impact or likelihood or a risk occurring but should result in enhanced control or better value for money.

**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>Full Assurance</b>	There is a sound system of control designed to achieve the process/system/service objectives and manage the risks to achieving those objectives. (No H, M or L findings/recommendations)
<b>Substantial Assurance</b>	Whilst there is a sound system of control, there are some weaknesses, which may put some of the system objectives at minor risk. (No H or M findings/recommendations)
<b>Moderate Assurance</b>	Whilst there is basically a sound system of control, there are some weaknesses, which may put some of the system objectives at major risk. (No H findings/recommendations)
<b>Limited Assurance</b>	There are weaknesses in key areas in the system of control, which put the system objectives at significant risk. (H findings/recommendations)
<b>No Assurance</b>	Control is weak as controls in numerous key areas are ineffective leaving the system open to significant risk of error or abuse

**Appendix 4**

**DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2012 TO 30 JUNE 2013**  
**Progress as at 30 September 2012**

Service	Audit Ref	Review Type	Status	Assurance Opinion
<b>CORPORATE</b>				
<b>Deferred from 2011/12</b>				
Scheme of Delegation	11075/2013	Advice & Consultancy	NYS	
Award of Contracts	99900x/2013/05	Counter Fraud	Preparation	
<b>Planned work for 2012/13</b>				
Strategic Risk Management	11070/2013	Advice & Consultancy	NYS	
Corporate Governance	66530/2013	Advice & Consultancy	NYS	
Grants Receivable	99900/2013/01	Counter Fraud	NYS	
Grants Payable	99900/2013/02	Counter Fraud	NYS	
Cash Security	99900/2013/03	Counter Fraud	ToR issued	
Payroll: IDEA analysis	99900/2013/04	Counter Fraud	NYS	
Payroll: Timesheets	99900/2013/05	Counter Fraud	NYS	
Payroll: Overtime	99900/2013/06	Counter Fraud	NYS	
Payroll: Starters and Leavers	99900/2013/07	Counter Fraud	NYS	
Expenses and Allowances	99900/2013/08	Counter Fraud	NYS	
Creditor Payments - Quarterly review*	99900/2013/09a	Counter Fraud	Fieldwork	
Creditor Payments - Quarterly review*	99900/2013/09b	Counter Fraud	ToR issued	
Creditor Payments - Quarterly review*	99900/2013/09c	Counter Fraud	ToR issued	
Creditor Payments - Quarterly review*	99900/2013/09d	Counter Fraud	ToR issued	
Housing Tenancy	99900/2013/10	Counter Fraud	NYS	
National Fraud Initiative	99903/2013	Counter Fraud	Fieldwork	
* = 1 ToR for the 4 quarterly reviews. At the end of the first 3 quarters an interim report will be produced, with a full report to be produced by May 2013.				
<b>RESOURCES</b>				
<b>Work in progress @ 30/06/12</b>				
Expenses and Allowances	10260x/2013	Assurance	Final	Moderate
Income Collection: Debtors	10400x/2013	Assurance	Draft	
Cash Collection	10460x/2013	Assurance	Draft	
GL: Key controls and reconciliations	10609x/2013	Assurance	Final	Limited
Compliance with Laws and Regs	11095x/2013	Assurance	Draft	
Procurement - Governance Review	11051x/2013	Assurance	Fieldwork	
Procurement - Tendering	11053x/2013	Assurance	Draft	
Health & Safety Governance review	11240x/2013	Assurance	Final	Substantial

**Appendix 4**

**DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2012 TO 30 JUNE 2013  
Progress as at 30 September 2012**

Service	Audit Ref	Review Type	Status	Assurance Opinion
Design & Print Services	65000x/2013	Assurance	Fieldwork	
Business Continuity for ICT	98101x/2013	Assurance	Draft	
Procurement - Quotations	11052x/2013	Advice & Consultancy	Complete	N/A
Business Travel & Accommodation	10117x/2013	Advice & Consultancy	Complete	N/A
Digital Durham	98112x/2013	Advice & Consultancy	Fieldwork	
<b>Audits deferred from 2011/12</b>				
Oracle EBS	10604/2013	Assurance	NYS	
Procurement - Contract Register	11054x/2013	Assurance	NYS	
Whistle blowing arrangements	11171x/2013	Assurance	ToR issued	
Information Security Policy - Physical Security	98103x/2013/04	Assurance	Preparation	
<b>Audits scheduled from the strategic plan</b>				
Council Tax	00500/2013	Assurance	Preparation	
NNDR	00550/2013	Assurance	Preparation	
Housing & Council Tax Benefits	00700/2013	Assurance	ToR issued	
Housing Benefit Subsidy	00715/2013	Assurance	NYS	
Revs & Bens Reconciliations	00720/2013	Assurance	Fieldwork	
P2P	10150/2013	Assurance	Preparation	
Payroll	10210/2013	Assurance	Preparation	
Income & Debt Recovery	10400/2013	Assurance	NYS	
Credit Card	10417/2013	Assurance	NYS	
ICON Cash Management	10460/2013	Assurance	Preparation	
Short Term Investments	10500/2013	Assurance	ToR issued	
Bank Reconciliations	10602/2013	Assurance	Preparation	
Budgetary Control & Reporting	10605/2013	Assurance	NYS	
Section 151 Compliance	10650/2013	Assurance	NYS	
Banking Arrangements	10907/2013	Assurance	Preparation	
Taxation - PAYE	10915/2013/01	Assurance	Preparation	
Taxation - VAT	10915/2013	Assurance	Preparation	
Procurement Cards	10925/2013	Assurance	NYS	
Committee Services	10950/2013	Assurance	NYS	
Flexible Working & Contract Variations	11021/2013	Assurance	Preparation	
Unix Security	98004/2013	Assurance	Preparation	
Windows Security	98011/2013	Assurance	NYS	
Internet Security	98012/2013	Assurance	Preparation	
Information Security - Forensic Readiness	98103/2013/01	Assurance	NYS	
Information Security - Security Incident Management	98103/2013/02	Assurance	NYS	
Information Security - Systems Dev & Mitce	98103/2013/03	Assurance	NYS	
Information Security - Warranty	98103/2013/04	Assurance	NYS	
Income & Expenditure Project	98114/2013	Assurance	NYS	



**Appendix 4**

**DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2012 TO 30 JUNE 2013  
Progress as at 30 September 2012**

	<b>Service</b>	<b>Audit Ref</b>	<b>Review Type</b>	<b>Status</b>	<b>Assurance Opinion</b>
Oracle workstreams	Corporate Finance	10607/2013	Advice & Consultancy	Fieldwork	
Review of SLAs	Finance Service	10929/2013	Advice & Consultancy	ToR issued	
RIPA Group	Legal & Democratic	11011/2013	Advice & Consultancy	Fieldwork	
Strategic Procurement Network	Corporate Finance	11057/2013	Advice & Consultancy	Fieldwork	
Information Security Forum	ICT	98103x/2013	Advice & Consultancy	Fieldwork	
<b>Service Requests</b>					
Local Council Tax Scheme	Finance Service	00510/2013	Advice & Consultancy	Fieldwork	
Corporate Credit cards	Corporate Finance	10908/2013	Assurance	Fieldwork	
Leases	Corporate Finance	10927/2013	Assurance	ToR issued	
Petty Cash Usage	Corporate Finance	10928/2013	Assurance	Preparation	
Access Controls	ICT	98037/2013	Assurance	NYS	
Public Services Network	ICT	98108/2013	Assurance	Preparation	
Invoice scanning and indexing	Finance Service	10465/2013	Advice & Consultancy	Preparation	
Oracle EPM project	Corporate Finance	10616/2013	Advice & Consultancy	Preparation	
Oracle BI project	Corporate Finance	10617/2013	Advice & Consultancy	Preparation	
Oracle R12 project	Corporate Finance	10618/2013	Advice & Consultancy	Preparation	
Collection Fund	Finance Service	10926/2013	Advice & Consultancy	NYS	
<b>Unplanned work</b>					
RIPA	Legal & Democratic	11011a/2013	Assurance	Preparation	
ICON v11 project	Finance Service	10460/2013/01	Advice & Consultancy	Fieldwork	
<b>ACE</b>					
<b>Work in progress @ 30/06/12</b>					
Records Management	Planning & Perf.	11010x/2013/04	Assurance	Fieldwork	
<b>Audits deferred from 2011/12</b>					
PGF: AAP Information Governance	Parts & Comm Eng.	11000x/2013/03	Assurance	Preparation	
Data Protection - Encryption	Planning & Perf.	11010x/2013/03	Assurance	ToR issued	
Development of Intranet	Policy & Comms	11005x/2013	Assurance	ToR issued	
Business Continuity Planning	Policy & Comms	11001/2013	Assurance	NYS	
<b>Audits scheduled from the strategic plan</b>					
Partnership Governance Framework	Parts & Comm Eng.	11000/2013	Assurance	Preparation	
Data Protection - Training	Planning & Perf.	11018/2013/01	Assurance	Preparation	
Data Protection - Data Access	Planning & Perf.	11018/2013/02	Assurance	NYS	
Data Quality - Rolling Programme	Planning & Perf.	11080/2013	Assurance	NYS	
Communications - Internet	Policy & Comms	11017/2013/02	Assurance	NYS	

**Appendix 4**

**DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2012 TO 30 JUNE 2013  
Progress as at 30 September 2012**

Service	Audit Ref	Review Type	Status	Assurance Opinion
Information Governance Group	11010/2013	Advice & Consultancy	FI	
Communications - Internet Development.	11017/2013/01	Advice & Consultancy	Preparation	
Community Buildings	11019/2013	Advice & Consultancy	Preparation	
<b>RED</b>				
<b>Work in progress @ 30/06/12</b>				
Capital contract review	99805x/2013/01	Advice & Consultancy	Fieldwork	
<b>Audits deferred from 2011/12</b>				
Implementation of new planning system	26035/2013	Advice & Consultancy	In Progress	
Grants process	00600/2013	Assurance	ToR issued	
Business Durham	13561/2013	Assurance	NYS	
HR ALMOs Contract Monitoring	00810/2013	Assurance	Preparation	
Taxi Contracts follow up	25895/2013	Advice & Consultancy	Not Started	
<b>Audits scheduled from the strategic plan</b>				
Ad hoc grant certification work	00601/2013	Grant Certification	In Progress	
Visit County Durham	14615/2013	Assurance	Preparation	
Private Sector Housing	13562/2013	Assurance	NYS	
Housing Tenancies	00820/2013	Assurance	NYS	
Supported Housing	13092/2013	Assurance	ToR issued	
<b>Service Requests</b>				
Development Control - Mystery Shopping	26040/2013	Assurance	ToR issued	
Project Genesis	26045/2013	Advice & Consultancy	Preparation	
Projects outside of scope of corporate programme	26046/2013	Advice & Consultancy	Not Started	
Utility Bills	26047/2013	Assurance	Preparation	
<b>NS</b>				
<b>Work in progress @ 30/06/12</b>				
Management of Gym Memberships	12260/2012.bf	Assurance	Field work completed	
Trade Waste	22010/2012.bf	Assurance	Final Report	N/A
Pollution Control	12265/2012.bf	Assurance	TOR issued	
Highways Maintenance	25890/2012.bf	Assurance	TOR Drafted	

**Appendix 4**

**DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2012 TO 30 JUNE 2013  
Progress as at 30 September 2012**

	<b>Service</b>	<b>Audit Ref</b>	<b>Review Type</b>	<b>Status</b>	<b>Assurance Opinion</b>
Repairs and Maintenance	Direct Services - Building and Facilities Maintenance	20011/2012.bf	Assurance	Field work completed	
<b>Audits scheduled from the strategic plan</b>					
Bereavement Services	Direct Services - Streetscene	13003/2013	Assurance	NYS	
Non Council Services	Direct Services - Fleet	20100/2013/01	Assurance	TOR issued	
Enforcement & Education	Direct Services - Streetscene	13421/2013	Assurance	NYS	
Construction Services and Planned Maintenance Programme	Direct Services - Building and Facilities Maintenance	60720/2013	Assurance	NYS	
Housing Maintenance	Direct Services - Building and Facilities Maintenance	13098/2013	Assurance	NYS	
Public Health Enforcement - Housing Multiple Occupation Licences	EHCP - Environmental Protection	13031/2013	Assurance	TOR Drafted	
Events Management ( Compliance testing - follow up from 2011/12)	Sport & Leisure - Events Management	13430/2013	Assurance	Draft Report	
Stores	Stores Management	20020/2013	Assurance	Draft Report	
Trade Waste	Direct Services - Streetscene	22010/2012.bf	Assurance	NYS	
<b>Service Requests</b>					
Stores Management - On site processes for stores management / disposal of waste materials	Technical Services Direct Services	25001/2013	Assurance	Draft Report	
Budgetary Control - Focus on management of duplicate receipting of expenditure on system and allocation of costs to budget heads	Technical Services	10635/2013	Assurance	TOR Drafted	
Cash reconciliation, cash receipting (including analysis of alternative methods) and recovery	Sport & Leisure - Indoor Facilities	10435/2013/01	Advice & Consultancy	NYS	
Energy Management Arrangements	Sport & Leisure - Indoor Facilities	13422/2013	Advice & Consultancy	Fieldwork	
County Durham Sport	Sport & Leisure - Indoor Facilities	12211/2013	Grant Certification	NYS	

**Appendix 4**

**DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2012 TO 30 JUNE 2013  
Progress as at 30 September 2012**

	<b>Service</b>	<b>Audit Ref</b>	<b>Review Type</b>	<b>Status</b>	<b>Assurance Opinion</b>
Markets	EHCP - Consumer Protection	13351/2013	Advice & Consultancy	NYS	
Gala Theatre	Sport & Leisure - Indoor Facilities	14901/2013	Assurance	Draft report	
MTPF Savings	Direct Services - County Fleet	20100/2013/02	Advice & Consultancy	NYS	
<b>Unplanned Work</b>					
School Crossing Patrol - Retainer payment arrangements.	Technical Services	99803/2013/03	Assurance	TOR Drafted	
NS - QMS	Direct Services - Building and Facilities Maintenance	99806/2013/03	Advice and Consultancy	NYS	
<b>CAS</b>					
<b>Work in progress @ 30/06/12</b>					
PAYP	County Wide Services	88805/2012.bf	Assurance	Draft Report	
Procurement in Schools	Early Intervention & Partnership Service	70056/2012.bf	Assurance	Draft Report	
Caldicott compliance	Directorate (former CYPs)	58810/2012.bf	Assurance	Draft Report	
School Catering	Achievement Services	70220/2012.bf	Assurance	Field Work Complete	
One Point - Children's services for under 5 year olds and their families	Early Intervention & Partnership Service	70245/2012/bf	Assurance	TOR Issued	
Public Health Transition	PPP	50075/2013	Advice & Consultancy	Field Work Started	
SSID system review	PPP	58800/2012.bf	Assurance	Field Work Complete	
<b>Audits deferred from 2011/12</b>					
Planning & Quality Assurance within CYPs and the Children's and Families Trust	Early Intervention & Partnership Service	70050/2013	Assurance	Planned	
POPPIE system review	PPP	58802x/2013	Assurance	NYS	

Appendix 4

**DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2012 TO 30 JUNE 2013**  
**Progress as at 30 September 2012**

Service	Audit Ref	Review Type	Status	Assurance Opinion
<b>Audits scheduled from the strategic plan</b>				
Looked After Children -to perform follow-up on VFM study undertaken by Service	78463/2013	Assurance	NYS	
Specialist Services - to focus on prevention and early intervention	78473/2013	Assurance	NYS	
School Admissions	70235/2013	Advice & Consultancy	NYS	
Learning Support Services	78462/2013	Assurance	NYS	
Durham Schools Continuing Professional Development Partnership	78474/2013	Assurance	Cancelled	
Safeguarding of Children in Schools	78475/2013	Assurance	NYS	
<b>School's cyclical audit programme</b>				
Seascope Primary School	72004/2013	Assurance	NYS	
Sacrston Nursery and Infant School	72123/2013	Assurance	NYS	
Broom Cottages Primary and Nursery School	72400/2013	Assurance	Draft Report	
Langley Moor Primary School	72455/2013	Assurance	NYS	
Blackhall Colliery Primary School	72737/2013	Assurance	Field Work Completed	
King Street Primary School	72750/2013	Assurance	Field Work Completed	
St. Mary Magdalen R.C. Aided Primary School	73301/2013	Assurance	NYS	
Wolsingham School and Community College	74139/2013	Assurance	NYS	
Wellfield School	74218/2013	Assurance	NYS	
Troubled Families Programme		Assurance	NYS	
County Durham Care and Support - Shared Lives	50080/2013	Assurance	Field Work Started	
Professional Practice Oversight of Care Management Processes	50085/2013	Assurance	NYS	
Management of service users finances and property	50006/2013	Assurance	TOR issued	
Caldicott Compliance	58809/2013	Assurance	NYS	
<b>Service Requests</b>				
School Attendance Enforcement	78453/2013	Advice & Consultancy	Complete	
Award of additional pay in Schools	78464/2013	Assurance	NYS	
School Benevolent Fund	70107/2013	Advice & Consultancy	NYS	
Medium Term Financial Plan - Home to School and College Transport	70068/2013	Assurance	NYS	

**DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2012 TO 30 JUNE 2013**  
**Appendix 4**  
**Progress as at 30 September 2012**

	<b>Service</b>	<b>Audit Ref</b>	<b>Review Type</b>	<b>Status</b>	<b>Assurance Opinion</b>
One Point - Arrangements with the Health Service	Early Intervention & Partnership Service	70245/2013	Assurance	NYS	
Personalisation	Adult Care /Commissioning	50031/2013	Assurance	NYS	
Direct Payments	Adult Care /Commissioning	50030/2013	Assurance	Field Work Started	
Blue Badge Scheme ( Part of NFI exercise)	PPP		Counter Fraud	Data Submitted	
Adult Learning	Social Inclusion	50065/2013	Assurance	NYS	

**FINAL REPORTS ISSUED THIS QUARTER****2011/12 Audits**

<b>Audit Area</b>	<b>Brief Scope</b>	<b>Opinion</b>
<b>NS</b>		
Trade Waste	Following a service restructure, it was agreed that the review would be limited to identification of operational risks, the control framework for those risks, and discussing, where appropriate, suggested improvements to the control framework to incorporate further appropriate controls into processes prior to full implementation. It was agreed that detailed testing would be undertaken between Apr – Jun 2013.	N/A
<b>RED</b>		
ALMO Rent Collection	Review of the controls in place at East Durham Homes and Dale and Valley Homes to manage risks associated with rent collection. The review also provided assurance that adequate reconciliations are carried out between Oracle and the ALMOs Financial Management Systems and that the relevant elements of the contractual ALMO management agreement are adhered to.	Moderate
<b>RES</b>		
Declarations of Interest (Members)	Counter fraud review to identify any potential fraudulent or inappropriate activity arising from any declared or undeclared Member interests.	N/A
Review of Creditor Payments	Counter fraud review to identify potential duplicate payments.	N/A
ER/VR arrangements	Assurance review of the controls in place to manage risks associated with ER/VR arrangements	Substantial
Budgetary control and financial reporting	<p>Review of the arrangements in place to provide assurance that;</p> <ul style="list-style-type: none"> <li>- The budget supports strategic and operational objectives</li> <li>- Budget targets are communicated</li> <li>- Budgets are broken down to an appropriate level to allow for monitoring</li> <li>- The budget position is reported on regularly and is up to date</li> <li>- Reports are easily understood</li> <li>- Budgets are uploaded correctly into the financial system</li> <li>- Variances are reported upon</li> </ul> <p>The review did not include the budget setting process.</p>	Substantial
Procurement: Exemptions and Variations	Assurance review of the controls in place to ensure that procurement is managed consistently across the Council.	Moderate
Applications Review	<p>Assurance review of the controls in place to manage the following risks;</p> <ul style="list-style-type: none"> <li>- Unauthorised software is purchased and installed</li> <li>- Software contracts are not monitored</li> </ul>	Moderate

Audit Area	Brief Scope	Opinion
	<ul style="list-style-type: none"> <li>- Non compliance with policies and procedures for the procurement and approval of software</li> </ul>	
Treasury Management:	<p>Assurance review of the controls in arrangements in place for;</p> <ul style="list-style-type: none"> <li>- Defining the strategy</li> <li>- Performance and governance</li> <li>- Making investments</li> <li>- Long term debt</li> <li>- Electronic funds transfer</li> </ul>	Moderate

### 2012/13 Audits

Health & Safety	<p>A control risk assessment was developed to identify the key risks and expected controls. However, no testing was carried out as reliance on the effectiveness of controls was taken from a variety of other assurance sources. As only low priority issues had resulted from other reviews, a substantial level of assurance could be provided that H &amp; S arrangements across the Council are effective in managing identified risks.</p>	Substantial
Expenses & Allowances	<p>Assurance review of the arrangements in place to ensure that;</p> <ul style="list-style-type: none"> <li>- Supporting documentary evidence is retained</li> <li>- Payments made are correct</li> <li>- Claims are submitted promptly</li> <li>- Payments are timely</li> <li>- Information and data are protected from loss, damage or unauthorised disclosure</li> <li>- Costs are minimised</li> </ul>	Moderate
General Ledger: Key controls & reconciliations	<p>The scope of this audit was to provide assurance on the management of the issues highlighted in the Audit Commission's Interim Governance and Annual Governance Reports for 2010/11.</p>	Limited



Risk Category	Actions Raised	Actions Due( OID)	Actions Implemented			Overdue Actions by original target date		Actions where original target date revised		Overdue actions where revised target date agreed	Actions Due (RID)	Revised Total Recommendations Overdue	Revised Total Recommendations overdue %
			Due	Not Yet Due	Total	No	%	No	%				
1	2	3	4	5	6	7	8	9	10	11	12	13	14
						(3-4)					(3-9+11)	(7-9+11)	(13/3*100)
<b>ACE</b>													
2011/12													
High	0	0	0	0	0	0	0	0	0	0	0	0	0
Medium	5	5	4	0	4	1	20	1	100	0	4	0	0
<b>Total</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>20</b>	<b>1</b>	<b>100</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>20</b>	<b>1</b>	<b>100</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>
2010/11													
High	15	15	15	0	15	0	0	0	0	0	15	0	0
Medium	66	66	64	0	64	2	3	2	100	1	66	1	1
<b>Total</b>	<b>81</b>	<b>81</b>	<b>79</b>	<b>0</b>	<b>79</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>100</b>	<b>1</b>	<b>81</b>	<b>1</b>	<b>1</b>
2011/12													
High	11	9	8	0	8	1	0	1	100	1	9	1	11
Medium	28	26	21	0	21	5	0	0	0	0	26	5	19
<b>Total</b>	<b>39</b>	<b>35</b>	<b>29</b>	<b>0</b>	<b>29</b>	<b>6</b>	<b>0</b>	<b>1</b>	<b>17</b>	<b>1</b>	<b>35</b>	<b>6</b>	<b>17</b>
2012/13													
High	2	0	0	0	0	0	0	0	0	0	0	0	0
Medium	6	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>128</b>	<b>116</b>	<b>108</b>	<b>0</b>	<b>108</b>	<b>8</b>	<b>7</b>	<b>3</b>	<b>38</b>	<b>2</b>	<b>116</b>	<b>7</b>	<b>6</b>
<b>NES</b>													
2009/10													
High	71	71	71	0	71	0	0	0	0	0	71	0	0
Medium	102	102	100	0	100	2	2	2	100	1	101	1	1
<b>Total</b>	<b>173</b>	<b>173</b>	<b>171</b>	<b>0</b>	<b>171</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>100</b>	<b>1</b>	<b>172</b>	<b>1</b>	<b>1</b>
2010/11													
High	33	33	32	0	32	1	3	1	100	0	32	0	0
Medium	104	104	104	0	104	0	0	0	0	0	104	0	0
<b>Total</b>	<b>137</b>	<b>137</b>	<b>136</b>	<b>0</b>	<b>136</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>100</b>	<b>0</b>	<b>136</b>	<b>0</b>	<b>0</b>

Risk Category	Actions Raised	Actions Due( OID)	Actions Implemented			Overdue Actions by original target date		Actions where original target date revised		Overdue actions where revised target date agreed	Actions Due (RID)	Revised Total Recommendations Overdue	Revised Total Recommendations overdue %
			Due	Not Yet Due	Total	No	%	No	%				
1	2	3	4	5	6	7	8	9	10	11	12	13	14
						(3-4)					(3-9+11)	(7-(9+11))	(13/3*100)
<b>2011/12</b>													
High	6	5	4	0	4	1	20	1	100	1	5	1	20
Medium	55	49	36	0	36	13	27	10	77	4	43	7	14
<b>Total</b>	<b>61</b>	<b>54</b>	<b>40</b>	<b>0</b>	<b>40</b>	<b>14</b>	<b>26</b>	<b>11</b>	<b>79</b>	<b>5</b>	<b>48</b>	<b>8</b>	<b>15</b>
<b>2012/13</b>													
High	0	0	0	0	0	0	0	0	0	0	0	0	0
Medium	1	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>372</b>	<b>364</b>	<b>347</b>	<b>0</b>	<b>347</b>	<b>17</b>	<b>5</b>	<b>14</b>	<b>82</b>	<b>6</b>	<b>356</b>	<b>9</b>	<b>2</b>
<b>RED</b>													
<b>2009/10</b>													
High	75	75	75	0	75	0	0	0	0	0	75	0	0
Medium	117	117	114	0	114	3	3	3	100	2	116	2	2
<b>Total</b>	<b>192</b>	<b>192</b>	<b>189</b>	<b>0</b>	<b>189</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>100</b>	<b>2</b>	<b>191</b>	<b>2</b>	<b>1</b>
<b>2010/11</b>													
High	18	18	17	0	17	1	6	0	0	0	18	1	6
Medium	45	45	40	0	40	5	11	4	80	0	41	1	2
<b>Total</b>	<b>63</b>	<b>63</b>	<b>57</b>	<b>0</b>	<b>57</b>	<b>6</b>	<b>10</b>	<b>4</b>	<b>67</b>	<b>0</b>	<b>59</b>	<b>2</b>	<b>3</b>
<b>2011/12</b>													
High	3	3	2	0	2	1	33	0	0	0	3	1	33
Medium	34	33	31	0	31	2	6	2	1	0	31	0	0
<b>Total</b>	<b>37</b>	<b>36</b>	<b>33</b>	<b>0</b>	<b>33</b>	<b>3</b>	<b>8</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>34</b>	<b>1</b>	<b>3</b>
<b>2012/13</b>													
High	0	0	0	0	0	0	0	0	0	0	0	0	0
Medium	3	1	1	0	1	0	0	0	0	0	1	0	0
<b>Total</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>295</b>	<b>292</b>	<b>280</b>	<b>0</b>	<b>280</b>	<b>12</b>	<b>4</b>	<b>9</b>	<b>75</b>	<b>2</b>	<b>285</b>	<b>5</b>	<b>2</b>
<b>RES</b>													
<b>2009/10</b>													
High	46	46	45	0	45	1	2	1	100	0	45	0	0
Medium	76	76	76	0	76	0	0	0	0	0	76	0	0
<b>Total</b>	<b>122</b>	<b>122</b>	<b>121</b>	<b>0</b>	<b>121</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>100</b>	<b>0</b>	<b>121</b>	<b>0</b>	<b>0</b>

Risk Category	Actions Raised	Actions Due( OID)	Actions Implemented			Overdue Actions by original target date		Actions where original target date revised		Overdue actions where revised target date agreed	Actions Due (RID)	Revised Total Recommendations Overdue	Revised Total Recommendations overdue %
			Due	Not Yet Due	Total	No	%	No	%				
1	2	3	4	5	6	7	8	9	10	11	12	13	14
						(3-4)					(3-9+11)	(7-9+11)	(13/3*100)
<b>2010/11</b>													
High	65	64	60	0	60	4	6	4	100	0	60	0	0
Medium	90	90	87	0	87	3	3	3	100	0	87	0	0
<b>Total</b>	<b>155</b>	<b>154</b>	<b>147</b>	<b>0</b>	<b>147</b>	<b>7</b>	<b>5</b>	<b>7</b>	<b>100</b>	<b>0</b>	<b>147</b>	<b>0</b>	<b>0</b>
<b>2011/12</b>													
High	26	22	11	0	11	11	50	11	100	0	11	0	0
Medium	91	79	58	1	59	21	27	21	100	0	58	0	0
<b>Total</b>	<b>117</b>	<b>101</b>	<b>69</b>	<b>1</b>	<b>70</b>	<b>32</b>	<b>32</b>	<b>32</b>	<b>100</b>	<b>0</b>	<b>69</b>	<b>0</b>	<b>0</b>
<b>2012/13</b>													
High	9	1	1	0	1	0	0	0	0	0	1	0	0
Medium	45	32	28	0	28	4	13	4	100	0	28	0	0
<b>Total</b>	<b>54</b>	<b>33</b>	<b>29</b>	<b>0</b>	<b>29</b>	<b>4</b>	<b>12</b>	<b>4</b>	<b>100</b>	<b>0</b>	<b>29</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>448</b>	<b>410</b>	<b>366</b>	<b>1</b>	<b>367</b>	<b>44</b>	<b>11</b>	<b>44</b>	<b>100</b>	<b>0</b>	<b>366</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>													
<b>2009/10</b>													
High	192	192	191	0	191	1	1	1	100	0	191	0	0
Medium	295	295	290	0	290	5	2	5	100	3	293	3	3
<b>Total</b>	<b>487</b>	<b>487</b>	<b>481</b>	<b>0</b>	<b>481</b>	<b>6</b>	<b>1</b>	<b>6</b>	<b>100</b>	<b>3</b>	<b>484</b>	<b>3</b>	<b>1</b>
<b>2010/11</b>													
High	131	130	124	0	124	6	5	5	83	0	125	1	1
Medium	305	305	295	0	295	10	3	9	90	1	298	2	0
<b>Total</b>	<b>436</b>	<b>435</b>	<b>419</b>	<b>0</b>	<b>419</b>	<b>16</b>	<b>4</b>	<b>14</b>	<b>88</b>	<b>1</b>	<b>423</b>	<b>3</b>	<b>1</b>
<b>2011/12</b>													
High	46	39	25	0	25	14	36	13	93	2	28	3	8
Medium	213	192	150	1	151	42	22	34	81	4	162	12	6
<b>Total</b>	<b>259</b>	<b>231</b>	<b>175</b>	<b>1</b>	<b>176</b>	<b>56</b>	<b>24</b>	<b>47</b>	<b>84</b>	<b>6</b>	<b>190</b>	<b>15</b>	<b>6</b>
<b>2012/13</b>													
High	11	1	1	0	1	0	0	0	0	0	1	0	0
Medium	55	33	29	0	29	4	12	4	100	0	29	0	0
<b>Total</b>	<b>66</b>	<b>34</b>	<b>30</b>	<b>0</b>	<b>30</b>	<b>4</b>	<b>12</b>	<b>4</b>	<b>100</b>	<b>0</b>	<b>30</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>1248</b>	<b>1187</b>	<b>1105</b>	<b>1</b>	<b>1106</b>	<b>82</b>	<b>7</b>	<b>71</b>	<b>87</b>	<b>10</b>	<b>1127</b>	<b>21</b>	<b>2</b>

This page is intentionally left blank

**APPENDIX 7**

**PLEASE SEE ITEM NO. 14  
AS APPENDIX EXEMPT**

This page is intentionally left blank

## Performance Indicators as at September 2012

<b>Objective: To provide maximum assurance to inform the annual audit opinion</b>			
<b>Efficiency</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	<b>Actual</b>
<b>KPI</b>			
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage	90% Annually	Not yet due
Timeliness of Draft Reports	% of draft reports issued within 30 Calendar days of end of fieldwork/closure interview Average time taken is also reported for information	90% (Quarterly)	96% 11 days on average
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response Average time taken is also reported for information	95% (Quarterly)	93% 4 days on average
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)	100%
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)	97%
<b>Quality</b>			
<b>KPI</b>			
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Quarterly)	92%
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (4 out of 5) where 1 is poor and 5 is very good	100% (Quarterly)	100%
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	25%
<b>Cost</b>			
<b>KPI</b>			
Cost per chargeable audit day	CIPFA Benchmarking Club – Comparator Group (Unitary)	Lower than average (Annually)	Yes 2011/12 Actual – £279 average £313

This page is intentionally left blank



**Audit Committee**

**22 November 2012**



**Action Plan  
2011/12 Audit of Accounts**

---

**Report of Don McLure, Corporate Director Resources**

---

**Purpose of the Report**

- 1 The purpose of this report is to present an action plan, for Members information, consolidating all agreed recommendations for improving control weaknesses incorporated in the External Auditor's 2011/12 Interim and Final Governance Reports.
- 2 The action plan is to be used by management for monitoring purposes and is reported to the Committee as part of the regular reporting leading to the approval of the Statement of Accounts for 2012/13.
- 3 The report is presented in accordance with paragraph 4.1.26 of the Committee's Operational Terms of Reference, "to monitor progress made by management in response to both internal and external audit findings and recommendations".

**The Action Plan**

- 4 In July, when the Statement of Accounts was reported to the Committee, it was agreed that an Action Plan based on the findings of the External Audit's Interim and Annual Governance reports which were presented to the Committee in May and September respectively, would be drawn up and reported to the Committee.
- 5 Items that were included in the Action Plan for 2010/11 which feature again in 2011/12's reports are marked \*. Actions from 2010/11 plan that have not been included are considered to have been completed from an External Audit point of view.
- 6 Responsibility for the actions agreed with the External Auditor has been identified and in some cases responses recorded. The responsibilities in the Annual Governance Report Action Plan have been amended to an appropriate officer from those recorded in the version reported to Committee in September.
- 7 Updated action plans incorporating progress made to date are included at Appendix 2 for the Interim Governance Report and Appendix 3 for the Annual Governance Report.

- 8 All recommendations have a response to the Auditor's findings and an action plan to remedy the weakness identified. In some cases the weakness has already been addressed; these recommendations are marked as complete.
- 9 Actions that are complete require evidence to assure the Corporate Director Resources and External Audit that the recommendation has been implemented.
- 10 As the remaining recommendations are considered by officers in more detail, there will be discussions with External Audit to ensure that the controls and procedures, either in place, or to be implemented are in line with the Auditor's expectations.
- 11 It is possible however, that not all recommendations will be implemented in full. Any such variations will be agreed with the Corporate Director Resources and the reasons discussed with the External Auditor.

### **Monitoring Progress**

- 12 The Action Plan will be incorporated into Resources Performance Management Framework. Progress on the Plan will be monitored by Resources Policy Performance and Planning Manager with an update on progress to the Audit Committee meeting on 21 February 2013.

### **Recommendation and reasons**

- 13 Members are asked to note the action plan attached at Appendix 2 and to gain assurance that control weaknesses identified through the final account audit process are being appropriately addressed.

---

**Contact: Hilary Appleton Tel: 03000 266239**

---

---

## **Appendix 1: Implications**

---

**Finance –**

None

**Staffing -**

None

**Risk -**

None

**Equality and Diversity -**

None

**Accommodation -**

None

**Crime and Disorder -**

None

**Human Rights -**

None

**Consultation -**

None

**Procurement -**

None

**Disability Discrimination Act -**

None

**Legal Implications -**

None

This page is intentionally left blank

Appendix 2 Interim Governance Report - Action Plan

No.	2010/11 Finding	2011/12 Finding	Accountable Officer - Head of Service	Responsibility	Priority	Auditor comments	Response	Actions	Evidence
1	<p><b>Recommendation 1: General Ledger – Journal documentation (Ex.6)</b> Supporting documentation should accompany all journals. This will allow the 'inputter' to view the documentation to ensure its accuracy before posting.</p> <p>No supporting documentation accompanies journals when sent to the Ledger Management Team for input. Instead departments keep all documentation. It is therefore not clear how the Ledger Management Team know the amounts in the journals are accurate.</p>	<p><b>Recommendation 1: General Ledger – Journal documentation (Ex.6)</b> Supporting documentation should accompany all journals. This will allow the 'inputter' to view the documentation to ensure its accuracy before posting.</p>	<p>Jeff Garfoot / Paul Darby</p>	<p>Strategic Finance - ALL / Service Finance - ALL</p>	<p>High</p>	<p>The risk is journals being input with no understanding of what the journal is for and that inaccurate journals are input into the General Ledger</p>	<p>Journals are prepared and reviewed by service accountants who retain the appropriate documentation. The Ledger Management team role is to process journals in Oracle and ensure they are correctly input into the system. Accuracy checks on the journal entries are carried out in service.</p>	<p><b>Supporting documentation is attached to all journal entries submitted after 31 December 2012</b></p>	<p>31 December 2012</p>
2	<p><b>Recommendation 2: General Ledger: Journal authorisation (Ex.7)</b> The Council should introduce the review and authorisation of journals before posting to the General Ledger.</p> <p>A journal chosen during the walkthrough had no evidence of authorisation prior to input into the GL. There is no requirement for journal entries to be reviewed and authorised by a senior officer prior to upload.</p>	<p><b>Recommendation 2: General Ledger: Journal authorisation (Ex.7)</b> The Council should introduce the review and authorisation of journals before posting to the General Ledger.</p>	<p>Jeff Garfoot</p>	<p>Strategic Finance - Hlary Appleton</p>	<p>High</p>	<p>Without authorisation there is a risk that errors may not be identified prior to the Journal being input and that inappropriate journals could be posted to the GL</p>	<p>The review and authorisation of journals was discussed at the last audit. The review of journals processed by the system is not possible as the system does not allow the user to be authorised. Strategic Finance will issue instruction to all service accounting teams to review and approve journals prior to entering into the General Ledger. This recommendation was the subject of an internal audit review to establish best practice.</p>	<p>Process a method of journal approval Review all Journals Review with External Audit Implement a process of Journal Approvals</p>	<p>31 December 2012</p>
3	<p><b>Recommendation 3: General Ledger: Dataset reconciliations (Ex.8)</b> The Council should complete regular reconciliations of dataset upload files.</p> <p>ICOM cash receipts, Durham City Homes rents and payroll datasets are uploaded into the GL. There is a risk of amendments to the datasets before posting to the General Ledger. Officers have introduced Payroll and cash receipts upload file reconciliations. However, there is no reconciliation of the Durham rents upload file to the General Ledger. This also affects GL AIM uploads because of the .dat format, resulting in the possibility of an amendment of files before upload into General Ledger.</p>	<p><b>Recommendation 3: General Ledger: Dataset reconciliations (Ex.8)</b> The Council should complete regular reconciliations of dataset upload files.</p>	<p>Jeff Garfoot / Paul Darby</p>	<p>Strategic Finance - Ledger Management Team/Service Finance - ALL</p>	<p>Medium</p>	<p>Partially a Ledger Management issue. There are amendments made to files to allow processing. This is to change headers, footers or periods to ensure that files are 'unique', particularly that they have unique headers so that they can be successfully uploaded into Oracle. The originating service can produce more than one file of data per day with the same header which it is not possible to amend. However, introducing the appropriate system would be costly and unlikely to be a priority. Confirmation from ICT Services that it is possible to lock the file(s) would need to be sought. As all amendments are processed via the correction facility in Oracle, there is no reason, subject to IT being able to arrange this, that files may not be locked.</p>	<p>Request ICT arrange the locking of files, if possible to do this.</p>	<p>31 December 2012</p>	
4	<p><b>Recommendation 4: General Ledger: Opening Balances (Ex.9)</b> The Council should document a review of the opening balances to confirm the General Ledger has brought the correct balances forward.</p> <p>The Oracle General Ledger automatically carries forward Opening balances. Officers are unaware of any procedures to check opening balances carried forward are correct.</p>	<p><b>Recommendation 4: General Ledger: Opening Balances (Ex.9)</b> The Council should document a review of the opening balances to confirm the General Ledger has brought the correct balances forward.</p>	<p>Jeff Garfoot</p>	<p>Strategic Finance/Financial Systems Support</p>	<p>Medium</p>	<p>Oracle does not bring forward balances; it perpetually calculates balances on account from the sum of the transactions. The opening balances were checked by officers after amendments were made following the audit of the Statement of Accounts to ensure that the ledger matched the Statement of Accounts.</p>	<p>Check the opening balances in Oracle are consistent with the Statement of Accounts. Record the verification of the balances and sign off.</p>	<p>30 November 2012</p>	
5	<p><b>Recommendation 5: General Ledger: Trial Balance (Ex.10)</b> The Council should complete regular trial balances to ensure there are no major differences.</p> <p>Completion of regular trial balances has not taken place during 2011/12. Trial balances are instead only completed at the year-end</p>	<p><b>Recommendation 5: General Ledger: Trial Balance (Ex.10)</b> The Council should complete regular trial balances to ensure there are no major differences.</p>	<p>Jeff Garfoot</p>	<p>Strategic Finance - lan Herberson</p>	<p>Medium</p>	<p>Agreed. Trial balances are being undertaken weekly, daily during the final accounts period. A trial balance was run on 5 March 2012, ahead of the final accounts period and was in balance. During the year, trial balances should be run to ensure the system is in balance. On a monthly basis, there should also be a reconciliation to the Discoverer Reports. During the year, trial balances should be a reconciliation to the Discoverer Reports. On a monthly basis, there should also be a reconciliation to the Discoverer Reports.</p>	<p>Ensure that Trial Balances are produced on a regular basis Ensure that the Trial Balances are reviewed and corrective action taken where necessary. Ensure that the Trial Balances are filed centrally for evidence of completion and correctness.</p>	<p>30 November 2012</p>	
6	<p><b>Recommendation 6: General Ledger: Electronic authorisation (Ex.11)</b> The Council should introduce a system of approving reconciliations using emails. This will require the approving officer to email the preparer to confirm the reconciliation is accurate.</p> <p>Officers complete monthly Drive to Oracle reconciliations. A suitable officer then reviews and approves the reconciliation. This is an electronic authorisation which makes it difficult to verify the officer reviewing the reconciliation.</p>	<p><b>Recommendation 6: General Ledger: Electronic authorisation (Ex.11)</b> The Council should introduce a system of approving reconciliations using emails. This will require the approving officer to email the preparer to confirm the reconciliation is accurate.</p>	<p>Jeff Garfoot</p>	<p>Strategic Finance - lan Herberson</p>	<p>Medium</p>	<p>The weekly reconciliation of the files processed through the AIM interface from the former District Councils' Agresso systems to Oracle no longer occurs. As the Agresso systems have been decommissioned, this reconciliation is no longer applicable.</p>	<p>Complete</p>	<p>Required</p>	
7	<p><b>Recommendation 7: Payroll: No authorised signatories list (Ex.14)</b> Either the Payroll section or the Service Departments should introduce an authorised signatories list, to help reduce the risk of submission of fraudulent time sheets</p> <p>Officers complete monthly Drive to Oracle reconciliations. A suitable officer then reviews and approves the reconciliation. This is an electronic authorisation which makes it difficult to verify the officer reviewing the reconciliation.</p>	<p><b>Recommendation 7: Payroll: No authorised signatories list (Ex.14)</b> Either the Payroll section or the Service Departments should introduce an authorised signatories list, to help reduce the risk of submission of fraudulent time sheets</p>	<p>Kim Jobson</p>	<p>HR - Payroll and Pensions - Nick Orton</p>	<p>Medium</p>	<p>The risk is the submission of inaccurate or fraudulent claims without the knowledge of the supervising officer</p>	<p>At present, a check is carried out to establish that timesheets are claims have been signed off by an authorised signatory. The current system is a self service basis similar to the MyView system, should be achievable though it is not possible at this time to determine the true cost or savings that would be required / achieved through such a system. A ResourceLink development plan is in the process of being developed and it is expected that this will be included as a potential system development. Appropriate high level governance arrangements are in place to monitor the development of the ResourceLink system through project board arrangements</p>	<p>Record on the development of the functionality to ResourceLink to allow electronic submission of claims Move to electronic submission of claims - subject to above action Following the development of a ResourceLink development plan, implement a module for recording additional hours.</p>	<p>30 September 2014</p>
8	<p><b>Recommendation 8: Payroll: BACS pay run authorisation (Ex.15)</b> The Payroll section should introduce a BACS submission file. After creating a BACS submission file, the Team Supervisor authorises a hard copy of the file. However, no Team Supervisor had authorised the BACS submission file tested during audit.</p>	<p><b>Recommendation 8: Payroll: BACS pay run authorisation (Ex.15)</b> The Payroll section should introduce a BACS submission file. After creating a BACS submission file, the Team Supervisor authorises a hard copy of the file. However, no Team Supervisor had authorised the BACS submission file tested during audit.</p>	<p>Kim Jobson</p>	<p>HR - Payroll and Pensions - Nick Orton</p>	<p>Medium</p>	<p>The risk is that no review of the BACS submission file took place, increasing the risk of inaccurate payments.</p>	<p>AT BACS submission files are now authorised by a Team Supervisor.</p>	<p>Complete</p>	<p>Required</p>

No.	2010/11 Finding	2011/12 Finding	Accountable Officer - Responsibility Head of Service	Priority	Auditor comments	Response	Actions	Complete by:	Evidence
9		<p><b>Recommendation 9: Payroll: Voluntary Redundancy agreement not signed and returned by leaver (Ex. 18).</b> The Council should ensure all employees leaving have returned signed copies of the redundancy agreements.</p> <p>The leaver tested had not signed and returned the voluntary redundancy agreement sent by the Council. Officers confirmed the employee should have returned a signed agreement. However, because of the volume of redundancies processed during the year they have been unable to check the return of all redundancy agreements.</p>	Kim Jobson	Medium	The risk is that the Council incorrectly processes voluntary redundancies without the individual concerned agreeing to take HR Service) and in this regard audit and monitoring checks will be implemented to ensure all cases have the appropriate signatures prior to agreement to cases.	From June 2012 the process will be undertaken from one central point (The new HR Service) and in this regard audit and monitoring checks will be implemented to ensure all cases have the appropriate signatures prior to agreement to cases.	Complete the reconciliations. Review and authorise the reconciliations File the reconciliations to evidence completion.	30 November 2012	Complete
10		<p><b>Recommendation 10: Payroll: Reconciliation of payroll upload files to GL (Ex.19)</b> The Council should ensure a senior officer reviews and authorises all reconciliations in retrospect. The Ledger Management Team completes a monthly reconciliation between the Payroll upload files and the General Ledger. However, there is no independent review and authorisation of the reconciliation</p>	Jeff Garfoot	Medium	The risk is the reconciliations are not accurate and because no review takes place this is not identified.	Ledger Management team will report to Beverley White going forward. The review of the reconciliations will be done by Joanne Watson as the Ledger Manager's line manager.	Complete the reconciliations. Review and authorise the reconciliations File the reconciliations to evidence completion.	30 November 2012	Complete
11		<p><b>Recommendation 11: Accounts Payable: Payroll authorisation (Ex.9)</b> The Accounts Payable Team Leaders prepare daily payroll sheets in Oracle. However, there is no review and authorisation of the payroll by an independent officer to ensure the pay sheet is accurate.</p>	Paul Darby	Medium	The risk is the Council pays inappropriate invoices, and because of no formal review taking place this is not identified.	An independent officer has now been nominated.	Ensure the BGLS payments are reviewed and authorized by the nominated person.	30 November 2012	Complete
12		<p><b>Recommendation 12: Accounts Payable: Authorised Signatories List (Ex.50)</b> The Accounts Payable Team Leaders prepare daily payroll sheets in Oracle. However, they could limit the list size by reducing the number of individuals with the ability to certify non-purchase order invoices within each department. The Accounts Payable section do not keep an authorised signatories list. As a result they are unable to gain assurance that only approved officers certify non-purchase order invoices for payment.</p>	Paul Darby	Medium	The risk is certification of invoices by unapproved officers resulting in payment of inappropriate invoices	The current approved signatory list is available. This list will be reviewed and updated if applicable during 2012/13.	Review the authorised signatory list and revise if applicable	30 November 2012 and ongoing	Complete
13		<p><b>Recommendation 13: Accounts Payable: Non-Purchase Order Invoice review (Ex.51)</b> An independent officer should review all non-purchase order invoices after entry into the Accounts Payable system. This officer should then validate the invoice for payment. This would help identify errors or inappropriate invoices. After the manual entry of non-purchase order invoices into the Accounts Payable system there is no review by an independent officer to ensure the details entered are correct. In addition, the same officer who entered the invoice details also manually validates the invoice in the Accounts Payable system, which approves the invoice for payment.</p>	Paul Darby	High	The risk is that coding or payment errors occur because there is no review of the Accounts Payable System. In addition, the processing of inappropriate invoices for payment is also a risk, as the officer entering the invoice details has the ability to validate the invoice for payment, without review from another officer.	The current P2P review project has targeted this process to reduce the percentage of invoices processed this way, from 50% to 10%. On completion of the review (Jan 2013) a full quality check will be implemented.	Complete P2P review. Implement a full quality check	31 January 2013	Complete
14		<p><b>Recommendation 14: Accounts Payable and Receivable: Control account Reconciliations (Ex.5)</b> The Council should ensure the timely review and authorisation of Accounts Payable and Accounts Receivable control account reconciliations. However, in November 2011 the only reconciliations authorised by a senior officer were the August, September and October 2011 reconciliations.</p>	Jeff Garfoot	Medium	The risk is errors in the reconciliations are not identified as no review takes place.	This process was implemented following the AGR for 2010/11. The reconciliation review and authorisation is now done on a regular/monthly basis.	Following initial success with garage rents the next step is for the commercial rents to be invoiced automatically Re-visit the project following the Assets restructure and review the meetings Garage rents list will continue to be handled by Asset Management	31 January 2013	Complete
15		<p><b>Recommendation 15: Accounts Receivable: Periodic Invoices (Ex.12)</b> The Council should ensure the timely raising of all periodic invoices. Responsibility for periodic invoicing passed from the Accounts Receivable team to the Asset Management Team in 2011/12. Officers explained there was little handover between the two sections, which resulted in problems raising periodic invoices. Asset Management Team are only raising periodic invoices on a piecemeal basis as they only have a list of properties for 2011 raised. In addition, the Asset Management team has raised concern that issuing of bills to some properties has not taken place for several years.</p>	Stuart Timmins	Medium	The risk is the Council has not collected all periodical income.	An assets Billing working group has been set up meeting on a monthly basis. This group will report on their progress and any issues that arise. The group will also be responsible for the review of the billing process and the review of the system. The group are currently on system with industrial units review ongoing.	Following initial success with garage rents the next step is for the commercial rents to be invoiced automatically Re-visit the project following the Assets restructure and review the meetings Garage rents list will continue to be handled by Asset Management	31 January 2013	Complete
16		<p><b>Recommendation 16: Accounts Receivable: No reconciliation between Schools (SIMS) Receipts and Accounts Receivable System (Ex.13).</b> The Council should introduce a formal reconciliation between the two systems to help ensure the upload of all receipts from the SIMS system into the Accounts Receivable system. No formal reconciliation between the Accounts Receivable system and Schools (SIMS) system is completed. Instead, officers rely on an error message from Oracle to identify any receipts not correctly uploaded during the upload.</p>	Paul Darby	Medium	The risk is the Accounts Receivable system may not include all transactions from the Schools (SIMS) system.	The income is input into SIMS manually via receipts Advice forms. The income team match/reconcile all school bankings, i.e. bank receipts to SIMS. Controlled by an Oracle weekly report showing outstanding items. Quality checking process being determined. In addition, the schools funding finance team run regular Oracle reports, and the Schools Finance team run regular reconciliation. A review will be undertaken by the Schools Finance team regarding the reconciliation process. Debtors invoices not raised within Oracle	Establish the meaning of the error message from Oracle system. Determine a quality checking process School funding team to review the process	31 December 2012	Complete
17		<p><b>Recommendation 17: Loans and Investments: Monthly reconciliation not authorised (Ex.17).</b> The Council should ensure a senior officer review and authorises the monthly and year-end reconciliations, reconciliation of the Investments Monitoring Schedule, which contains details of all investments made, and the General Ledger and of all PwLB interest and principal payments in the General Ledger to the PwLB Loan Schedule. In both cases, a senior officer reviews the reconciliation. However, there is no evidence of the review taking place.</p>	Jeff Garfoot	Medium	The risk is the reconciliations are not accurate and because no review takes place this is not identified.	Following Finance Utilisation, a senior officer has now been assigned responsibility for this review.	Complete the monthly reconciliation Review the reconciliation - ensure that it is correct, or take corrective action. Retain evidence of the review of the reconciliation	30 November 2012	Complete

No.	2010/11 Finding	2011/12 Finding	Accountable Officer - Responsibility	Priority	Auditor comments	Response	Actions	Complete by:	Evidence
18	* 18	<p><b>Recommendation 18: Oracle Projects: No authorised signatories list (Ex-54).</b> Service Direct should complete an authorised signatories list to provide assurance that all extraction forms and time sheets have suitable approval.</p> <p>No authorised signatories list is in place at the Service Direct site. This affects both extraction forms, used to confirm the receipt of goods, and manual time sheets. Site Foremen sign both to confirm their accuracy. It was not possible to confirm that an approved individual signed the extraction form and time sheet tested as no authorised signatories list is in place.</p>	Paul Darby Service Finance - Neighbourhood Services	Medium	<p>The risk is that an inappropriate individual approves both the extraction forms and time sheets, resulting in the processing of inaccurate information.</p>	<p>All goods are ordered electronically using the Oracle system by the newly created Materials Controllers posts and the requisitioner is identified at that stage. Goods are 'received' by the Materials Controller once they have been received. They use the delivery note as proof or confirm with the requisitioner / Site Foreman / Supervisor that the goods have been received</p>	<p>Complete</p>	Required	
19	* 19	<p><b>Recommendation 19: Oracle Projects: Lack of evidence of surveyor visit or administration (Ex-59)</b> Service Direct should ensure that Oracle Projects or a lead copy file documents all work completed by the Surveyor.</p> <p>Officers claimed Surveyors re-measure Service Direct jobs to identify actual charges. However, there is no evidence of this inspection taking place. As the job file does not contain details of the Surveyors visit. Evidence of the surveyors approving the job is also limited.</p>	Paul Darby Service Finance - Neighbourhood Services	Medium	<p>Officers claimed Surveyors re-measure Service Direct jobs to identify actual charges. However, there is no evidence of this inspection taking place. As the job file does not contain details of the Surveyors visit. Evidence of the surveyors approving the job is also limited.</p>	<p>Once a job is completed it is approved by the clients agent (Buildings Surveyor / Architect) who issues a Practical Completion certificate with or without a snagging list which are minor items of work still to be completed. After the 12 months defects liability period comes to an end a further inspection is carried out by the client's agent and Direct Services and any remedial works are then undertaken. On completion of these defects a 'Making Good / Final Certificate' is issued. This system has been recently reinforced and is monitored and reported upon by B &amp; F's Programme Planner and we are now confident that all projects follow this process which ensures all jobs are 'signed off' and we improve our customer satisfaction levels.</p>	<p>Complete</p>	Required	
20		<p><b>Recommendation 20: Repairs and Maintenance: Delivery note filing (Ex-20)</b> Service Direct should ensure filing of all delivery notes in date or supplier order.</p> <p>No formal filing system is in place for the delivery notes received by the Materials Controller. As a result it was difficult to find specific delivery notes</p>	Paul Darby Service Finance - Neighbourhood Services	Low	<p>The risk is that Site Foremen do not provide the Materials Controllers with delivery notes. Instead, the Material Controller simply receipt the goods in Oracle when required to, to ensure the prompt payment of invoices. This may therefore result in inaccurate delivery and payment of goods.</p>	<p>Agree with the recommendation, and this will be implemented as soon as possible</p>	<p>Ensure that the recommendation has been implemented.</p>	30 November 2012	Required
21	* 18	<p><b>Recommendation 21: Repairs and Maintenance: No authorised signatories list (Ex-21)</b> Service Direct should complete an authorised signatories list to provide assurance that all time sheets have suitable approval.</p> <p>No authorised signatories list is in place at the Service Direct site. Approved officers sign manual time sheets completed by employees to confirm their accuracy. However, as there is no authorised signatories list it was not possible to confirm that the officer signing the extraction form and time sheet was approved to do so.</p>	Paul Darby Service Finance - Neighbourhood Services	Medium	<p>The risk is that an inappropriate individual approves time sheets, resulting in the processing of inaccurate information.</p>	<p>Agrees with the recommendation, and this will be implemented as soon as possible</p>	<p>Ensure that the recommendation has been implemented.</p>	Complete	Required
22		<p><b>Recommendation 22: Repairs and Maintenance: Receipting of materials in Oracle (Ex-22)</b> An independent officer should review receipts entered into Oracle to ensure the information entered is accurate, before Oracle recognises the receipts, if the receipting of goods in Oracle for the transaction tested was not completed correctly. This is because the officer receipting the goods wrongly included the price per unit in the quantity received column, while including the quantity received (1) in the price column.</p> <p>Oracle updates any commitment already in the system, through multiplying the quantity by the unit price. This inaccurate treatment had no impact on the updated commitment; however officers stated that large errors have occurred because of the inaccurate receipting of goods in Oracle.</p>	Paul Darby Service Finance - Neighbourhood Services	Medium	<p>The risk is that an inappropriate individual approves time sheets, resulting in the processing of inaccurate information.</p>	<p>Agrees with the recommendation, and this will be implemented as soon as possible</p>	<p>Ensure that the recommendation has been implemented.</p>	Complete	Required
23		<p><b>Recommendation 23: SSID: Reconciliation of the SSID upload to the Accounts Payable (Ex-16)</b> The School Finance Team should ensure that the control total sheet and that a senior officer reviews and authorises the year end reconciliation.</p> <p>Officers complete an informal reconciliation between the SSID upload file and the Accounts Payable system after every SSID upload. However, there is no control sheet in place and no formal documentation of the reconciliation exists. Officers have provided assurance that a control sheet will be introduced by the year-end.</p>	Jeff Garfoot Corporate Finance - Keith Murnee	Medium	<p>This reconciliation is included in the Material Systems reconciliation procedure. The reason for this is that it was completed on a monthly basis but the formal reconciliation of the Accounts Payable system will be allocated shortly to ensure that the reconciliation and review are completed on a monthly basis.</p> <p>Although governed by the constraints of Oracle, reconciliation/control sheets are now checked, maintained and filed following each upload. It is assumed that the year end reconciliation is carried out by an officer from Strategic Finance.</p>	<p>Allocate responsibility for preparation and review of the reconciliation.</p> <p>Ensure completion of the reconciliation</p> <p>Review the reconciliation and ensure correct, or take corrective action</p> <p>Retain evidence of review</p>	<p>30 November 2012</p>	Required	
24		<p><b>Recommendation 24: SIME: Invoice not authorised for payment (Ex-23)</b> School Finance staff should ensure that all invoices are authorised. The School Manager should keep all GRN's on file to provide evidence the goods have been received. The Durham Federation Finance Team stated that an approved individual signs all invoices before payment. However, the invoice tested was not authorised for payment. In addition, there is no documentary evidence of the School Manager confirming the goods were received.</p>	Paul Darby Service Finance - Accounts Payable - Chris Jones	Medium	<p>The risk is the reconciliation is not in place and as a result not all invoices are uploaded to the Accounts Payable system for payment.</p>	<p>A reminder will be issued to schools via the Extranet, about recommended procedures.</p>	<p>30 November 2012</p>	Required	
25		<p><b>Recommendation 25: SIME: Authorised Signatories List (Ex-24)</b> The School Finance Team should ensure the annual updating of all authorised signatory lists. The Payment Authorisation Control Listing (PALU) tested was authorised by a member of staff not included on the authorised signatories list held by the School Funding Team.</p> <p>Officers stated the authorised signatories list was out-of-date and provided evidence they were included on the petty cash authorised signatories list, which is a suitable compensating control.</p>	Paul Darby Service Finance - David Shier	Low	<p>The risk is an unapproved individual signs the PALU and as the authorised signatories list is not up-to-date this is not identified. This could result in payment of inaccurate or fraudulent invoices.</p>	<p>Update the authorised signatory lists</p>	<p>30 November 2012</p>	Required	

No.	2010/11 Finding	2011/12 Finding	Accountable Officer - Responsibility Head of Service	Priority	Auditor comments	Response	Actions	Complete by:	Evidence
26	Page 70	<p><b>Recommendation 26: SIMS - Reconciliation of the SIMS upload to Accounts Payable system (Ex.25)</b> The Council should ensure the year-end reconciliation uses the control total sheet and also ensure a senior officer reviews and authorises the year-end reconciliation.</p> <p>Officers complete an informal reconciliation between the SIMS upload file and the Accounts Payable system after every SIMS upload. However, there is no control sheet in place. Therefore no formal documentation of the reconciliation exists.</p> <p>Officers have provided assurance that a control sheet will be introduced by the year-end.</p>	Service Finance - David Shier	Medium	The risk is the reconciliation is not in place and as a result not all invoices are uploaded to the Accounts Payable system for payment.	<p>This reconciliation is included in the Material Systems reconciliation procedure. The reconciliation for 2011/12 was completed when each batch was posted but the formal recording of these was only updated at the year end. Responsibilities will be allocated shortly to ensure that the reconciliation and review are completed on a monthly basis.</p> <p>This is now partially done. Reports from SIMS are sent to Creditors who then report on discrepancies to School Funding</p>	<p>Allocate responsibility for the preparation and review of the reconciliation</p> <p>Ensure completion of the reconciliation</p> <p>Review the reconciliation and ensure correct, or take corrective action</p> <p>Kid an evidence of review</p>	30 November 2012	
27		<p><b>Recommendation 27: Housing Benefits: Council Tax Benefit duplicate payment (Ex.40)</b> The Council should ensure that officers review all cases on the spoof report and make manual amendments to the affected claims.</p> <p>City of Durham - following conversion from the Northgate system to the Civica system, officers identified 48 claims with a total value of £17,403.33 receiving a duplicate Council Tax Benefit (CTB) payment in error. These claims were logged to duplicate the Council Tax account 3612963390 for claim number 1009328.</p> <p>Testing found that the Council made a duplicate Council Tax Benefit payment to Council Tax account 3612963390 for claim number 1009328.</p> <p>As at 4 January 2012 officers had not amended the affected claims.</p>	Service Finance - M Waters/J Scotney	Low	The risk is the Council Tax Benefit posted to the claimants Council Tax account is wrong.	<p>CIVICA subsequently ran a utility identifying a total of 48 affected claims. All claims have now been corrected and updated. The CTB posted to the Council Tax accounts has also been checked and is correct.</p>	Complete	Required	
28	*	<p><b>Recommendation 28: Housing Benefits: Benefit payment controls (Ex.41)</b> The Council should ensure a Senior officer reviews all Housing Benefits payments before submission.</p> <p>Authorisation of Housing Benefit payments by a senior officer before processing is not required.</p>	Service Finance - C Blackburn/T Robinson	High	The risk is payment of inaccurate or fraudulent payments, as there is no requirement for the payment file to be authorised.	<p>All HB payment runs (BACS &amp; Cheque) are now countersigned by a senior officer in line with the authorized signatory list before submission. Spreadsheets now record details of the officer creating the payment file, counter signing officer and officer responsible for the file submission.</p>	Complete	Required	
29		<p><b>Recommendation 29: Housing Benefits: Rent Rebate Reconciliations (Ex.42)</b> The Council should introduce a standardised format for completing reconciliations. Timely three-way reconciliations between the General Ledger, Housing Benefits and Housing Rents system, which are reviewed and authorised by a senior officer. All entries and reconciling items should be referenced to supporting documentation.</p> <p><b>Eastington and Wear Valley</b></p> <p>Prior to January 2012, Rent Rebate reconciliations between the Housing Benefit system and the East Durham Homes and Dale and Valley Homes systems have only been completed on the former district systems.</p> <p>City of Durham - The reconciliation does not reconcile the Housing Benefit system to the Housing Rents system. Instead it is only reconciles the Housing Benefits system to the General Ledger.</p> <p>Durham County Council (Unitary) Officers have not performed reconciliations during 2011/12.</p>	Service Finance - C Blackburn/T Robinson	High	The risk is the values contained within the Housing Rents systems do not agree to the Housing Benefits systems.	<p>At the time of the 'wethrough', reconciliations had not been completed on the new merged system. Since January 2012, a full reconciliation has taken place for 2011/12 for all three systems, with any discrepancies identified and corrected. Reconciliation procedures have also been agreed with the housing providers, EDH, D&amp;VH and DCH and reconciliations will continue to be completed as part of the overall Rents Reconciliations for all three areas.</p>	Complete	Required	
30		<p><b>Recommendation 30: Housing Benefits: Council Tax Benefit Reconciliations (Ex.42)</b> The Council should introduce a standardised format for completing reconciliations. All entries and reconciling items should be referenced to supporting documentation.</p> <p>No Council Tax benefit reconciliation has been completed during 2011/12.</p>	Service Finance - C Blackburn/T Robinson	High	The risk is the values contained within the General Ledger for Council Tax Benefit may not agree to those held within the Housing Benefit and Council Tax systems.	<p>Following completion of the merged new system full reconciliation has taken place. Since January 2012 the monthly reconciliations have re-commenced.</p>	Complete	Required	
31		<p><b>Recommendation 31: Housing Benefits: Rent Allowance Reconciliations (Ex.42)</b> The Council should introduce a standardised format for completing reconciliations. A senior officer should review and authorise the reconciliations. All entries and reconciling items should be referenced to supporting documentation.</p> <p><b>Chester-le-Street</b></p> <p>The format of the reconciliation is difficult to understand. In addition, unreconciled items with a value of £110,000 are included.</p> <p>City of Durham</p> <p>The reconciliation includes a BACS returned value for the period 1 September - 23 October 2011 of £2,366.16. However, this balance appears to exclude the BACS payment of £87 returned on 13 September 2011.</p> <p><b>Securities</b></p> <p>The reconciliation prior to merge identified there were payments of £1,977,097.33 included in the Housing Benefit system that were not in the General Ledger. In addition, there is no evidence of follow-up to ensure the payment was subsequently included in the General Ledger. The reconciliation prior to merge identified there were payments of £1,977,097.33 included in the Housing Benefit system that were not in the General Ledger. In addition, there is no evidence of follow-up to ensure the payment was subsequently included in the General Ledger.</p> <p>City of Durham - The reconciliation prior to merge has not been completed in a timely manner and there is no evidence of review of the reconciliation by a senior officer.</p>	Service Finance - C Blackburn/T Robinson	High	<p>The risk is the values contained within the General Ledger for Council Tax Benefit may not agree to those held within the Housing Benefit and Council Tax systems.</p> <p>The risk is the Council Tax Benefit may not agree to those held within the Housing Benefit and Council Tax systems.</p>	<p><b>Pre merged Chester le Street</b> - Officers have identified the discrepancies and are working to make the BACS.</p> <p><b>City of Durham</b> - The balance appeared to exclude the £87, however this was a result of an unclear explanation. It had been identified during a reconciliation of the new system and the reconciliation details have been amended to explain the discrepancy.</p> <p><b>Sedgefield</b> - This amount was the advanced payment made prior to the shutdown of the Northgate system. This was identified during the reconciliation process and the former Sedgefield system has been reconciled and balanced.</p> <p><b>Durham County Council - Merged</b> - following go live of the new system, reconciliation prior to merge was completed. A full reconciliation has taken place for the 2011/12 merged system with any discrepancies identified and noted. This will be completed during May 2012.</p>	Complete	Required	
32		<p><b>Recommendation 32: Housing Benefits: First payment made to landlord (Ex.43)</b> The Council should only make first payments to the claimant's landlord if the claimant has approved the payment.</p> <p>The Council has followed the guidance in A42011 of making first payments to landlords, as detailed in the Council's official guidance issued to assessors. In the one case tested, the claimant made specific requests that they receive the first payment direct</p>	Service Finance - C Blackburn/T Robinson	High	The risk is the Council are paying the first payment of Housing Benefit to the wrong recipient and would therefore be liable to repay the claimant the first payment. In addition, there is a potential risk through breaching the Data Protection Act 2000 by paying the claimants landlord without the claimants consent.	<p>Housing Benefit (LHA &amp; A42011) guidance states that an authority may make the first payment of Housing Benefit to the landlord, where they consider that it will assist the customer in securing or retaining a tenancy.</p>	Complete	Required	



No.	2010/11 Finding	2011/12 Finding	Accountable Officer - Responsibility	Priority	Auditor comments	Response	Actions	Evidence
33 *	27	<b>Recommendation 33: Housing Benefits: Parameters (Ex.44)</b> The Council should ensure a senior officer reviews and authorises the parameters entered into the merged system.	Paul Darby Service Finance - M Waters/J Scotney	High	The risk is the parameters in the merged system have been wrongly entered and therefore the benefit calculations made by the system will be inaccurate.	Spreadsheets were prepared containing all parameters set and unless all parameters were checked by a senior officer the spreadsheets were not countersigned. Moving forward as part of 2012/13 annual billing processes all parameters have been set in accordance with the 2012/13 charges. All parameters have been checked and countersigned. The process of counter signing has now been adopted for all parameter changes.	Complete	Required
34		<b>Recommendation 34: Council Tax: Reconciliation of VOA schedule to RV</b> Officers should ensure the review and authorisation of the reconciliation by a senior officer. However, there is no evidence of review and authorisation of the reconciliation by a senior officer.	Paul Darby Service Finance - K Coad	Medium	The risk is the reconciliations are not accurate and as no review takes place this is not identified.	Procedures have now been implemented to formally record the review which is undertaken by a senior officer.	Complete	Required
35		<b>Recommendation 35: Council Tax and NDR: Unable to provide documentation of new property (Ex.34 and 40)</b> The Council should ensure that all documentation is provided to support the reconciliation of VOA schedule to RV. Officers stated that planning department report all new properties or amendments to existing properties that require assessment for Council Tax and NDR purposes. However, the supporting documentation for one new property was not readily available as evidence for testing at the time our work was carried out for Council Tax at Sedgfield and NDR at Dewsbide, due to staff and documentation being located on several sites.	Paul Darby Service Finance - K Coad/A Searle	Medium	The risk is that some properties are not charged Council Tax and NDR as assessments are not undertaken.	Following the implementation of the unitary systems and structure, procedures have been put into place and documentation centralised and filed.	Complete	Required
36 *	22, 24	<b>Recommendation 36: Council Tax and NDR: Authorisation of Parameters (Ex.46 and Ex.37)</b> The Council should ensure a senior officer should review the 2012/13 parameters, and formal documentation of the review kept. The parameters for 2011/12 were input into the system and then reviewed by an independent officer. However, documentation of the review took place several months after the parameters were entered into the system. <b>Waters set - wear warranty, remove and rework items</b> Senior officers entered the parameters and more junior staff then reviewed them (NB Tessedale - a senior officer did not review and authorise the NDR parameters). This is a control weakness as there is a risk that junior staff do not have the relevant expertise and may feel pressured into agreeing the work of more senior officers when errors have occurred. <b>Chester-le-Street and Eastington</b> Officers could not find supporting documentation to support the annual updating of parameters.	Paul Darby Service Finance - M Waters/J Scotney	High	All former district sites are now obsolete i.e. Sedgfield, Wear Valley, Tessedale, Durham County Council, Eastington. <b>Durham County Unitary</b> - Spreadsheets were available detailing all parameters set and whilst all parameters were checked by a senior officer the spreadsheets were not countersigned. As part of 2012/13 annual billing processes all parameters were set in accordance with the 2012/13 charges. All parameters were checked and countersigned. The process of counter signing has now been adopted for all parameter changes.	Extensive work has been carried out in this area. A detailed action plan was developed, which included year end close-down procedures as well as a number of top level priority meetings updates continue to be conducted to monitor progress. A senior officer has responsibility for reviewing all income reconciliations in accordance with a pre-approved checklist, on at least a monthly basis.	Complete	Required
37		<b>Recommendation 37: Council Tax and NDR: Fund account reconciliations (Ex.62)</b> The Council should try to deal with all reconciling items ready for the year-end reconciliation. A senior officer should also review and authorise the year-end reconciliation. Going forward all reconciliations should be completed on a timely basis. The Unitary Council Tax and NDR system reconciliations were not completed in a timely manner and included a significant number of reconciling items, which officers could not explain this difference. However, officers failed to resolve most reconciling items ready for the year-end reconciliation. In addition, no evidence of senior officer review and authorisation has taken place.	Paul Darby Service Finance - K Coad/ J Dowson	High	The risk is the parameters were inaccurate and that no review was in place to identify the errors.	Extensive work has been carried out in this area. A detailed action plan was developed, which included year end close-down procedures as well as a number of top level priority meetings updates continue to be conducted to monitor progress. A senior officer has responsibility for reviewing all income reconciliations in accordance with a pre-approved checklist, on at least a monthly basis.	Complete	Required
38		<b>Recommendation 38: NDR: Reconciliation of VO Schedules to RV reports (Ex.36)</b> The Council should ensure the review and authorisation of the reconciliation of VOA schedule to RV reports. <b>Durham County Council - AU Sites</b> Officers have completed a reconciliation of VOA schedule to banding reports. However, there is no evidence of review and authorisation of the reconciliation by a senior officer. <b>Eastington</b> As part of 2011 the VOA schedule states there are properties of 2,985 with a rateable value of 46,231,851. However, the current report for the NDR system shows properties of 2,364 with a rateable value of 49,254,901. Officers could not explain this difference.	Paul Darby Service Finance - K Coad/A Searle	Medium	The risk is the reconciliations are not accurate and as no review takes place this is not identified. Also risk that NDR records are incomplete and as a result not all NDR income that should be received is	Procedures have now been implemented to formally record the review which is undertaken by senior officer.	Complete	Required
39 *	34	<b>Recommendation 39: Housing Rents: Review of feeder system upload files not documented (Ex.26)</b> Officers should sign both the hardcopy summary file received from the Housing Rents system and the batch upload file. Officers at East Durham Homes reconcile the feeder system upload files and the batch uploaded into the Housing Rents system to ensure that it is complete. However, no documentary evidence of this review is kept. This is the case for both Cash Receiving and Housing Benefit files	Paul Darby Service Finance - K Coad/J Hughes	Medium	The risk is the reconciliation does not take place as it is not evidenced. As a result errors may occur that are not identified.	This reconciliation is completed by DCC for all Rents. The Revenues section undertakes a reconciliation showing the cash processed through ICON into the various rent systems. This is then confirmed with the rents teams to the figures uploaded into the rent systems.	Complete	Required

No.	2010/11 Finding	2011/12 Finding	Accountable Officer - Responsibility	Priority	Auditor comments	Response	Actions	Complete by:	Evidence
40	Page 72	<b>Recommendation 40: Housing Rents: Weekly cash reconciliation not documented (Ex.27)</b> All reconciliations should be reviewed, checked and authorised by a senior officer. Particular emphasis should be placed on ensuring the Year end Housing Rents reconciliations are reviewed and authorised. A control sheet could be introduced to evidence the reconciliation has taken place.  The weekly reconciliation between the control spreadsheet for EDH, for both Cash Receipting and Housing Benefit payments received, and the total payments as recorded in Orchard is completed (although not evidenced formally). However, there is no independent review and authorisation of the reconciliation by a senior officer.	Paul Darby Service Finance - K Coast / J Hughes	Medium	The risk is the reconciliation does not take place as it is not evidenced. As a result errors may occur that are not identified.	This reconciliation is completed by DCC for all Rents. The Revenues section undertakes a reconciliation showing the cash processed through ICON into the various rent systems. This is then confirmed with the rents teams to the figures uploaded into the rent systems.		Complete	Required
41		<b>Recommendation 41: Reconciliations between the rents system and General Ledger not completed (Ex.28)</b> The Council should ensure completion of year end reconciliations for all three sites. A senior officer should review and authorise all reconciliations.  As at 10 January 2012, officers had completed an informal reconciliation for the period 2011/12. However, the reconciliation was not completed. Officers should document the reconciliation undertaken and use this to document all 2011/12 monthly reconciliations retrospectively.  Wear Valley and City of Durham No monthly reconciliations between the Housing Rents system and the General Ledger have been completed during 2011/12.	Paul Darby Service Finance - J Hughes	High	The risk is the General Ledger does not include all Housing Rent transactions.	The informal reconciliation has been carried out for several years by the Rent team at EDH. However the reconciliation reviewed did not include a signed control sheet. It is acknowledged that this reconciliation should follow the standard format identified and therefore the process has now been introduced.		Complete	Required
42	*	<b>Recommendation 42: Housing Rents: Authorisation of the rents updating calculation (Ex.29)</b> The rents updating calculation should be authorised on a timely basis.  A senior officer has reviewed and authorised the rent restructure document used to update the rents across all three sites. However, this was in retrospect several months after the updating took place. Therefore there is a weakness in the timeliness of the control.	Paul Darby Service Finance - J Hughes	Medium	The risk is the rent calculation for 2011/12 contains errors that were not identified.	The senior officer reviewed and authorised the rent restructure prior to the rents being updated, however the documentation evidencing this procedure was completed retrospectively. The 2012/13 review was completed and calculations signed off at the same time prior to upload.		Complete	Required
43		<b>Recommendation 43: Housing Rents: Agreement of properties in the rent structure (Ex.30)</b> The Council should agree properties in the rent structure to the rents system on a timely basis.  Officers carried out a random check of 15 properties for all three sites in retrospect several months after the new rents were uploaded to the rents systems. Therefore there is a weakness in the timeliness of the control.	Paul Darby Service Finance - J Hughes	Medium	The risk is the rents have not been correctly uploaded and that this was not identified.	A review of all three rent systems had taken place to confirm that the rents were uploaded correctly, however as noted above, the documentation evidencing this procedure was completed retrospectively. During audit sample checking, no errors were found in relation to the upload. The 2012/13 review was completed and calculations signed off at the same time prior to upload.		Complete	Required
44		<b>Recommendation 44: Housing Rents: Rent download and upload (Ex.30)</b> The Council should ensure officers gain an understanding of the process carried out by contractors so they can review the contractors work, or if the contractor is not available can complete the download themselves.  The rent download and upload for City of Durham is completed by a contractor based in Spain. It was not possible for us to walkthrough the process at the time of the audit.	Paul Darby Service Finance - J Hughes	Medium	The risk is the contractor is not completing the rent download and uploads correctly and as a result of no review of the processes undertaken this is not identified.	In the context of the data base of new rents into the system, the rents are uploaded correctly. However, the contractor based in Spain is not available, then the system supplier, Northgate, (or other consultants) would be able to undertake any requirements.		Complete	Required
45		<b>Recommendation 45: Housing Rents: No review of property removal (Ex.48)</b> The Council should introduce a review of all properties removed to ensure the removal has been completed correctly.  A process is in place for the removal of properties from the Housing Rents system. However, this does not involve the property removed being reviewed by an independent officer to ensure the removal is correct.	Paul Darby Service Finance - J Hughes	Medium	The risk is that a high volume of income is not correctly posted by the year-end.	There are current processes in place to inform the Rent Teams to remove properties from the Rent Account. Any errors are spotted by the nature of the service. For example, should a RTB not be removed and the Authority continued to charge the rent, the former tenant advises immediately of the problem. The error is highlighted immediately and upon investigation the problem would be found. There is an overall check at the year end as part of the Final Accounts process. A similar mid-year check took place in previous years as part of the Housing Subsidy Base data return and whilst this return is no longer valid, it is the Head of Finance (Financial Services) intention to continue with this mid-year reconciliation.	Continue the mid-year reconciliation	Complete	Required
46		<b>Recommendation 46: Cash Receipting: Suspense Account (Ex.58)</b> The Council should clear the suspense account of all large items by the year end.  As at 15 March 2012 the total value in suspense was £1,653,381.52. Of this balance, £1,568,871.34 related to March 2012. This does show significant improvement in managing suspense items from the very high balance seen early February 2012 which occurred due to the assignment of incorrect references meaning transactions were not automatically allocated. This has now resolved.	Paul Darby Service Finance - K Coast / J Dowson	High	The risk is that a high volume of income is not correctly posted by the year-end.	The re - referencing has been resolved. Suspense amounts are being cleared on a daily basis and monitored weekly by management.	The year end action plan ensured that all payments were posted on 31 March 2012.	Complete	Required
47		<b>Recommendation 47: Cash Receipting: Cash sheet table reconciliation not evidenced (Ex.59)</b> The Council should ensure documentation is maintained to provide evidence of reconciliations taking place.  No reconciliation was performed between the cash taken by the Spennymoor Cash Office and the amount recorded in ICON for the date tested, as the cash office printers are not printing. This resulted in no hard copy documentation being obtained. Officers should ensure that the cash is reviewed in ICON to ensure the values reconciled, although this review is not evidenced.	Paul Darby Service Finance - K Coast / J Dowson	Medium	The risk is the reconciliation is not performed and as a result errors are not identified.	Upon failure of a printer, end of day reports can be produced in the back office. All cashiers bearing the responsibility for the reconciliation for 2011, as part of the bank reconciliation. These form part of the reconciliation action plan.		Complete	Required

No.	2010/11 Finding	2011/12 Finding	Accountable Officer - Responsibility Head of Service	Priority	Auditor comments	Response	Actions	Complete by:	Evidence
48	<p><b>Recommendation 48: Cash Receipting/ Cash upload files reconciliation (Ex.60)</b></p> <p>The Council should reconcile all accounts in the General Ledger that are affected by the upload file. In addition, the reconciliation should be reviewed and authorised by a senior officer.</p> <p>A reconciliation is performed between the Cash upload file received from the ICON system and the cash recorded in the General Ledger, however this was only introduced 1 December 2011.</p> <p>The reconciliation only reconciles the element of the upload file coded to account 958900 - System Cash Account in the General Ledger. As a result the reconciliation identified £1,025,427.89 of £2,791,731.26 that was included in the cash ledger file.</p> <p>In addition, there is no review and authorisation of the reconciliation by a senior officer.</p>	<p><b>Recommendation 48: Cash Receipting/ Cash upload files reconciliation (Ex.60)</b></p> <p>The risk is the reconciliation does not highlight differences between the upload file and the General Ledger, as it only focuses on one General Ledger account and is not reviewed and authorised.</p>	<p>Service Finance - K Coad / J Dowson</p> <p>Paul Darby</p>	High	<p>Originally this reconciliation only included amounts going through ICON, which were then reconciled to the cash ledger. It is now required to include all income. A senior officer now has responsibility for reviewing all income reconciliations in accordance with a pre-approved checklist, on at least a monthly basis.</p>	<p>Complete</p>	<p>Required</p>		
49	<p><b>Recommendation 49: Cash Receipting/ Duplicate References (Ex.61)</b></p> <p>The Council should ensure that all income posted to duplicate reference accounts has been investigated and evidence gained that it has been posted to the correct account.</p> <p>When the new ICON system was introduced there were many duplicate account references in the former district systems. As a result, income received for one account may be wrongly posted to the other based on the duplicate reference. Officers have stated that this is no longer an issue as this was identified early in 2011/12. They have also stated the fund account reconciliations are identifying any errors.</p>	<p>The residual risk is that income posted to the wrong account is not identified but this is not a material risk.</p>	<p>Service Finance - K Coad / J Dowson</p> <p>Paul Darby</p>	Low	<p>An exercise was undertaken to identify all duplicate account numbers and where possible checked for wrong payments. The ICON allocation rules were amended from September 2011 to ensure that this could no longer happen.</p>	<p>Complete</p>	<p>Required</p>		
50	<p><b>Recommendation 50: Bank Reconciliations: Bank Reconciliations not prepared or authorised on a timely basis (Ex.56)</b></p> <p>The Council should ensure Bank reconciliations for all accounts should be prepared and authorised on a timely basis.</p> <p>As at 26 March 2012 the most recently completed County Fund reconciliation was 31 December 2011. January and February 2012 reconciliations were signed as prepared but not in General Ledger. Not all of these amounts were identified to transaction level.</p> <p>No district reconciliations have been undertaken since September 2011. Officers are responsible for ensuring reconciliations are prepared and authorised for the last 6 months of the year. In addition, there is no evidence the former district September 2011 reconciliations were reviewed and authorised.</p> <p>No Income Collection fund bank reconciliation has been undertaken during the year. This is because the bank reconciliation facility within ICON is not working.</p> <p>In addition, the Bank Reconciliations are not authorised on a timely basis. Bank reconciliations are also being authorised even though they include material reconciling items that have not been identified.</p>	<p>The risk is that bank or General Ledger errors will not be identified and corrected on a timely basis.</p>	<p>Service Finance K Coad / J Dowson / Strategic Finance - Ian Small</p> <p>Jeff Garfoot / Paul Darby</p>	High	<p>Picked up by the Spennymoor team where extensive work has been carried out in this area. A detailed action plan has been developed. Weekly meetings are held to ensure the reconciliation is completed by 31 March 2012. However, a matching exercise is still underway. The finding refers to material, unreconciled items, this refers to cheque and BACS payments made from the Open Revenues system and not processed through Oracle.</p>	<p>Complete</p>	<p>As there was no interface in place until April 12 to process the relevant GL coding in Oracle for these items, manual journals have been processed instead. There is now an exercise underway to match bank transactions (BACS batch payments and cheques) to the GL coding in Oracle. As highlighted, the last reconciliations were carried out as at 30 September 2011. Since this date, each of these accounts have operated on an imprest basis (in that all credit transactions received are transferred on a daily basis over to the Income Collection account and are accounted for via ICON). Any debits that hit the account are coded manually in Oracle. The balances on each of these accounts were brought to zero as at 31 March 2012. The final exercise is still to be undertaken to ensure that the GL balances for each, reconcile to zero at the end of the year.</p>	<p>31 December 2012</p>	<p>Ensure the reconciliations are completed, reviewed and evidence retained</p>
51	<p><b>Recommendation 51: Bank Reconciliations: Material sum of items through bank not included in General Ledger (Ex. 57)</b></p> <p>The Council should ensure that reconciliations are only authorised when all reconciling items have been identified. Reconciling items should be reviewed and authorised on a timely basis. Therefore transactions are being posted manually. This has resulted in large reconciling items in the Bank reconciliation as items have been included in the Bank but not yet posted to the General Ledger. For example in January 2012 there was a total of £100.9 million. Some, but not all of these balances, have been identified down to transaction level. Even though these reconciling items exist, the bank reconciliations are still being signed off.</p>	<p>The risk is the General Ledger will not accurately reflect the bank transactions, which may impact on other areas such as budgetary control. Manual posting introduces an added risk of error or manipulation</p>	<p>Service Finance - K Coad / J Dowson</p> <p>Paul Darby</p>	High	<p>A senior officer now has responsibility for reviewing all reconciliations in accordance with a pre-approved checklist, on at least a monthly basis.</p>	<p>Complete</p>	<p>Required</p>		
52	<p><b>Recommendation 52: SPOCC: No reconciliation between the SPOCC system and the Accounts Payable system (Ex.31)</b></p> <p>The Council should perform formal reconciliations between the SPOCC system and the Accounts Payable System. A senior officer should review and authorise the reconciliations. There is no formal reconciliation between the Accounts Payable system and SPOCC system. Officers stated they gain assurance that all payments processed through the SPOCC system are uploaded into the Accounts Payable system for payment, if no error warning appears when the file is uploaded.</p>	<p>The risk is the Accounts Payable system and General Ledger will not be complete.</p>	<p>Service Finance - Accounts Payable - Chris Jones</p> <p>Paul Darby</p>	Medium	<p>Although governed by the constraints of Oracle, reconciliation/control sheets are now checked, maintained and filed following each upload. An AP supervisor reviews and authorises the reconciliation.</p>	<p>Complete</p>	<p>Required</p>		

2011/12 Finding	Accountable Officer - Responsibility Head of Service	Priority	Auditor comments	Response	Actions	Complete by:
1 Recommendation 1 Revaluations – schools	Stuart Timmiss Assets - Michael Gibbey	High	The Council Valuer will need to consider which assets are revalued in 2012/13 to Rolling Programme with External Audit for consideration. avoid any problems with part valuation of schools. The Council should ensure that changes in valuations as at April and at the year end (31 March) are fully considered by finance as well as estates before deciding whether to account for these in the financial statements. A full valuation of schools should be completed as at 1 April 2012.		<p>Agree rolling programme of valuations with External Audit</p> <p>Issue instructions to Assets - Valuer</p> <p>Complete agreed valuations in line with agreed programme.</p>	30 November 2012
2 Recommendation 2 Asset register reconciliation to ledger	Jeff Garfoot Strategic Finance - Ian Herberson	High	Reconciliations between the fixed asset register and the general ledger should be completed as part of the close down period and must reconcile to all figures in the PPE note in the accounts. This should be supported by working papers and be completed prior to submission of the draft statements. The asset register should be updated regularly throughout the year (including additions).	Although reconciliations were provided, they did not adequately verify all the figures in the PPE note. From 2012/13 the reconciliations will be extended to include verification of all movements recorded in the PPE Note. It is agreed that the asset register should be updated regularly throughout the year (including additions) however this is a challenge as it requires the continual reconciliation of additions to capital expenditure, which it is only possible to finalise at the year end. It is a further time consuming exercise to evaluate the additions for adding value to the asset.	<p>Complete reconciliations for all entries in PPE note</p> <p>Evaluate the benefit of including additions during the year.</p>	30 June 2013
3 Recommendation 3 Asset register – migration of housing dwellings	Jeff Garfoot Strategic Finance - Ian Herberson	High	Eastington Council Dwellings records are held on a village basis and not on an individual asset basis. The Council should look to migrate all three housing asset registers for council dwellings onto the IPE Asset Manager as soon as is practicable to address this issue.	Separate report to Audit Committee - 22 November 2012		28 February 2013
4 Recommendation 4 Working papers	Jeff Garfoot Strategic Finance - Hilary Appleton	High	The Council needs to ensure that final accounts working papers are prepared by officers as part of the close down arrangements and a full set available for the beginning of the audit. There should be a clear audit trail to the figures in the statements and notes. This process will involve considerable effort but I am confident that the number of audit queries will reduce and more importantly so will the demands on officers' time.	Strategic Finance are discussing the format and extent of working papers that the External Auditor would expect to be provided. When devising the Final Accounts timetable for 2012/13 Closure of Accounts, it is proposed to build in an action and time for the completion of good quality working papers. A central repository will be established which adequately segregates the working papers provided to the Notes to the Statement of Accounts.	<p>Add action 'working paper' into Final Accounts timetable.</p> <p>Create a central repository for the deposit of completed working papers ready for External Audit consideration</p> <p>Ensure the quality of the working papers is improved</p>	30 June 2013
5 Recommendation 5 HRA rents	Paul Darby Service Finance - Azhar Rafiq	High	Officers were unable to provide a detailed breakdown of the weekly rent income figure, for the week 02/01/2012 – 08/01/2012, from the Durham City Homes rents system because only one individual who works onsite has the appropriate knowledge to allow an interrogation of the system. Officers should ensure that they have the appropriate knowledge within the council to enable them to complete this task.	Reports to provide the specific evidence required were not available on the Rent System – however, we are able to provide a standard system report which details all transactions over a period identified. Unfortunately, this report is a text file and does not have the facility to sort/query and the size of such files can also negate manual reconciliation. Although the County Council uses a contractor, there are other means of providing the appropriate reports. The County Council will however consider how the appropriate skills and knowledge can be gained by officers. Officers will liaise with External Auditors prior to the year end to establish what evidence/information will be required for 2012/13 Audit so that this can be made available on a regular basis.	<p>Consider how appropriate level of skills and knowledge to interrogate the system can be gained.</p> <p>Investigate the possibility of providing reports in a format that allows interrogation i.e. not a text file.</p> <p>Discuss the information requirements with External Audit prior to the year end.</p> <p>Arrange for the required reports to be available as soon as possible after the year end.</p>	31 December 2012
6 Recommendation 6 HRA ALMOs	Paul Darby Service Finance - Azhar Rafiq	High	Both East Durham Homes and Dale and Valley Homes should be requested to specifically show a charge for 'Supervision and Management' and 'Repairs and Maintenance' on their periodic management fee invoices to provide a more robust method for finance officers to be able to prepare the classification needed for the accounts.	The management agreement with the ALMOs is a single agreement in return for a single management fee which is negotiated annually and we do not have separate funding agreements for repairs and management expenditure. The two ALMOs prepare income and expenditure accounts in line with companies act requirements and for their purposes a distinction is not necessary. The figures used in the final accounts process are developed following detailed and full consultation and agreement with the two ALMOs. Therefore the work required to ensure the figures are robust is already undertaken. Showing a notional breakdown on the invoice is not necessary. The year end position and the entries on the HRA statement are discussed and agreed with ALMO colleagues.	<p>Discuss the information requirements with External Audit prior to the year end.</p> <p>Provide evidence of the agreement of the split of the ALMO fee as appropriate.</p>	31 December 2012

**County Council**

**5<sup>th</sup> December 2012**

**Report of the Audit Committee for the  
Period April 2012 to September 2012**



---

**Councillor Edward Bell, Chair of Audit Committee**

---

**Purpose of the Report**

1. To inform the Council of the work of the Audit Committee during the period April to September 2012 and how this committee continues to provide good governance across the Council.

**Background**

2. The role, membership and terms of reference of the Audit Committee are set out within the Constitution approved by Council.
3. Good corporate governance requires independent and effective assurance processes to be in place to ensure effective financial management and reporting in order to achieve the Council's corporate and service objectives. It is the responsibility of the Audit Committee to undertake these aspects of governance on behalf of the Council.
4. The specific objectives of the Audit Committee set out in the Council's Constitution are to provide independent assurance to Cabinet and Full Council over the:
  - Adequacy and effectiveness of the Council's governance arrangements, including the effectiveness of the risk management framework and the associated control environment.
  - Financial Reporting of the Council's Statement of Accounts ensuring that any issues arising from the process of finalising, auditing and certifying the Council accounts are dealt with properly.
5. The membership during the period April 2012 to September 2012 was as follows:

Chair: Cllr Edward Bell

Vice Chair: Cllr Owen Temple

Members: Cllr Reg Ord  
Cllr Colin Carr  
Cllr Brian Myers  
Cllr Dennis Southwell  
Cllr Barbara Harrison  
Cllr Michele Hodgson  
Cllr Linda Marshall

Co-optees: Ms Katherine Larkin Bramley  
Mr Thomas Hoban

## **Summary of Meetings**

### **31 May 2012**

#### 6. The Committee considered:

- (i) A report of the Corporate Director, Resources that highlighted the strategic risks facing the Authority and gave an insight into the work carried out by the Corporate Risk Management Group during the period January to 31 March 2012.
- (ii) A report of the Corporate Director, Resources which demonstrated the effectiveness of risk management across the Council during the year April 2011 to March 2012. The report provided assurance on the effectiveness of the Corporate Risk Management Group in supporting Services in their management of risk to help inform the 2011/12 Annual Governance Statement.
- (iii) A report of the External Auditor that set out the work programme for the 2012/13 audit of the Council's accounts, based on a risk-based approach to audit planning.
- (iv) A report of the Corporate Director, Resources that provided an update on actions being taken to reduce the Authority's risk of making duplicate payments. Overpayments identified during the financial year 2011/12 and the good progress made in recovery sums overpaid was noted. The Committee also gained assurance that further actions were being taken to improve the control environment to help identify potential duplicate invoices before payment was made.
- (v) A report on the work of internal audit during the period Jan to 31 March 2012. Progress made in delivering the annual audit plan and actions being taken to address the reported slippage were noted. Progress made by managers in implementing agreed audit recommendations was also reviewed to gain assurance that control weaknesses identified through audit findings were being addressed.
- (vi) The Interim Governance Reports of the External Auditor on the Durham County Council Pension Fund and Durham County Council's annual financial statements. The Committee welcomed the much

improved position from the previous year but noted that further work was still required to address some of the control weaknesses identified. Many of the issues raised were expected to be addressed before the final governance report was issued in September 2012.

- (vii) A draft response from the Chair of the Committee relating to a letter sent from the Audit Commission regarding compliance with International Auditing Standards. A view of compliance from the Committee's perspective was required as part of the external audit of the Council's and Pension Fund's financial statements for 2011/12.

## **28 June 2012**

### 7. The Committee considered:

- (i) A report of the Corporate Director, Regeneration and Economic Development to gain assurance that current policies, practices and procedures relating to the identification, valuation and disposal of land were appropriate to manage potential risks. The Committee placed on record their appreciation of the substantial amount of work carried out to establish consistent procedures following Local Government Reorganisation.
- (ii) A report of the Corporate Director, Resources which provided details of the proposed accounting policies to be applied in the preparation of the Council's Statement of Accounts for 2011/12. The report outlined the main accounting changes introduced in the Code of Practice on Local Authority Accounting (the Code) in 2011/12. The Committee approved new accounting policies in relation to heritage assets and carbon reduction allowances. Amended accounting policies relating to government grants and contributions, grouped accounting and private finance initiative schemes were also approved to ensure compliance with the Code.
- (iii) A report of the Corporate Director, Resources which provided details of a request from the Audit Commission for the County Council to assess whether it should be considered a 'going concern' for the purpose of preparing the 2011/12 accounts. The Committee gained assurance that the County Council has a history of stable finance and ready access to financial resources in the future and that there are no significant financial, operating or other risks that would jeopardise the County Council's continuing operation. Consequently the Committee accepted the recommendation that the County Council should be considered as a going concern and that the Statement of Accounts for 2011/12 should be prepared on that basis.
- (iv) The Annual Internal Audit Report for 2011/12 from the Manager of Internal Audit and Risk which summarised the work carried out by Internal Audit during 2011/12 and gave a 'moderate' opinion on the Council's internal control environment during 2011/12. The Committee considered and challenged how the opinion had been derived. In particular it was

noted that the adequacy and effectiveness of key financial controls was a major consideration. The Committee noted that whilst good progress has been made during the year to improve a number of key financial systems, that will provide a much better operational platform for effective financial risk management going forward, some key controls were still absent or not operating effectively in 2011/12 hence the same “moderate” opinion on the financial control environment as the last 2 years. The committee took assurance that full benefit of new systems together with those arising from the recent utilisation of the finance service should ensure an improvement in the financial control environment in 2012/13.

- (v) The proposed Internal Audit Plan for the period July 2012 to June 2013. In approving the plan, the risk based audit strategy for delivering the plan was noted. To improve the Committee’s understanding of how this approach would operate in practice, further training on risk based auditing was requested.
- (vi) A report of the Corporate Director, Resources regarding the outcomes of the annual review of the effectiveness of Internal Audit. The Authority has a requirement under the Accounts and Audit (England) Regulations 2011 to review the effectiveness of Internal Audit each year. If Internal Audit is not considered effective, the reliability of the annual internal audit opinion is in question. The Committee concluded that the service had been effective during 2011/12 and noted action taken and planned to strengthen the skills mix in specialist areas such as Information Technology and Pensions.
- (vii) A report of the Corporate Director, Resources relating to the annual review of the effectiveness of the Council’s Corporate Governance arrangements, required to inform the preparation of the draft Annual Governance Statement (AGS) 2011/12. Improvements made to the Council’s governance arrangements during the last year were noted and the Committee resolved that the draft AGS be approved prior to being presented to County Council for information and comment.
- (viii) The Annual Report of the work of the Audit Committee, covering the period April 2011 to March 2012 prior to it being presented to the next meeting of the County Council.
- (ix) A report of the Manager of Internal Audit and Risk which provided details of action taken by Internal Audit during 2011/12, and further action planned, to raise awareness of the risk of fraud and corruption across the Council. The Committee also noted cases of potential fraud and irregularity reported during 2011/12, investigation progress and outcomes. Details of counter-fraud work carried out to prevent and detect fraud, such as the Audit Commission National Fraud Initiative Exercise were also noted to gain assurance that the Council’s arrangements for the management of the risk from fraud and corruption are effective.



### **30 July 2012**

8. The Committee noted a report of the Corporate Director, Resources which provided details of the final outturn for both the General Fund and the Housing Revenue Account for 2011/12 including the Annual Treasury Management Review.
9. The Committee then went on to consider:
  - (i) A report of the Corporate Director, Resources which presented the Statement of Accounts for the year ended 31 March 2012. It was particularly pleasing to note that the draft accounts had been prepared and certified by the statutory deadline of the 30<sup>th</sup> June 2012 .The Committee challenged the increase in short term debtors and bad debt provisions from the previous year and noted the explanation provided that this was primarily due to in-year Council Tax collection performance. The Committee noted actions being taken to improve performance during the current year and requested that an update report be brought back to committee in 6 months time to gain assurance that these actions are effective.
  - (ii) A report of the Corporate Director, Resources which provided an update on progress being made in the development of the Medium Term Financial Plan, Council Plan and Service Plans 2013/14 to 2016/17.
  - (iii) A report from the Audit Commission that provided the Committee with progress in delivering their responsibilities as external auditor and an update on the externalisation of the Audit Practice. It was noted that existing Audit Commission staff would TUPE transfer to the Council's appointed external auditors, Mazars, with effect from the 1<sup>st</sup> November 2012.
  - (iv) A report of the Corporate Director, Resources which highlighted the strategic risks facing the Council and gave an insight into the work carried out by the Corporate Risk Management Group during the period April to June 2012.

### **27 September 2012**

10. The Committee considered and approved the audited Statement of Accounts for the year ended 31 March 2012 presented by the Corporate Director, Resources. The Committee acknowledged the improvements made during the year that contributed to the final accounts being approved within the statutory deadline of the 30<sup>th</sup> September 2012 - a much improved position on the previous 2 years.
11. The Committee then went on to consider:
  - (i) A report of the Corporate Director, Resources which proposed minor amendments to the draft Annual Governance Statement (AGS) and

sought approval to the final AGS to be published as part of the Council's audited Statement of Accounts 2011/12.

- (ii) The Annual Governance Reports relating to Durham County Council presented by the External Auditor. He advised that he expected to complete his final review and closure procedures, and issue an unqualified opinion on the accounts, the group accounting statements, and the Value for Money Conclusion.
- (iii) The Annual Governance Report relating to the Pension Fund presented by the External Auditor. He advised that he expected to complete his final review and closure procedures, and issue an unqualified opinion, on the pension fund financial statements.
- (iv) A report of the Manager of Internal Audit and Risk which informed members of the work carried out by Internal Audit during the period April to June 2012.

**How the Audit Committee has made a difference during the first 6 months of 2012/13.**

12. The Committee believe they have made a significant difference to the Council's governance, control and risk framework during the period April to September 2012 by :

- Striving to help support the Council deliver its objectives and priorities by being a proactive and reactive body encouraging the early reporting of any risk and control issues to ensure that appropriate and timely action is taken to address them
- Continuing to raise the profile of the Internal Audit and Risk Management Service through the Service's reports to Audit Committee
- Independent questioning and contributing to the development and control of internal audit plans
- Seeking assurance on the effectiveness of corporate risk management arrangements
- Seeking assurance on the effectiveness of the Council's corporate governance arrangements from a number of different assurance sources
- Improving the accountability of service managers to respond to outstanding internal audit reports and the implementation of agreed internal audit recommendations thereby helping to drive improvement in controls to manage risks effectively
- Continuing to provide regular challenge and demanding accountability on the effectiveness of the implementation and operation of key financial systems
- Challenging the level of internal audit resources and their work to ensure that the service is effective and a reliable assurance opinion on the Council's controls framework is provided

- Challenging how the Annual Governance Statement has been determined and reviewing the assurance framework in place to ensure that the Council's corporate governance arrangements are effective

**Recommendations and reasons**

13. Members note the report and the work undertaken by the Audit Committee during the period April to September 2012.

---

**Contact: Avril Wallage, Manager of Internal Audit & Risk, Tel 0191 383 3537**

---

---

**Appendix 1: Implications**

---

**Finance** - There are no direct financial implications arising for the Council as a result of this report.

**Staffing** - None.

**Risk** – Not a key decision

**Equality and Diversity/ Public Sector Equality Duty** - None

**Accommodation** - None

**Crime and disorder** - The Audit Committee provide independent assurance that the Council's arrangements to combat the risk of loss through fraud are effective and all reported potential fraudulent acts are appropriately investigated and reported to the police where it is appropriate to do so.

**Human rights** - None

**Consultation** - None

**Procurement** – None.

**Disability issues** – None.

**Legal Implications** – None.

5 October 2012

Members  
Durham County Council  
County Hall  
DURHAM  
DH1 5UE

**Direct line** 0844 798 1632  
**Email** c-waddell@audit-  
commission.gov.uk

Dear Members

## **Durham County Council Annual Audit Letter 2011/12**

I am pleased to submit my Annual Audit Letter which summarises my 2011/12 audit of Durham County Council, including the Pension Fund that it administers.

### **Financial statements of the Council**

On 27 September 2012 I presented my Annual Governance Report to the Audit Committee outlining the findings of my audit of the Council's 2011/12 financial statements. I will not replicate those findings in this letter. However, improvements in the process for producing the financial statements have allowed the Council to publish its audited accounts by 30 September 2012 for the first time since Local Government Reorganisation.

### **Financial statements of the Pension Fund**

On 27 September 2012 I also presented my Annual Governance Report to the Audit Committee outlining the findings of my audit of:

- the Pension Fund 2011/12 financial statements included within the Authority's Statement of Accounts; and
- the Pension Fund Annual Report.

I will not repeat my findings in this letter. However, the quality of the Pension Fund financial statements also improved this year with fewer errors identified than in previous years.

### **Value for Money (VfM) Conclusion**

My Annual Governance Report outlined the findings of my work in this area. In summary the Council:

- understands the financial challenges and risks it faces and has worked hard to deliver a sustainable medium term financial plan for 2012/13 and beyond;

Audit Commission, 2nd Floor, Suites B & C, Nickalls House, Metro Centre, Gateshead,  
NE11 9NH  
T 0844 798 7130 F 0844 798 2023 [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

- has successfully delivered significant savings and efficiencies to-date and is aware that achieving sustainable efficiencies will become more challenging in future years, requiring difficult decisions; and
- has put in place proper arrangements to challenge how it secures value for money, including robust programme management, service review and benchmarking arrangements.

### **Reporting the results of my audit**

Following the Audit Committee, on 28 September 2012 I:

- issued an unqualified opinion on the Council's 2011/12 financial statements and the Pension Fund 2011/12 financial statements included in the Council's Statement of Accounts;
- issued an unqualified opinion on the Pension Fund 2011/12 financial statements included in the Pension Fund Annual Report; and
- concluded that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

### **Whole of Government Accounts**

I have completed my work on Whole of Government Accounts and issued my report to the National Audit Office by the deadline of 5 October 2012. Following completion of this work I certified completion of the audit on the same day.

### **Fees**

I completed my audit within the planned fees for Durham County Council and Durham County Pension Fund.

### **Closing remarks**

I have discussed and agreed this letter with the Chief Executive and Corporate Director Resources. This has been another challenging year for the Council and its staff. It is also my last audit as part of the Audit Commission's Audit Practice. My team and I wish to thank everyone for the continued positive and constructive approach they have taken to the audit over the years.

Yours sincerely

Cameron Waddell  
*District Auditor*

## Audit Committee

22 November 2012

### Strategic Risk Management Progress Report for the Quarter period July to September 2012



## Report of Corporate Management Team

---

### Don McLure, Corporate Director Resources

---

#### Purpose of the Report

1. The purpose of this report is to highlight the strategic risks facing the Council and to give an insight into the work carried out by the Corporate Risk Management Group during the period July to September 2012.

#### Background

2. Each Corporate Director has a designated Service Risk Manager to lead on risk management at a Service Grouping level. In addition, the Council has designated the Deputy Leader of the Council and the Corporate Director, Resources as Member and Officer Risk Champions respectively. Collectively, they meet together with the Risk and Governance Manager as a Corporate Risk Management Group (CRMG). A summary setting out how the Council deals with the risk management framework is detailed in Appendix 2.
3. Throughout this report, both in the summary and the Appendices, all risks are reported as 'Net Risk' (after putting in place mitigating controls to gross risk), which is based on an assessment of the impact and likelihood of the risk occurring with existing controls in place.

#### Current status of the risks to the Council

4. As at 30 September 2012, there were 51 strategic risks, one more than at the end of the previous period on 30 June 2012. In summary, the key risks to the Council are:
  - Slippage in delivery of the MTFP will require further savings, which may result in further service reductions/ job losses;
  - Failure to identify and effectively regulate Contaminated Land;
  - Deterioration in public health services resulting from transfer of Public Health responsibilities to the LA and impact of funding proposals;
  - Coastal erosion and improved environment may be adversely impacted if a programme of repairs to Seaham North Pier is not undertaken;
  - Government budget plans to cut Local Government funding further for 2015/16 and 2016/17 as part of the next Comprehensive

Spending Review would have major impact on services including frontline services that customers rely on;

- The Council may be liable to legal challenge if a single status agreement is not implemented in full;
- Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA);
- County Durham Partnership fails to narrow the deprivation gap within County Durham due to worsening economy of Co Durham and the changes in Welfare Reform legislation;
- Potential restitution of search fees going back to 2005;
- Failure to agree an accurate baseline for the One Point service pooled budget with CDDFT results in a service overspend.

Progress on addressing these key risks is detailed in Appendix 3.

5. Appendix 4 of this report lists all of the Council's strategic risks as at 30 September 2012.
6. Management has identified and assessed these risks using a structured and systematic approach, and is taking proactive measures to mitigate these risks to a manageable level. This effective management of our risks is contributing to improved performance, decision-making and governance across the Council.
7. The following, ongoing projects have been supported in various ways, including risk analysis through workshops and meetings, giving critical feedback on risk management documentation and procedures, attending project / board meetings and helping to maintain the risk register through challenge and identifying controls.
  - Accommodation Strategy;
  - Community Buildings;
  - County Durham Plan ;
  - Libraries Strategy;
  - Local Council Tax Support Scheme;
  - Planning Computer System;
  - ResourceLink Computer System;
  - Revenues and Benefits Service Improvement;
  - School Meals Procurement;
  - Stock Options Appraisal for Housing;
  - Thornley Multi-Use Community Centre;
  - Welfare Reforms – Community Resilience;
  - Welfare Reforms – Housing Provision;
  - Welfare Reforms – Social Care Fund.

### **Recommendations and reasons**

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



---

## **Appendix 1: Implications**

---

**Finance** - Addressing risk appropriately reduces the risk of financial loss.

**Staffing** - Staff training needs are addressed in the risk management training plan.

**Risk** – Not a key decision

**Equality and Diversity/Public Sector Equality Duty** - None

**Accommodation** - None

**Crime and disorder** - None

**Human rights** - None

**Consultation** - None

**Procurement** – None.

**Disability issues** – None.

**Legal Implications** – None.

---

## **Appendix 2: Background**

---

A large amount of work is being carried out across the Council in shaping and developing our approach to risk management where the Cabinet and the Corporate Management Team have designated the Deputy Leader of the Council and the Corporate Director, Resources as Member and Officer Risk Champions respectively.

Together they jointly take responsibility for embedding risk management throughout the Council, and are supported by the Manager of Internal Audit and Risk, the lead officer responsible for risk management, as well as the Risk and Governance Manager. Each Service Grouping also has a designated Service Risk Manager to lead on risk management at a Service Grouping level, and act as a first point of contact for staff who require any advice or guidance on risk management. Collectively, the Risk Champions, Service Risk Managers and the Risk and Governance Manager meet together as a Corporate Risk Management Group. This group monitor the progress of risk management across the Council, advise on strategic risk issues, identify and monitor corporate cross-cutting risks, and agree arrangements for reporting and awareness training.

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

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

Risks are assessed in a logical and straightforward process, which involves the Risk Owner (within the Service) assessing both the impact on finance, service delivery or stakeholders if the risk materialises, and also the likelihood that the risk will occur over a given period. The assessment is confirmed by the Service Management Team, and Chief Officers agree their Risk Register with the Cabinet Member responsible for their Portfolio Service.

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

## Appendix 3: Strategic Risks

Risks are assessed at two levels:

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

As at 30 September 2012, there were 51 strategic risks, one more than at the end of the previous period at 30 June 2012.

The following matrix summarises the total number of strategic risks based on their Net risk assessment as at 30 September 2012. Where there have been changes to the number of risks from the last quarter period end, the risk total as at 30 June 2012 is highlighted in brackets.

### Overall number of Strategic Risks as at 30 September 2012.

Impact					
Critical	1 (1)	3 (3)	4 (4)		
Major		3 (3)	5 (5)	4 (4)	
Moderate		3 (4)	14 (13)	4 (5)	2 (2)
Minor			3 (3)	3 (2)	2 (1)
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

In summary, key points to draw to your attention are:

#### 1 Beneficial outcomes

- Effective management of risks by Services has contributed to the successful delivery of several projects, including: Revenues & Benefits Computer Systems Consolidation; Durham Crematorium Redevelopment; New Lea Childrens Home (New Build); Glendene School and Community Arts College (BSF); HR Unitisation.
- The likelihood of the risk "*Industrial Action will adversely impact Service delivery*" has reduced from Highly Probable to Possible, and is no longer considered a Key risk to the Council. **(RES)**

## 2 Significant New and Increased Risks

Six new risks have been identified this quarter:

- *“Contamination of material collected from kerbside from Alternate Weekly Collection scheme is having a negative impact on income (MTFP implications) and may reduce availability of recycling outlets”*. A significant amount of contaminated waste is currently being generated from the new scheme. Actions are in place which, once complete, should mitigate the risk to a more manageable level. **(NS)**
- *“Medium Term Financial Plan forecasts relating to the impact of the Local Council Tax Support Scheme and the Business Rate Retention on the Council’s budget prove to be detrimentally inaccurate”*. Continuous, prudent forecasting is being undertaken with regular updates to CMT and Cabinet. **(RES)**
- *“Failure to agree an accurate baseline for the One Point service pooled budget with County Durham and Darlington Foundation Trust (CDDFT) results in a Service overspend”*. Negotiations are underway to seek additional payment from the CDDFT during 2012/13. **(CAS)**
- *“County Durham & Darlington Foundation Trust efficiency requirements undermine service management & delivery in the One Point service”*. Reductions are being planned through the Integrated Services Programme Board. **(CAS)**
- *“Due to a combination of school funding reforms and LACSEG reductions arising from Academy conversions, several centrally managed services for children and young people (C&YP) may become unviable, resulting in the Council being unable to help C&YP achieve to their potential and make a positive contribution”*. Reviews of major areas of the service are underway to ensure they become “cost neutral” to the Council. **(CAS)**
- *“School funding Reforms introduced by DfE requires a significant change to the current methodology for allocating funding to schools in 2013/14, with more significant changes planned from 2015/16 under a funding national formula, which may lead to significant funding reductions for some schools should the current Minimum Funding Guarantee mechanism cease, resulting in failure to meet the Council’s objective of helping C&YP to achieve to their potential and make a positive contribution”*. The Schools Forum and individual schools are being consulted on the potential impacts of the changes. **(CAS)**

## 3 Removed Risks

The following five risks have been **removed** from the register in this quarter following effective management of the risks by the Services, as all mitigating actions have been completed to reduce them to a level where management now consider existing controls to be adequate.

- *“The data used to produce performance information is of insufficient quality to ensure reliability for decision making purposes”*. The risk has reduced to an acceptable level. **(ACE)**

- *“Failure to substantially deliver the Community Buildings Strategy by March 2014, leading to continuation of current issues”*. The risk has reduced to an acceptable level. **(ACE)**
- *“Alternate Weekly Collection project is not delivered to programme”*. The delivery of the recycling bins has been successfully implemented. **(NS)**
- *“Delays in processing both new and changes to benefit claims”*. The backlog has now been reduced to an acceptable level. **(RES)**
- *“If fuel & energy price & usage continue to rise it will have major financial implications for the Council and impact on community”*. Measures have been taken to reduce the impact and likelihood of the risk occurring. **(RES)**

#### 4 Key Risks

The risks shown in the tables below are considered the key risks to the Council. Where there have been changes to the risk assessment from the last quarter period end, these are highlighted in the column headed 'Direction of Travel'. The target for when the risk will be at an acceptable level, or where further improvements in mitigation are not possible, is highlighted in the column headed 'Anticipated date when risk will be at an acceptable level'.

<b>Impact</b>					
Critical			<b>Risks 1, 2, 3, 4</b>		
Major				<b>Risks 5, 6, 7, 8</b>	
Moderate					<b>Risk 9, 10</b>
Minor					
Insignificant					
<b>Likelihood</b>	Remote	Unlikely	Possible	Probable	Highly Probable

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
1	RES Risk Owner: Don McLure	Altogether Better Council	Slippage in delivery of the MTFP will require further savings, which may result in further service reductions/ job losses	Critical	Possible	The Delivery plan implementation will be monitored by CMT and Cabinet.		This will be a significant risk for at least the next 4 years. No further mitigation is planned at the current stage.
2	NS Risk Owner: Joanne Waller	Altogether Greener	Failure to identify and effectively regulate Contaminated Land	Critical	Possible	All sites will be inspected in two phases by 31/10/2012 and 31/3/2013 respectively.		The arrangements will be well established by March 2013, by when we will have reduced the risk to an acceptable level.
3	CAS Risk Owner: Rachael Shimmin	Altogether Healthier	Deterioration in public health services resulting from transfer of Public Health responsibilities to the LA and impact of funding proposals	Critical	Possible	Negotiations are ongoing with the NHS on various issues, including information governance, commissioning and staff transfers.		The transfer will be completed by 1 April 2013.
4	NS Risk Owner: Terry Collins	Altogether Wealthier	Coastal erosion and improved environment may be adversely impacted if a programme of repairs to Seaham North Pier is not undertaken	Critical	Possible	Funds will be allocated in future budgets for the design and undertaking of repairs to the structure.		To mitigate the risk, funds are being investigated as part of the 2013/14 budget for the design of repairs to the structure.
5	RES Risk Owner: Don McLure	Altogether Better Council	Government budget plans to cut Local Government funding further for 2015/ 16 and 2016/ 17 as part of the next Comprehensive Spending Review would have major impact on services including frontline services that customers rely on	Major	Probable	Sound financial forecasting based on a thorough examination of the Government's "red book" plans is in place.  Early engagement with Cabinet and a timetable of key milestone dates will be agreed.		This is related to key risk 1 above.

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
6	RES Risk Owner: Don McLure	Altogether Better Council	The Council may be liable to legal challenge if a single status agreement is not implemented in full.	Major	Probable	Outcomes should be implemented by the end of 2012, subject to ongoing, formal negotiations with Trade Unions.		The project to bring this risk to an acceptable level should be completed by December 2012.
7	RES Risk Owner: Don McLure	Altogether Better Council	Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA)	Major	Probable	The cost of any clawback will be met from the Insurance Reserve .		Supreme Court ruling has been made. Currently waiting formal response from MMI before considering the options going forward
8	RED Risk Owner: Andy Palmer	Altogether Wealthier	County Durham Partnership fails to narrow the deprivation gap within County Durham due to worsening economy of Co Durham and the changes in Welfare Reform legislation	Major	Probable	Performance measures will be developed and implemented.		An action plan for CDP is in place. This will remain a significant risk for at least the next 4 years.
9	RES Risk Owner: Colette Longbottom	Altogether Better Council	Potential restitution of search fees going back to 2005	Moderate	Highly Probable	The Council has signed up to a class action defence by LGA appointed solicitors		Dependent upon the outcome of the negotiations/ litigation currently being defended by lawyers instructed in group litigation
10	CAS Risk Owner: Carole Payne	Altogether Better for Children and Young People	Failure to agree an accurate baseline for the One Point service pooled budget with the County Durham & Darlington Foundation Trust results in a service overspend	Moderate	Highly Probable	Ongoing negotiations with CDDFT-PCT to secure additional payment this year.		All mitigating actions will be complete by the end of March 2013.



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

Based on the **Net** risk assessment as at 30 September 2012, the following tables highlight the risks for each Corporate Theme. Where there have been changes to the risk assessment from the last quarter period end, these are highlighted in the column headed Direction of Travel.

### **Corporate Theme – Altogether Better Council**

<b>Ref</b>	<b>Service</b>	<b>Risk</b>
1	Resources	Slippage in delivery of the MTFP will require further savings, which may result in further service reductions/ job losses
2	Resources	The Council may be liable to legal challenge if a single status agreement is not implemented in full.
3	Resources	Government budget plans to cut Local Government funding further for 2015/ 16 and 2016/ 17 as part of the next Comprehensive Spending Review would have major impact on services including frontline services that customers rely on.
4	Resources	Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA)
5	Resources	Potential restitution of search fees going back to 2005
6	RED	Increased demand for Housing Solution Service beyond current staffing capacity due to changes in Government Welfare legislation.
7	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
8	RED	Adverse impact on Durham City Homes revenue, capacity and resources and tenants due to changes in Government legislation.
9	Neighbourhood Service	Building Services could see a loss of business if the academies do not use Council services and/ or opt out of the SLA to procure outside agencies to carry out compliance, building and maintenance/ grounds maintenance works.
10	Neighbourhood Service	Failure to effectively support events organised by the Council or taking place on Council land.
11	Resources	Inconsistent approach to managing funding bids by Services could expose the Council to financial losses and reputational damage.
12	Resources	Industrial Action will adversely impact service delivery

Page Ref	Service	Risk
13	Resources	Collection Fund and Debtors collection rates do not reach target set for 2012/13
14	Neighbourhood Service	Limited knowledge of DEBS live system by some budget holders could adversely impact on service delivery and performance in NS
15	Resources	Major Interruption to IT Service Delivery
16	CAS	Potential for the Police Reforms to weaken the ability of the Council and its partners to cut crime and anti-social behaviour
17	Resources	Due to the amount of change occurring across the Council, the potential for fraud and error is increasing.
18	ACE	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
19	ACE	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation
20	Neighbourhood Service	Contamination of material collected from kerbside from Alternate Weekly Collection scheme is having a negative impact on income (MTFP implications) and may reduce availability of recycling outlets.
21	CAS	Work Related Stress – STAFF
22	Neighbourhood Service	Consistent health and safety policies, practices and procedures across the Neighbourhoods Service are not embedded across NS
23	Resources	Medium Term Financial Plan forecasts relating to the impact of the Local Council Tax Support Scheme and the Business Rate Retention on the Council's budget prove to be detrimentally inaccurate.
24	Neighbourhood Service	The performance of building services does not improve to make them more competitive.
25	CAS	Merger of Children/Adults Services

### Altogether Safer

	Service	Risk
26	RED	Disused unmaintained Coal Authority mine workings on DCC land may result in serious injury/financial claims against the Council
27	CAS	A service failure of Safeguarding leads to death or serious harm to a service user.
28	CAS	Failure to protect child from death or serious harm (where service failure is a factor or issue)
29	CAS	Unauthorised encampment
30	ACE	Failure to prepare for, respond to and recover from a major incident or interruption, and to provide essential services.
31	Neighbourhood Service	Damage to Highways assets as a result of a severe weather event.
32	CAS	Violence and Aggression Staff
33	RED	Serious injury or loss of life due to Safeguarding failure (Transport Service)

### Altogether Greener

	Service	Risk
34	Neighbourhood Service	Failure to identify and effectively regulate Contaminated Land
35	Neighbourhood Service	Failure to effectively deliver the proposed Waste Management Solution.

**Altogether Healthier**

	<b>Service</b>	<b>Risk</b>
36	CAS	Deterioration in public health services resulting from transfer of Public Health responsibilities to the LA and impact of funding proposals
37	CAS	Potential financial, operational, and reputational risks arising from proposed NHS Reforms
38	CAS	Increased cost to the authority from revision to "Ordinary residence" guidance
39	CAS	Management and administration of service users medications

**Altogether Better for Children and Young People**

	<b>Service</b>	<b>Risk</b>
40	CAS	Failure to agree an accurate baseline for the One Point service pooled budget with CDDFT results in a service overspend
41	CAS	Failure to meet escalating costs of external and high-cost placements effectively where highly-specialised provision is required
42	CAS	Children/families experience a lack of interface between services for children & adults as a result of failure to work together
43	CAS	County Durham & Darlington Foundation Trust efficiency requirements undermine service management & delivery in the One Point service
44	RED	Employment Services for young people (18-24 year olds) are under resourced and unco-ordinated between service groups.
45	CAS	Due to a combination of school funding reforms and LACSEG reductions arising from Academy conversions, several centrally managed services for children and young people (C&YP) may become unviable, resulting in the Council being unable to help C&YP achieve to their potential and make a positive contribution.
46	CAS	School funding Reforms introduced by DfE requires a significant change to the current methodology for allocating funding to schools in 2013/14, with more significant changes planned from 2015/16 under a funding national formula, which may lead to significant funding reductions for some schools should the current Minimum Funding Guarantee mechanism cease, resulting in failure to meet the Council's objective of helping C&YP to achieve to their potential and make a positive contribution.

## Altogether Wealthier

	Service	Risk
47	RED	County Durham Partnership fails to narrow the deprivation gap within County Durham due to worsening economy of Co Durham and the changes in Welfare Reform legislation.
48	Neighbourhood Services	Coastal erosion and improved environment may be adversely impacted if a programme of repairs to Seaham North Pier is not undertaken
49	RED	Diminishing Capital Resources, continuing depressed land values and slow growth in the private sector will impact on the ability to deliver major projects and Town initiatives within proposed timescales.
50	RED	Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.
51	RED	East Durham Homes additional Government funding is not forthcoming due to Government cut backs.



**Audit Committee**

**22 November 2012**

**Local Code of Corporate Governance**

**Report of Corporate Management Team**



---

**Don McLure, Corporate Director Resources**

---

**Purpose of the Report**

1. This report seeks approval of the revised Local Code of Corporate Governance, attached in Appendix 2.

**Background**

2. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
3. The Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework – ‘Delivering Good Governance in Local Government’ and is based upon the 6 core principles. This Code is a public statement, included in the Constitution, that sets out the way the Council will meet its commitment to demonstrating that it has the necessary Corporate Governance arrangements in place to perform effectively. It represents a key component of the Council’s governance arrangements, and applies to all Council Members, Officers, Partners and stakeholders in their dealings with the Council.
4. In line with agreed practice, the Code has been revised following the completion of our annual review of the effectiveness of the Council’s corporate governance arrangements. The revised Code is attached in Appendix 2, **with deletions from the previous Code marked with a strikethrough, and other changes underlined.**

**Recommendations and reasons**

5. To recommend the revised Local Code of Corporate Governance, attached in Appendix 2, to the Constitution Working Group for inclusion in the Council’s Constitution.

---

**Contact: David Marshall Tel: 0191 3834311**

---

---

## Appendix 1: Implications

---

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

**Staffing** - Ensuring the adequate capability of staff meets a core principle of the CIPFA/ SOLACE guidance.

**Risk** – Not a key decision

**Equality and Diversity/ Public Sector Equality Duty** - Engaging local communities including hard to reach groups meets a core principle of the CIPFA/ SOLACE guidance.

**Accommodation** - Asset management is a key component of effective corporate governance

**Crime and Disorder** – None.

**Human Rights** - None.

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

**Procurement** – None.

**Disability issues** – Ensuring access to services meets a core principle of the CIPFA/ SOLACE guidance.

**Legal Implications** – None.



# **DURHAM COUNTY COUNCIL**

## **LOCAL CODE OF CORPORATE GOVERNANCE**

## INTRODUCTION

Corporate governance is a term used to describe how organisations direct and control what they do. As well as systems and processes this includes cultures and values. For local authorities this also includes how a council relates to the communities that it serves. Good corporate governance requires local authorities to carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity, impartiality and inclusivity. Corporate governance is also the structure through which strategic objectives are set and performance monitored. Best practice principles in that regard flow from the three core components of the Turnbull report, namely; the assessment of corporate risk; effective management systems and the enabling of the organisational culture.

Durham County Council is committed to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively.

This Code is a public statement that sets out the way the Council will meet that commitment. As such it represents a key component of the Council's governance arrangements. The Code has been developed in accordance with and is consistent with the CiPFA / SOLACE Delivering Good Governance in Local Government Framework and is based upon the following 6 core principles:

- **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**
- **Members and officers working together to achieve a common purpose with clearly defined functions and roles**
- **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**
- **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**
- **Developing the capacity and capability of members and officers to be effective**
- **Engaging with local people and other stakeholders to ensure robust public accountability**

In the following tables, the Code details how the Council meets these core principles and the supporting principles that underpin them. To complement this, the Code also highlights the key documents and functions which contribute to the Council's good governance arrangements.

The mechanisms for monitoring and reviewing the Council's corporate governance arrangements are set out in the Code.

## THE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES

### 1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Supporting Principle	To achieve this:
1.1 Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users.	<p>The <u>Sustainable Community Strategy 2010-30</u> (SCS) and accompanying three year action plan produced by the Council in conjunction with its partners on the County Durham Partnership (CDP) demonstrates its shared long-term vision for the future of County Durham, namely 'Altogether Better Durham' and is based on consideration of a broad range of information and evidence and consultation with a wide range of stakeholders.</p> <p>The CDP Performance Management Framework, which is a locally led performance framework, measures the impact and progress of the SCS over a three year period, and presents a balanced scorecard, via a a of a basket of indicators aligned to the priority themes and key objectives.</p>
1.2 Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	<p>Timely, objective and understandable information about the Council's activities, achievements, performance and financial position is provided by annually publishing:</p>
1.3 Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money	<ul style="list-style-type: none"> <li>• The <u>Council Plan</u>, which contains the Council's corporate priorities and the key actions to take in support of delivering the longer term goals in the SCS and the Council's own improvement agenda;</li> <li>• Service Plans at a Service Grouping level which detail the planned actions to deliver the Council's vision;</li> <li>• Externally audited Annual Statement of Accounts;</li> <li>• Independently verified performance information.</li> </ul> <p>The Council aims to deliver high quality services by:</p> <ul style="list-style-type: none"> <li>• Developing effective relationships and partnerships with other public sector agencies and the private and voluntary sectors;</li> <li>• Responding positively to the findings and recommendations of external auditors and statutory</li> </ul>

Supporting Principle	To achieve this:
	<p>inspectors and putting in place arrangements for the implementation of agreed actions;</p> <ul style="list-style-type: none"> <li>• Ensuring procurement practices are effective and securing external funding where available;</li> <li>• Identifying performance improvements through the development and monitoring of Council and Service plans.</li> <li>• Linking other governance processes and procedures, such as the Asset Management Plan and Partnership Governance Framework, to the Council priorities.</li> </ul> <p>The Council has appropriate performance frameworks for specific areas of service and for partnership arrangements:</p> <ul style="list-style-type: none"> <li>• The Council Plan, the SCS, Area Action Partnerships, and the Medium Term Financial Plan (MTFP), contribute into the corporate performance management arrangements, and the Council has a framework of quarterly reporting to Cabinet and Overview and Scrutiny on corporate performance;</li> <li>• The Development Improvement Group, which oversees the performance management arrangements of the CDP, <del>consists of two groups, namely a performance group that meets quarterly to consider performance, and a strategic group made up of high level officers from the Council, Police, Fire and Health which meets monthly. This latter group considers how key public sector plans for change align, and where efficiencies and greater value for money can be achieved through strategic integration, shared services and joint commissioning;</del></li> <li>• The Improvement and Planning Group (IPG) oversee Council performance management issues;</li> <li>• <u>The Council has a locally led performance management framework;</u></li> <li>• Quarterly performance sessions in each Service to review performance;</li> <li>• Extended Management Team meetings; consisting of Chief Executive, Directors and Heads of Service, which include a programme of activity linked to the strategic management of the Council;</li> <li>• <u>Project Boards and Task and Finish Groups;</u></li> <li>• A Quarterly Performance Management <u>Report</u> to Cabinet produced by all Service Groupings which includes a summary of achievements and identifies areas with significant performance challenges where a more in depth analysis of performance and improvement work should be</li> </ul>

Supporting Principle	To achieve this:
	<p>carried out;</p> <ul style="list-style-type: none"> <li>• Members robustly scrutinise performance through a number of scrutiny reviews of Council services;</li> <li>• A comprehensive schedule of the necessary savings to enable us to deliver a balanced budget and MTFP are achieved. Detailed and frequent monitoring of this programme is undertaken by CMT and Cabinet;</li> <li>• The performance and quality of service delivery of the Community and Voluntary sectors is measured against a standard Service Level Agreement that they all work to.</li> </ul>

**2. Members and officers working together to achieve a common purpose with clearly defined functions and roles**

Supporting Principle	To achieve this:
<p>2.1 Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function</p>	<p>The Council ensures that the necessary roles and responsibilities for the governance of the Council are identified and allocated so that it is clear who is accountable for decisions that are made. The Council does this by:</p> <ul style="list-style-type: none"> <li>• Electing a Leader of the Council and nominating a Cabinet made up of Cabinet Members with defined executive responsibilities;</li> <li>• Clearly describing, in the Council’s <u>Constitution</u>, the roles of the Members and Senior Officers;</li> <li>• <del>the role of the Leader and Deputy Leader of the Council, Executive Members, Executive Support Members, the Chairman and Vice Chairman of the Council, the Chairman and Vice Chairman of a Committee, Opposition Group Leader, Frontline Councillors, Corporate Parenting Panel Members, Non-Elected Members, the Chief Executive and other Statutory senior management appointments;</del></li> <li>• <del>Detailing the collective role and management arrangements for the Corporate Management Team and Extended Management Team in the Corporate Management Framework;</del></li> <li>• Agreeing a scheme of delegated responsibilities to Directors;</li> <li>• The Chief Executive being responsible and accountable for all aspects of operational management (Head of Paid Service);</li> <li>• A nominated Senior Officer being responsible for the proper administration of its financial affairs (S151 Officer) <u>and to fulfil the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The CFO also provides an opinion under section 25 of the Local Government Act 2003 on the reserves for the County Council, which Members consider when setting the budget. A nominated Senior Officer being responsible for actions taken in accordance with Statute and Regulation (Monitoring Officer);</u></li> <li>• Annually appointing Committees to discharge the Council’s Regulatory and Scrutiny responsibilities;</li> <li>• Maintaining effective and comprehensive arrangements for the scrutiny of services and for holding the Cabinet to account;</li> <li>• Maintaining protocols that ensure effective communications between Members and Officers;</li> </ul>
<p>2.2 Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard</p>	
<p>2.3 Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other</p>	

Supporting Principle	To achieve this:
	<ul style="list-style-type: none"> <li>• Maintaining a Councillor Compact outlining the mutual expectations of the Officers and Members;</li> <li>• The Leader of the Council regularly reviewing the Cabinet member portfolios.</li> </ul> <p>The Council enhances constructive working relationships between authority Members and Officers by:</p> <ul style="list-style-type: none"> <li>• The Leader of the Council and Chief Executive meeting on a weekly basis to discuss emerging issues, management and policy items;</li> <li>• Members and Officers working together on the workload of the Cabinet which is managed through a system of Cabinet pre-agenda meetings;</li> <li>• Corporate Directors holding regular briefing sessions with Cabinet Portfolio Members and support Members;</li> <li>• <u>The Head of Legal and Democratic Services meets with the Chairman and Vice-Chairman immediately prior to each Council meeting to discuss the arrangements of business;</u></li> <li>• <u>Member remuneration is overseen by an independent panel;</u></li> <li>• Clear principles of how media relations work with elected Members.</li> </ul> <p>When working in partnership, the Council ensures that:</p> <ul style="list-style-type: none"> <li>• Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority;</li> <li>• There is clarity about the legal status of the partnership;</li> <li>• Representatives of the organisations both understand and make clear to all other parties the extent of their authority to bind their organisation to partner decisions;</li> <li>• Formal guidance is provided for Members when representing the Council on outside bodies and partnerships.</li> </ul>

### 3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Supporting Principle	To achieve this:
3.1 Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	<p><u>The key elements of the Council's approach to communicating and embedding the expected standards of behaviour for Members and staff are detailed in the Council Constitution. The Council's Codes of Conduct included in the Constitution also apply to its partnership working.</u></p> <p>The Council fosters a culture of behaviour based on shared values, high ethical principles and good conduct. The Council does this by establishing and keeping under review:</p>
3.2 Ensuring that organizational values are put into practice and are effective	<ul style="list-style-type: none"> <li>• <u>Protocols and Codes of Conduct as described in the Council's Constitution</u></li> <li>• <del>The Code of Conduct for Elected Members, Voting Co-opted Members and Independent Members of the Standards Committee;</del></li> <li>• <del>The Code of Conduct for Employees;</del></li> <li>• <del>The Code of Practice for Members and Officers dealing with planning matters;</del></li> <li>• <del>A Protocol governing Member/Officer relations;</del></li> <li>• <del>Key protocols, such as the Contract Procedure Rules and the Financial Procedure Rules;</del></li> <li>• The Council's own values on Leadership as enshrined in the Council Plan and evidenced in Codes of Conduct that sets a standard for behaviour;</li> <li>• The Statutory Declaration of Acceptance of Office, which all Members are required to sign. Similar arrangements exist for independent members of the Standards Committee and Voting Co-opted members of the Scrutiny Committee;</li> <li>• The roles of Members and Officers in decision-making;</li> <li>• Appropriate and timely advice and guidance to both Members and Officers;</li> <li>• Systems for reporting and dealing with any incidents of fraud and corruption;</li> <li>• A Register of Interests and declaration of Gifts and Hospitality accepted;</li> <li>• The Single Equalities Scheme and supporting Equality and Diversity Policy;</li> <li>• <u>The Councillor Compact, as described in the Constitution;</u></li> <li>• <u>The Chairman of the Council has the capacity to act as the conscience of the Council.</u></li> </ul>



Supporting Principle	To achieve this:
	<p><u>The Standards Committee has the key governance role of promoting and monitoring high standards of conduct by elected members, independent members and co-opted members. The Committee has responsibilities for:</u></p> <ul style="list-style-type: none"> <li>• <u>A strategic overview of the Council's complaints handling regime;</u></li> <li>• <u>Oversight of other relevant codes and protocols;</u></li> <li>• <u>Promoting and monitoring the application and delivery of these codes and protocols and promoting positive and trusting relationships within the Council;</u></li> <li>• <del>The local assessment of Member conduct complaints in accordance with the Localism Act 2012;</del></li> <li>• <del>Reporting annually to the Council on its business which includes details of Member conduct complaints and Local Government Ombudsman investigations;</del></li> <li>• <u>Communicating openly to a wider public through its Annual Report publicised as part of the Full Council papers;</u></li> <li>• <u>Dealing with any breach of the Member Code under Standards Committee procedures.</u></li> </ul> <p><del>The Council's Standards Committee has an independent Chair and has been given a deliberately broad remit, with responsibilities for:</del></p> <ul style="list-style-type: none"> <li>• <del>All complaints handling and oversight of other relevant codes and protocols;</del></li> <li>• <del>The local assessment of Member conduct complaints in accordance with the Standards Committee (England) Regulations 2008;</del></li> <li>• <del>Promoting and monitoring the application and delivery of these codes and protocols and promoting positive and trusting relationships within the Council;</del></li> <li>• <del>Monitoring complaints handling by Services, including dip sampling of completed investigations;</del></li> <li>• <del>Reporting annually to the Council on its business which includes details of Member conduct complaints and Local Government Ombudsman investigations;</del></li> <li>• <del>Communicating openly to a wider public through its Annual Report publicised as part of the Full Council papers;</del></li> <li>• <del>Dealing with any breach of the Member Code under Standards Committee Procedures.</del></li> </ul>

Supporting Principle	To achieve this:
	<p>The Confidential Reporting Code (Whistle blowing policy) and the Council's <u>complaints procedures</u> provide mechanisms for the public to raise concerns about potential breaches of conduct. They are accessible on the Council's website, are communicated to all Officers and Members, and have been brought to the attention of School Governing Bodies. These procedures form part of the Council's approach to counter-fraud and are linked to the Councils' <u>Counter Fraud and Corruption Strategy</u>.</p> <p>All <del>Standards Board</del> investigations into Member conduct are maintained and monitored by the Monitoring Officer and her staff.</p> <p>Any breach of the Employee Code of Conduct is investigated in accordance with the Council's disciplinary procedure.</p> <p>Under the Member Code of Conduct, Members (including Co-Opted Members with voting rights):</p> <ul style="list-style-type: none"> <li>• are required to register details of their <u>disclosable pecuniary interests and other personal registerable interests</u> in the Authority's <u>Register of Gifts, Interests and Hospitality</u>, which is available on-line;</li> <li>• who become aware of any changes to his/her interests to provide details of that change to the Monitoring Officer within 28 days;</li> <li>• are required to review their declarations of standing interests on an annual basis.</li> </ul> <p><u>In terms of disclosure of gifts, hospitality and interests, assurance is gained over Member declarations and registrations by the Monitoring Officer maintaining and monitoring the Register of Gifts, Interests and Hospitality for Members.</u></p> <p><u>Disclosable pecuniary interests, gifts and hospitality, conflicts of interest and other registerable personal interests</u> are registered as and when required throughout the year, and details are available online. Member declarations and registrations, <u>which are available online</u>, are maintained and monitored by the Monitoring Officer and her staff.</p>

Supporting Principle	To achieve this:
	<p>The Monitoring Officer issues advice and guidance (usually on an annual basis) reminding Corporate Directors of their responsibilities under the Code of Conduct in relation to gifts and hospitality. Staff declarations are maintained and monitored by their Head of Service.</p> <p><del>Quarterly statistics and annual returns containing information about the effectiveness of local standards arrangements are submitted online to the Standards Board for England by the Council's Monitoring Officer.</del></p> <p><del>The Council uses the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.</del></p> <p><del>The Council's partnership governance framework makes clear reference to Codes of Conduct applying to any partnership working.</del></p> <p>In pursuing the vision of a partnership, the Council agrees a set of behavioural values with our key partners, against which decision making actions can be judged. Such values are demonstrated by partners' behaviour both individually and collectively.</p>

**4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

Supporting Principle	To achieve this:
4.1 Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	<p>The Council's <u>Constitution</u> sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are effective, transparent and accountable to local people and is reviewed and amended on an annual basis as required.</p> <p>The Council is transparent about how decisions are taken and recorded. The Council does this by:</p>
4.2 Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	<ul style="list-style-type: none"> <li>• Ensuring that all decisions are made in public and recording those decisions and relevant information and making them available publicly (except where that information is exempt under the provisions of the Freedom of Information Act or determined as being confidential by Government or otherwise exempt by the Council);</li> <li>• Rules and procedures which govern how decisions are made;</li> <li>• Publishing details of statutory and delegated responsibilities on the Council website as part of the Constitution on the on DCC website;</li> <li>• Publishing an <u>Executive Forward Plan</u> of decisions for next 4 months on the Council website;</li> <li>• A Freedom of Information publication scheme.</li> </ul>
4.3 Ensuring that an effective risk management system is in place	
4.4 Using their legal powers to the full benefit of the citizens and communities in their area	<p><u>Overview and Scrutiny, which consists of an Overview and Scrutiny Management Board and six committees, has the key role to make decision-making processes transparent, accountable and inclusive and to improve services for people by being responsive to their needs.</u></p> <p>The Council ensures that effective, transparent and accessible arrangements are in place for recording and dealing with complaints.</p> <p>The Council ensures that appropriate legal, financial and other professional advice is always considered as part of the decision-making process and the Council will always observe both specific requirements of legislation and general responsibility by law.</p>

Supporting Principle	To achieve this:
	<p>The Council recognises the limits of lawful activity placed on the authority by, for example, the ultra vires doctrine, and observes both the specific requirements of legislation and the general responsibilities placed on the authority by public law but also strives to utilise its powers to the full benefit of the community.</p> <p><del>A Committee Management System is in place to streamline the reporting and decision-making process.</del></p> <p>The Council observes all specific legislative requirements placed upon the authority, as well as the requirements of general law, in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into its procedures and decision making processes.</p> <p>Key CIPFA codes, such as the Code on a Prudential Framework for Local Authority Capital Finance, and the Treasury Management Code, are complied with.</p> <p>The Council operates a risk management approach that aids the achievement of its strategic objectives, supports its decision making processes, protects the Council’s reputation and other assets and is compliant with statutory and regulatory obligations. The Council annually reviews its risk management strategy and policy, which outlines the formal approach to identifying and managing risk.</p> <p>The Council has an Audit Committee with responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure internal control systems are effective and that policies and practices are in compliance with statutory and other regulations and guidance.</p> <p>The Constitution is reviewed by the Constitution Working Group (CWG), which consists of the lead Members from each political party and is chaired by the Leader of the Council.</p> <p>Information is provided for senior officers to understand what they can or cannot do under the Scheme of Delegation <u>which is reviewed annually.</u></p>

Supporting Principle	To achieve this:
	<p>The Council has appointed the Corporate Director of Resources as Chief Financial Officer (CFO) and Section 151 Officer. The CFO is involved in all Corporate Management Team discussions, and reviews all reports to Cabinet which have financial implications. The CFO also provides an opinion under section 25 of the Local Government Act 2003 on the reserves for the County Council, which Members consider when setting the budget.</p> <p>The Council ensures the services it delivers are effective and meet the community's needs by:</p> <ul style="list-style-type: none"> <li>• Delivering services to meet local needs through the SCS, and putting in place policies and processes to ensure that they operate effectively in practice;</li> <li>• <u>Performance and budgetary monitoring and reporting;</u></li> <li>• <u>Consultation and engagement with stakeholders;</u></li> <li>• <del>Comprehensive consultation to develop the SCS and the accompanying three year action plan</del></li> <li>• <del>Recording and reviewing the number and type of complaints, average time to respond and the number of satisfied customers who have used this process. These reports can be found on the Council's intranet and website;</del></li> <li>• Comparing information about our services with services provided by similar organizations assessing why levels of efficiency, effectiveness and quality are different elsewhere and considering other alternative means of service provision to maximise opportunities and improve value for money where appropriate;</li> <li>• <del>Holding various public consultation events;</del></li> <li>• Multi-agency Area Action Partnerships (AAP) who are fully engaged with identifying and resolving local priorities, and utilise locality budgets allocated to each AAP to drive improvements to service quality. Progress on achieving these improvements is monitored by the AAP Boards;</li> <li>• <del>Producing a Performance Statement quarterly that includes a summary of achievements and identifies areas with significant performance challenges where a more in depth analysis of performance and improvement work should be carried out;</del></li> </ul> <p><del>Regularly presenting to Cabinet and Corporate Management Team reports on the budgetary control statement and quarterly outturn reports.</del></p>

## 5. Developing the capacity and capability of members and officers to be effective

Supporting Principle	To achieve this:
5.1 Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	<p>The Council ensures that those charged with the governance of the Council have the skills, knowledge and experience they need to perform well. The Council does this by:</p> <ul style="list-style-type: none"> <li>• Operating robust recruitment and selection processes;</li> <li>• Implementing a Member Development Strategy;</li> <li>• Maintaining the Investor in People Standard;</li> <li>• Cascading regular information to Members and Staff;</li> <li>• Investing in Member and Officer Leadership Training;</li> <li>• Providing resources that support Member and Officer Development;</li> <li>• Promoting schemes and supporting ongoing professional development;</li> <li>• Consistent application of the People and Organisational Strategy;</li> <li>• An Employee Support Programme to support employees through the restructuring process associated with the MTFP outcomes;</li> <li>• Personal Development Plans;</li> <li>• Providing training to help Members understand their role on committees;</li> <li>• Assessing personal development needs as part of the induction process for both Members and Officers;</li> <li>• A Member Training and Development Strategy and Member Learning and Development Programme;</li> <li>• Evaluating the effectiveness of Member development planning and evaluation via the Member Development Group which is chaired by a Member;</li> <li>• Individual personal development of <del>senior</del> <u>all</u> officers as part of the Council's employee performance appraisal arrangements.</li> </ul>
5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	
5.3 Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal	

## 6. Engaging with local people and other stakeholders to ensure robust public accountability

Supporting Principle	To achieve this:
<p>6.1 Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships</p>	<p>The Council seeks and responds to the views of stakeholders and the community by:</p> <ul style="list-style-type: none"> <li>• Forming and maintaining relationships with the leaders of other organisations;</li> <li>• Ensuring Partnership arrangements demonstrate clear, appropriate governance accountabilities;</li> <li>• Producing plans for service delivery within the community;</li> <li>• A County Durham Partnership Community Engagement and Empowerment framework developed by the CDP to shape and support a common vision and approach for community engagement by partners in County Durham, so that people feel able to influence decision making;</li> <li>• Using an approach that recognises that people are different and gives everyone the same or an equal opportunity to information, advice and support in ways that are suited to the needs or circumstances of the individual;</li> <li>• Encouraging a climate of openness by holding regular Cabinet meetings at various locations throughout County Durham including former district council offices;</li> <li>• Encouraging and supporting the public in submitting requests for aspects of the Council’s Service to be scrutinised;</li> <li>• Providing and supporting ways for citizens to present community concerns to the Council;</li> <li>• Providing for the public the opportunity to ask questions or make representations at full Council, Cabinet and Regulatory Committees;</li> <li>• Publishing annually a Council Plan providing information in relation to the Council;</li> <li>• Continually developing clear channels of communication;</li> <li>• Providing a modernised ICT Service that meets the needs and aspirations of the organisation and the communities we serve;</li> <li>• Issuing the Council’s newsletter, Durham County News, to every household in the County;</li> <li>• Developing, <u>maintaining and supporting</u> AAPs in fourteen areas of the County to help determine the local priorities for their area which will be fed into the community planning process;</li> <li>• Consulting AAPs and the wider community on the development <u>and implementation</u> of our MTFP to identify local priorities for action, test strategic priorities at a local level and seek innovative ideas from local people on how to realise efficiencies by working more closely with our partners;</li> </ul>
<p>6.2 Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning</p>	
<p>6.3 Making best use of human resources by taking an active and planned approach to meet responsibility to staff</p>	



Supporting Principle	To achieve this:
	<ul style="list-style-type: none"> <li>• Consulting with partners when developing the council's own three year MTFP, working with key agencies to develop complementary proposals and consulting on a joint basis with the Police and NHS County Durham and Darlington;</li> <li>• Drawing upon the locality arrangements of other public service providers such as the Police, the County Durham and Darlington NHS Foundation Trust and the Tees, Esk and Wear Valley NHS Foundation Trust through its partnership arrangements;</li> <li>• The Engagement and Third Sector team promoting and supporting the Council's approach to community engagement and supporting Members in their community leadership role;</li> <li>• Providing Member support at County Hall;</li> <li>• Community Development Officers working closely with the Council and communities in building partnerships that strengthen the voice of local people and help the Council improve the way it listens and responds to the people of County Durham;</li> <li>• Undertaking a Countywide <u>Residents Survey</u> on a regular basis;</li> <li>• Consulting effectively with children and young people, service users and carers and key client groups to help plan and be involved in the design, delivery and evaluation of local services;</li> <li>• Staff surveys and consultations with staff and Trade Unions;</li> <li>• 'Open Doors', a responsive staff engagement mechanism which captures and quickly responds to questions, compliments, suggestions and complaints raised by staff.</li> <li>• <u>The Staff Recognition scheme;</u></li> <li>• <u>The Councillor Call for Action process;</u></li> <li>• <u>An appeals mechanism to ensure that the Council has a robust mechanism in place for Petitions, and that petitioners have an opportunity to challenge Council inaction regarding a particular petition issue.</u></li> </ul> <p>The Council has developed a partnership governance framework (PGF) to enable partnerships to be identified, recorded and reported upon to provide a mechanism for their effectiveness to be assessed.</p> <p>To strengthen community governance, the AAP boards comprise seven Members of the public selected through open recruitment; seven Members chosen from partner agencies working in the area and seven selected from local elected Members - including town and parish councillors - on a politically balanced</p>

<b>Supporting Principle</b>	<b>To achieve this:</b>
	<p>basis for that area. They have a rotating chair, so that they are not indefinitely controlled by the County Council administration.</p> <p>The Durham Local Councils Charter outlines the relationship between the County Council and Town and Parish Councils.</p>

## MONITORING AND REVIEW

The Council has two Committees that are responsible for monitoring and reviewing the various aspects of the Council's Corporate Governance arrangements.

The **Audit Committee** is responsible for the Council's arrangements relating to;

- Monitoring and reviewing the risk, control and governance processes and associated assurance processes to ensure internal control systems are effective and that policies and practices are in compliance with statutory and other regulations and guidance;
- Approving the Council's Accounts prior to approval by the County Council;
- External audit;
- Internal audit;
- Risk Management;
- Making recommendations concerning relevant governance aspects of the Constitution;
- Reviewing the effectiveness of Internal Audit.

The **Standards Committee** has responsibility for promoting high ethical standards across the Council, overview of the Member and Officer codes and other relevant protocols together with the Council's complaints handling regime.

These two Committees will ensure that the Council's governance arrangements are kept under continual review through;

- Reports prepared by officers with responsibility for aspects of this Code;
- The work of Internal Audit;
- External Audit opinion;
- Other review agencies and Inspectorates;
- Opinion from the Council's Statutory Officers.

Within Durham County Council there is one Overview and Scrutiny Management Board and six Overview and Scrutiny Committees who support the work of the Executive and the Council as a whole. They allow a greater involvement in Council business by involving non-councillors from the wider public sector, and voluntary and community groups to help them in their work, and also work with Partners, including the County Durham Partnership. They may also be consulted by the Executive or the Council on forthcoming decisions or the development of policy. The terms of reference of the Overview and Scrutiny Management Board and its Committees are described in the Constitution.

~~The main Overview and Scrutiny Management Board has the following remit:~~

- ~~• To oversee and co-ordinate the work of Overview and Scrutiny and its Committees;~~
- ~~• To ensure effective liaison across the work of the committees re: cross cutting issues;~~
- ~~• To be the strategic driver of the Overview and Scrutiny function;~~
- ~~• To consider as appropriate scrutiny member involvement in regional scrutiny;~~

- ~~Arrangements within the context of the Sub National Review/Single Integrated Regional Strategy and associated issues;~~
- ~~The establishment of appropriate liaison with the Executive in the interests of achieving common aims and continuous improvement for the Council;~~
- ~~To encourage appropriate community involvement in the Overview and Scrutiny role.~~

In general, they will:

- Review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- Make reports and/or recommendations to the full Council and/or the Cabinet in connection with the discharge of any functions;
- Consider any matter affecting the area or its inhabitants;
- Exercise the right to ask the Cabinet to reconsider any decisions they have made (call-in).

### **The Annual Governance Statement**

Each year the Council will publish a Governance Statement. This process is managed by the Resources Management Team and will provide an overall assessment of the Council's corporate governance arrangements and an appraisal of the key controls in place to manage the Council's principal governance risks, together with proposed improvements that will be made. The Statement will also provide details of where improvements need to be made in accordance with the Accounts and Audit (England) Regulations 2011.

The Annual Governance Statement will be published as part of the Council's Annual Statement of Accounts and will be ~~audited~~ reviewed by our External Auditors.

## CORPORATE GOVERNANCE FRAMEWORK

**Corporate Governance comprises the systems and processes, cultures and values, by which the Council is directed and controlled and through which we account to, engage with and where appropriate, lead the community**

1. Focus on purpose of the authority, vision for local area and outcomes for the community	2. Members and officers working together to achieve a common purpose	3. Promoting values and upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions, scrutinised and risk managed	5. Developing capacity of Members and Officers to be effective	6. Engaging with local people to ensure public accountability



### Key Documents which support the achievement of the core principles

- Annual Governance Statement
- Annual Statement of Accounts
- Anti Money Laundering Policy
- Asset Management Plan
- Asset Register
- Cabinet and Committee Reports
- Benefits Fraud Policy and Booklets
- Benefits Sanctions Policy
- Budgetary Control Statement
- Business Contingency Plans
- Buzz Magazine (employee)
- Code of Conduct - Members
- Code of Conduct – Employees
- Code of Conduct – Benefit Officers
- Complaints Policy and Procedures
- Council Consultation and Engagement Strategy
- Counter Fraud and Corruption Strategy
- Confidential Reporting Code
- Constitution
- Contract Procedure Rules
- Contracts Register
- Corporate Management Framework
- Councillor Compact
- Council Plan
- County Durham Compact
- County Durham Trade Union Partnership Agreement
- Countywide Resident Survey
- Data Protection Policy
- Data Quality Policy
- Disciplinary Policy and toolkit
- Durham County News (countywide magazine)
- Employee Appraisal Records
- Employee Support Programme
- External Audit Reports
- Financial Procedure Rules
- Forward Plan of Decisions
- Forecast Outturn Reports
- Freedom of Information Policy
- HR Policies

- Health and Safety Policy, Procedures and Handbook
- Induction Pack
- Information Security Policy and Manual
- Inspection Reports
- Internal Audit Plan
- Internal Audit Reports
- Job Description
- Key Performance Indicators
- Local Code of Corporate Governance
- Local Member Consultative charter
- Media Relations Strategy/Protocol
- Medium Term Financial Plan
- Members Allowance Scheme and Procedures
- Member Handbook
- Member Personal Development Plans
- Minutes of meetings
- Officer & Member Declaration of Interest Register and Policies
- Officer and Member Gifts & Hospitality Register and Procedures
- Officer Subsistence and Travel Procedures
- Overview and Scrutiny Annual Report
- Partnership Governance Framework
- People and Organisational Development Strategy
- Performance Management Reports
- Policy Framework Procedure Rules
- Procurement Strategy
- Records Management Policy
- Risk Management Strategy and Policy
- Single Equality Scheme
- Strategic Risk Registers
- Scheme of Delegation
- Service Plans
- Sustainable Community Strategy
- Town and Parish Council Charter
- Transparency Webpage
- Treasury Management Policy and Strategy

### Contributory Processes/Regulatory Monitoring

- Access to Information
- Budget Process
- Communication Framework
- Consultation Framework
- Democratic Engagement
- Member Briefings
- Internal Audit
- External Audit
- Improvement and Planning Group
- Development Improvement Group
- Cabinet
- Corporate Management Team
- Service Management Teams
- Audit Committee
- Overview and Scrutiny Committee
- External Inspection and Review Agencies
- Partnerships
- Constitution Working Group
- Monitoring Officer
- Member Officer Working Group for capital
- Member Development Group
- Planning and Performance Group
- Standards Committee
- Strategic Procurement Network
- Corporate Risk Management Group
- Information Governance Group
- Equality and Diversity Steering Group
- Corporate Consultation Group
- Resources Management Team



Document is Restricted

This page is intentionally left blank



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

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank