Durham County Council

Audit Committee

Date Thursday 4 April 2013

Time 10.00 am

Venue Committee Room 1A, County Hall, Durham

Business

Part A

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

1. Apologies for Absence
2. Minutes of the meeting held on 21 February 2013 (Pages 1 - 8)
3. Declarations of interest, if any
4. Exemptions to the P2P Process - Report of Corporate Director, Resources (Pages 9 - 16)
5. Changes to the Code of Practice for Local Authority Accounting in the U.K for 2012/13 - Report of Corporate Director, Resources (Pages 17 - 26)
6. Consideration of "Going Concern Status" for the Statement of Accounts for the year ended 31 March 2013 - Report of Corporate Director, Resources (Pages 27 - 42)
7. Agreement of Accounting Policies for Application in the 2012/13 Financial Statements - Report of Corporate Director, Resources (Pages 43 - 70)
8. Final Accounts Timetable for the year ended 31 March 2013 - Report of Corporate Director, Resources (Pages 71 - 88)
9. Action Plan - 2011/12 Audit of Accounts - Update - Report of Corporate Director, Resources (Pages 89 - 102)
10. Durham County Council - Audit Strategy Memorandum 2012/13 - Report of the External Auditor (Pages 103 - 128)
11. Durham County Council Pension Fund - Audit Strategy Memorandum 2012/13 - Report of the External Auditor (Pages 129 - 152)
12. Pension Fund Committee - Terms of Reference - Report of Corporate Director, Resources (Pages 153 - 162)

13. Action Plan for Corporate Governance Improvements - Report of Corporate Director, Resources (Pages 163 - 166)
14. Financial Management Standards - Report of Corporate Director, Resources (Pages 167 - 174)
15. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
16. Any resolution relating to the exclusion of the public during the discussion of items containing exempt information

Part B

Items during which it is considered the meeting will not be open to the public (consideration of exempt or confidential information)

17. 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
25 March 2013

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 2, County Hall, Durham on **Thursday 21 February 2013 at 10.00 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:
Councillors O Temple (Vice-Chairman), C Carr, B Harrison, M Hodgson, R Ord and D J Southwell

Co-opted Members:
T Hoban and K Larkin-Bramley

Also Present:
Councillor J Shuttleworth

1 Apologies for Absence

Apologies for absence were received from Councillors L Marshall and B Myers.

2 Minutes

The Minutes of the Meeting held on 22 November 2012 were confirmed as a correct record and signed by the Chairman, subject to the following amendments:

- K Larkin-Bramley's attendance being removed;
- Councillor M Hodgson being shown as in attendance;
- Minute No. 3 being amended in paragraph 2 to read 'unqualified opinion' rather that 'qualified opinion'.

3 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 and Fire Authority.

4 Risk Management Update - Quarter Ending December 2012

The Committee considered a report of the Corporate Director of Resources which highlighted the strategic risks facing the Council and provided an insight into the work carried out by the Corporate Risk Management Group during the period October to December 2012 (for copy see file of Minutes).

Resolved:
That the report be approved.

5 Integrated Services - One Point Risk Update

The Committee received an update from the Head of Finance on the One Point Risk.

The Head of Finance informed the Committee that the risk related to a £230k "double count" in the establishment of the pooled budgets for the One Point Service. The County Durham and Darlington Foundation Trust (CDDFT) included four Sure Start Cluster Managers in their management costs baseline figures but these posts were fully funded by the County Council and should not have been included in the baseline as they were not part of their core budgets. Children and Young Peoples Services took out the payment to the CDDFT for these staff at the creation of One Point but the CDDFT didn't take out the income on their side.

The dispute and consequential risk, was that the CDDFT stated that this was the County Council's mistake in establishing the baseline cost apportionments and that the County Council had been made aware of this. CDDFT had restructured, made other efficiencies and had no capacity to absorb the loss of income if the County Council did not continue to fund these posts. However, the County Council's viewpoint was that the apportionments were wrong and needed correcting, which would have cost implications for CDDFT to resolve.

CDDFT had now accepted that further efficiencies were required to offset this issue and CDDFT were currently working on the details of how these would be achieved.

6 Action Plan for Corporate Governance Improvements

The Committee considered a report of the Corporate Director of Resources which provided an update on progress in implementing the agreed governance plan, which highlighted areas of improvement arising from the annual review of the effectiveness of corporate governance arrangements (for copy see file of Minutes).

Mr Hoban referred to Action Plan point number 3 and asked whether the revised Financial Management Standards had been signed off. The Corporate Director of Resources agreed to feed this information back to Mr Hoban.

Resolved:
That the report be approved.

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

The Committee considered a report of the Corporate Director of Resources which provided an update on progress on implementation of the Action Plan from the agreed recommendations for improving control weaknesses incorporated in the External Auditors 2011/12 Interim and Final Governance Reports (for copy see file of Minutes).

The Action Plan, which was reported to the Committee in November, was being used by management for monitoring purposes and the report formed part of regular reporting leading to the approval of the Statement of Accounts for 2012/13. The report was presented in accordance with paragraph 4.1.26 of the Committee's Operational Terms of Reference.

Resolved:
That the report be approved.

8 **2011/12 Annual Grant Report**

The Committee received the annual report of the External Auditor on the outcomes of the Council's 2011/12 claims and returns (for copy see file of Minutes).

The Audit Manager advised of their work in order to provide assurance to grant paying bodies that claims for grant and subsidies are made properly and that information on financial returns is reliable. She provided further information on the outstanding claims and of the robust measures in place for 2012/13 for housing and council tax benefits and NNDR to strengthen reconciliation and control processes.

Resolved
That the report be noted.

Ms K Larkin-Bramley and Mr T Hoban left the meeting during discussion of the following item.

9 **Co-opted Members to the Audit Committee**

The Committee considered a report of the Corporate Director of Resources regarding the appointment of co-opted Members to the Committee for recommendations to be made to Council (for copy see file of Minutes). The Committee discussed various options for the appointment of co-opted Members and their length of tenure.

Resolved:

(i) That the contracts of the current co-opted Members be extended for a period of 3 years from May 2013

(ii) That, upon the expiry of this extension of contract, applications be sought for co-opted Members

(iii) That subsequent contracts for co-opted Members be for a period of 3 years.

Ms K Larkin-Bramley and Mr T Hoban re-joined the meeting.

10 Internal Audit Progress Report Quarter Ending December 2012 Update

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 October to December 2011 (for copy see file of Minutes).

The Committee referred to the overdue audit reports and requested that more detail of what these reports related to be included in future reports to Committee.

The Committee referred to the Limited Assurance Opinion regarding Direct Payments as shown on page 78 and requested that the full Audit Report be brought to a future meeting of the Committee on Direct Payments. The Committee also sought assurances around the controls in place to ensure that an appropriate level of care was provided to those who needed it most. The appropriate service manager was also requested to attend to provide an update on the implementation of agreed audit recommendations and to provide wider assurance on the wider risks associated with Personalisation.

Resolved:

(i) That the progress made on delivering the internal audit plan for 2011/12 to gain assurance on the adequacy and effectiveness of the Council's internal control environment be noted.

(ii) That greater detail of overdue audit reports be provided to future meetings

(iii) That the full Audit Report on Direct Payments be brought to a future meeting of the Committee with the appropriate service manager in attendance.

11 Sale of Windlestone Hall

The Committee considered a joint report of the External Auditor and the Manager of Internal Audit and Risk Management regarding a review of the sale of Windlestone Hall (for copy see file of Minutes). The report had been prepared following a compliant made by Councillor Shuttleworth to the external auditor and concerns raised by Councillor Ord at the November 2012 Audit Committee.

In response to the concerns raised a joint review of the sale was carried out by External and Internal Audit to help minimise the cost of additional external audit fees, and this investigation was now complete. The findings and conclusions from the review were set out in Appendices 2 and 3 of the report.

The Head of Planning and Assets informed the Committee of the procedures and processes carried out for the sale of Windlestone Hall and responded to questions from the Committee.

The Committee requested that an update be brought back in three months time on actions taken and planned to improve systems and processes for disposals and that a process map illustrating a disposal be provided. The Committee also requested that Internal Audit review the effectiveness of controls in approximately 6 months time, as part of next year's audit plan, and report the outcomes to a future meeting of the Committee.

Resolved:

(i) That the Committee was assured the allegation had been appropriately investigated

(ii) That the Committee was assured officers were taking appropriate action to improve the management of risks associated with land and building disposals in response to control weaknesses identified through the review.

(iii) That an update be provided in three months time on actions taken and planned to improve systems and processes for disposals and that a process map illustrating a disposal be provided.

(iv) That Internal Audit review the effectiveness of controls as part of next year's audit plan.

12 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 items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the said Act.

13 Internal Audit Progress Report Quarter Ending December 2012 Update

The Committee considered Appendices 7 and 8 of the report of the Manager of Internal Audit and Risk which informed Members of actions agreed by managers in response to internal audit recommendations that were overdue at the end of December 2012. (for copy see file of Minutes).

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

14 Overdue Audit Recommendations

The Committee considered a report of the Manager of Internal Audit and Risk which provided details of Overdue Audit Recommendations (for copy see file of Minutes).

The Manager of Audit and Internal Risk informed the Committee that, following discussions with the Chair and the Vice Chair, officers from Customer Relations and the Travellers Liaison Service were in attendance. The Officers provided the

Committee with explanations as to why agreed recommendations had not been implemented as planned.

Resolved:
That the report be noted.

Action Plan - Work of Audit Committee - Part A – 4 April 2013

Ref No.	Date of Meeting	Item No.	Title of Report	Action Required	By Whom	Report to Committee (date)/ implemented
2	16.2.12 21.2.13	6 6	F M Standards	Once Section 151 Officer had completed the process, further details be brought back to Committee	Corporate Director, Resources	4/4/13 Agenda Item 14
6	27.9.12 22.11.12 21 2.13	5 7	Annual Governance Report (and Interim Governance Report)	Update on progress of new monitoring system to be brought back to Committee	Ian Herberson, Asst Finance Manager	4/4/13 Agenda Item 9
	22.11.12	14	Fraud & Irregularity	Further assurance on work carried out with partners	Manager of Internal Audit & Risk	31/5/13
9.	21.2.13	11	Windlestone Hall	Update to Committee on actions taken to improve systems and processes relating to disposals. Process map of example to illustrate the process Internal Audit to review effectiveness of controls as part of next years audit plan	Head of Planning and Assets Manager of Internal Audit and Risk	27/6/13 Approx 6 months time
10	21.2.13	10	Direct Payments	Directs payment audit with limited assurance - Full Audit report to be brought back and service managers to attend meeting to provide further information	Manager of Internal Audit and Risk/ Personalisation Development Manager	27.6.13

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Audit Committee

04 April 2013

Exemptions to the P2P Process

Don McLure, Corporate Director Resources

Purpose of the Report

1 To present an overview of the approved exemptions to the standard Procure to Pay (P2P) Process.

Background

2 The standard process for paying suppliers is to match invoices received to approved Purchase Orders (PO'S) raised. This ensures that commitments are held against budgets when the order is raised and, providing goods are received / receipted as received, speeds up invoice payments.

3 There are however, agreed exemptions to this process for commodity areas which it is deemed impractical to follow the standard process (e.g. utility and telephone bills where the cost/usage is not known until after the billing period).

4 Guidance was issued in 2010 on the procedures to be followed when processing invoices without a requisition and Purchase Order having been raised on Oracle in advance (See Appendix 2 attached)

Current Position

5 Appendix 1 provides a breakdown of the agreed categories of spend which have been approved as exemptions to the standard P2P process.

6 Based on February 2013 figures approximately 14% (volume) of all invoices paid were classed as an exemption. This equated to approximately 23% (value) of invoices paid.

7 Based on the value of exemptions invoices paid 69% were either Payroll and Pension Payments (40%), Utility Payments (19%) or Transport and Concessionary Fares (10%)

8 Accounts Payable (AP) currently pay approximately 29,000 invoices per month, of which 17,000 are electronically interfaced with the remaining 12,000 either Standard Invoices (PO's) or Exemption Invoices (Manually Authorised)

9 In November 2012 a reminder was sent to all Oracle Users (via email) reminding all staff involved in the Procure to Pay (P2P) Process of their responsibility to ensure PO's are provided to suppliers prior to ordering any good/works/services, excluding the agreed exemptions.

10 Work continues between AP Staff, Financial Systems Staff, Oracle Service User Reps and Budget Managers to ensure the agreed P2P Processes, Policies and Procedures are adhered to within each service.

11 Members can are assured that any additions to the exemptions list require a Business Case to be approved by the P2P Board and that any requests are subject to substantial challenge.

12 February performance statistics show that 81% of exemption invoices were paid within 30 days, from date of invoice. Overall performance for the Council was 91%.

13 Current checks carried out by AP staff prior to payment include checking coding grids are completed correctly in terms of monetary value and appropriately certified and verified.

14 Coding Grids and Payment Vouchers have recently been amended to include the Printed Name and Contact Details of the certifier and validator.

15 AP Supervisors are now carrying out a random check of a sample of manually coded invoices. Randomly selected invoices on a daily basis are checked for input error and authorisation anomalies.

Future Actions

16 AP Staff, Financial Systems Staff, Oracle Service User Reps and Budget Managers, will continue to work with Oracle Users to reduce the volume of standard invoices that are received with no PO's quoted. These are invoices where a PO ought to have been used.

17 Alternative methods of payment, including Procurement Card and iExpenses, are being considered to reduce the number of manual exemption invoices which are being received.

18 There are currently 2 lists (hardcopy of approved signatories and electronic oracle approval list) of staff who have authorisation to approve expenditure. Centrally maintaining up to date lists of approved signatories (including sample signatures) can be problematic, so the P2P Board are currently discussing whether the electronic lists within Oracle should be the master schedule, with directorates responsible for maintaining signatures within their service. (As per Financial Management Standard 24, Paragraph 38).

19 The P2P Board are reviewing and challenging the current exemptions list to determine whether the categories of spend are still valid exemptions.

Conclusion

20 The Council has an agreed business process for ensuring non-electronic invoices are paid via the standard process of being matched to an approved PO where possible, however there are instances where this is not practical and an alternative process for approving exemption invoices is required. Work is ongoing to challenge and review payments falling within the exemption

category and to ensure compliance with the standard P2P processes continues to increase.

21 Members are advised that a P2P Audit Review is currently in progress and this will include a review of Non Purchase Order Payments, recommendations arising will be address accordingly.

Recommendations

22 Members are asked to note the Council process for payment of invoices from commodity areas covered via the list of agreed exemptions.

Contact:	**Paul Darby**	**Tel:**	**03000 261930**

APPENDIX 1 –
Exceptions to the 'No PO, No Pay' Policy – Revised February 2012

Exception Area	Reason
Building Project Payments (contractor certificates & payment requests)	Project Reclaims
Civil Engineering Project Payments (contractor certificates & payment Requests)	Project Reclaims
Clergy Fees	Payment Vouchers
CRB Checks	Unknown Usage and Consolidated Invoice
Emergency Payments (Young People / Boarding Out / Fostering Allowances) * * Other emergency payments should have a purchase order (see the emergency purchase order guidance)	SSID – Electronic Interface
Energy / Utilities	Utilities – unknown usage
Estate Management Fees	Unknown usage
Ex-gratia Payments	Payment Vouchers
Extra Care & Shared Living Voids	Payment Vouchers
Fleet and Plant Hire	Fleet – Electronic Interface
Food	Unknown Usage
Foreign Currency Payments	Only pay GBP in Oracle
Gratuity Payments	Payment Vouchers
Independent Child Placements	SSID – Electronic Interface
Independent Special School Fees	School Electronic Interface
Interview Expenses	Claim / Payment Vouchers
Kennel Fees (including stray dogs & emergency accommodation)	Unknown Emergency Usage
Land Compensation Claims (Including Agents Fees)	Payment Vouchers
Library Books	Ordered via Halcyon
Members Initiatives	Payment Vouchers
Newspapers	Unknown Usage
Parish Council Precepts	Payment Vouchers
Pathology Services	Unknown Usage
Payroll / Pension and Redundancy Payments	Payment Vouchers
Recharges for Staff Employed by Other Agencies	Payment Vouchers
Refunds (Including Care Fees, Overpayments)	Payment Vouchers
Rents	Payment Vouchers
Respite Care Retainers	SSID – Electronic Interface
Road Stone (suppliers: Tarmac Ltd, Sherburn Stone, Aggregate Industries UK Ltd)	Unknown Usage, Price Variations
Sanitary Bins	Unknown Usage, Price Variations
School Funding Payments	School Electronic Interface
Subscriptions	Unknown Volumes
Telephone Bills	Unknown Usage
Transport / Concessionary Fares Payments	Managed via ITU
TV Licences	Unknown Usage / Fees
Volunteer Drivers	Payment Vouchers

PROCEDURES TO BE FOLLOWED WHEN PROCESSING INVOICES WITHOUT A REQUISITION AND PURCHASE ORDER HAVING BEEN RAISED ON ORACLE IN ADVANCE

Introduction

1. These guidelines have been written to support services in the processing of invoices in those ***exceptional circumstances*** when payment is required without an official purchase order having being raised in advance on Oracle.

ACTION REQUIRED WITHIN SERVICES

Receipt

2. Upon Receipt within the County Council, all invoices must be date stamped.

Certification

3. All invoices submitted for payment must be certified as correct.

4. Certification means that the invoice has been checked to ensure that is it complete and accurate.

5. The invoice should be checked to ensure that :

   a) It is an original invoice not a copy.
   b) The invoice is addressed to DCC
   c) The invoice clearly states what the payment is for and when the goods / services were received;
   d) Details of goods or services and the amounts charged can be substantiated from supporting documentation. Where possible the receipt of goods should be evidenced from goods receipt notes or other written confirmation. Any discrepancy should be raised with the supplier immediately and if necessary an amended invoice or credit note obtained.
   e) The invoice is arithmetically correct and the amount demanded is as expected;
   f) A VAT number is recorded and the VAT elements of the invoice should be checked to ensure that the correct rates have been applied
   g) The correct cost centre and detail account code can be established

6. In addition to the above checks, where the original invoice has not been received and there is no alternative but to make payment using a copy invoice, the copy invoice must be clearly marked ‘Not previously passed for payment’ and be signed and dated by the officer undertaking the certification checks set out in 5 above

7. Each invoice should have a duly completed coding grid attached i.e. coded to the correct expenditure codes, VAT and totals shown correctly. The allocation of the expenditure code is confirmation that the expenditure can be charged to an approved budget.

8. The supporting documents should be marked to show that the goods / services have been received, have been agreed to the invoice and the date passed for payment.

9. The invoice should then be marked, ”OK to Pay” and be signed and dated by the officer undertaking the certification checks set out in 5 above.

10. If for any reason there has been a substantial delay between the date the invoice was first received and the date the invoice was certified for payment a note should be made on the invoice as to the reason e.g. disputed payment.

11. Invoices offering discount for prompt payment should be processed within the time limit.

Authorisation

12. All invoices certified for payment must also be authorised by an appropriate officer.

13. Each service should have a scheme of delegation which specifies which officers have authority to approve invoices for payment, and invoices can only be approved by an authorised officer.

14. A list of employees authorised to approve invoices for payment should be maintained by each Service and, where applicable, each establishment. Copies of these must be supplied to the central Accounts Payable Section.

15. Given the degree of staff changes the authorised signatory lists should be reviewed regularly.

16. If in any doubt, consult your line manager or head of service to confirm who has this delegated authority.

17. Authorised officers should check that invoices have been properly certified and then sign and date as evidence of approval.

18. Details of the invoice number, total amount and date the invoice was passed for payment should be noted on supporting documentation.

Payment

19. Authorised invoices should be submitted to Accounts Payable Section in batches.

20. A batch total should be established for each batch

21. Each batch of invoices sent from an establishment should have a batch header attached which shows the number and total value of the invoices and the date submitted.

22. A batch control record detailing all batches passed to the Accounts Payable Section for payment should be maintained by the Service.

Accounts Payable Section

23. Copies of the authorised signatory lists maintained by the Services, showing the employees authorised to certify invoices, should be held in Accounts Payable Section.

24. A batch control record showing details of all batches of invoices received for payment should be maintained by the Accounts Payable Section.

25. Only invoices that have been authorised properly should be processed i.e. checked to the authorised signatory lists. Where applicable invoices should be returned to the Service concerned for re-authorisation.

26. Invoices that appear to have been changed / altered should be examined/ queried carefully.

27. Batch totals should be checked to ensure that the correct number and total value of the invoices has been received.

28. When a batch is processed it should be recorded in the batch control book.

29. Invoices should be stored securely and filed in batch and date order.

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Audit Committee

4 April 2013

Changes to the Code of Practice for Local Authority Accounting in the UK for 2012/13

Don McLure, Corporate Director Resources

Purpose of the Report

1 The purpose of the report is to provide the Audit Committee with a summary of the key accounting changes in the latest edition of the **Code of Practice for Local Authority Accounting in the UK** (the Code). These changes apply to 2012/13 accounts.

2 The report is presented in accordance with paragraph 4.2.3 of the Committee's operational terms of reference which requires it '**to maintain an understanding of internal and external reporting requirements'.**

3 Appendix 2 provides a summary of all changes and their relevance to the Council.

Background

4 The Code is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/LASAAC Code Board overseen by the Financial Reporting Advisory Board. It is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

5 The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance. The latest edition of the Code applies for accounting periods commencing on or after 1 April 2012. It supersedes the 2011/12 Code.

6 In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.

Changes to the Code

7 The CIPFA/LASAAC Code Board overseen by the Financial Reporting Advisory Board is in a position to issue mid-year updates to the Code. This will only be done in exceptional circumstances. Consultation on the Code included an Update to the Code, principally relating to Housing Revenue Account (HRA) self financing, the Carbon Reduction Commitment Energy Efficiency Scheme Assets for allowances held and other items of legislation and policy.

8 In the case of HRA self financing, this is a legislative change and the Code has been updated to reflect this, although direct reference should be made to the relevant statutory sources.

9 An update has been issued to provide accounting guidance in respect of the Carbon Reduction Commitment Energy Efficiency Scheme Assets for allowances held, which is, at the time of publication of the original Code was the subject of consultation.

10 Guidance on other legislative developments has also been covered in an update in 2012/13.

Recommendations and reasons

11 Members are asked to note the changes detailed in Appendix 2.

Contact: Hilary Appleton Tel: 03000 266239

Appendix 1: Implications

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

Staffing -

None

Risk -

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

Equality and Diversity / Public Sector Equality Duty -

None

Accommodation -

None

Crime and Disorder -

None

Human Rights -

None

Consultation -

None

Procurement -

None

Disability Discrimination Act -

None

Legal Implications -

None

Appendix 2: Changes to the Code of Practice for Local Authority Accounting in the UK for 2012/13

The table below provides a summary of the changes in the 2012/13 CIPFA Code and their applicability to Durham County Council.

	Change	**Relevant to Durham County Council**
1	The 2012/13 Code includes changes in relation to the objective of the financial statements and the qualitative characteristics of financial information as a result of the publication of the first phase of the International Accounting Standards Board's (IASB's) *The Conceptual Framework for Financial Reporting 2010* (the Conceptual Framework) (see section 2.1).	Yes
2	The 2012/13 Code includes an encouragement for local authorities to prepare the Explanatory Foreword taking into consideration the requirements of the Government's *Financial Reporting Manual (FReM)* (see section 3.1).	Yes
3	The 2012/13 Code includes the amendments in relation to IFRS 7 *Financial Instruments: Disclosures* (transfers of financial assets) (see paragraph 7.4.2.4). This amendment will need to be considered for disclosure against the requirements of paragraph 3.3.4.3, i.e. the requirement to disclose information relating to the impact of an accounting change.	Yes
4	The 2012/13 Code Update (and the 2013/14 Code), includes amendments in relation to the Local Government Finance Act (Northern Ireland) 2011, its associated regulations and statutory guidance in relation to the introduction of the new prudential capital finance system in Northern Ireland. The amendments included changes to the recommended wording in the Statement of Responsibilities in section 3.2, the statutory accounting requirements in chapter four Non-current Assets and Part 2 of Appendix B Sources and Legislation.	No – applies only to Local Authorities in Northern Ireland

	Change	Relevant to Durham County Council
5	The 2012/13 Code does not include either of the voluntary options suggested in the consultation on the 2012/13 Code to measure transport infrastructure assets on a depreciated replacement cost (DRC) basis. CIPFA/LASAAC will revisit options for future adoption of this measurement basis following consideration of the progress of the provision of DRC information (based on the CIPFA *Code of Practice on Transport Infrastructure Assets*) as a part of the Whole of Government Accounts process.	Yes – for future adoption
6	The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) provides clarification in relation to the recognition of Business Rate Supplements income and other minor amendments. It also includes additional minor amendments and clarification in relation to the recognition of the Community Infrastructure Levy (see section 2.2).	Yes
7	The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) includes reference to the Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI 2011/64) which introduced a requirement for Scottish local authorities to produce a remuneration report as a part of the statutory Statement of Accounts (see paragraph 3.4.5.2).	No – applies only to Local Authorities in Scotland
8	The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) incorporates the new requirements of the Housing Revenue Account (Accounting Practices) Directions 2011 (see section 3.5).	Yes
9	The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) incorporates the requirement introduced in the Accounts and Audit (England) Regulations 2011 that the statement of the effectiveness of the system of internal control is the Annual Governance Statement (see paragraph 3.7.1.1).	Yes

	Change	Relevant to Durham County Council
10	The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) incorporates the Accounts and Audit (England) Regulations 2011 including the changes regarding the dates at which the financial statements are required to be approved by members and clarifying the impact on the authorised for issue date in England (see section 3.8) and also the featuring changes to the relevant bodies that may be permitted or required by the regulations to follow the Code (see paragraph 1.2.4).	Yes
11	The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) includes the November 2009 amendments to the definition of a related party, related party transactions, close members of the family of a person, the guidance on the treatment of a related party and other minor amendments (see section 3.9)	Yes
12	The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) includes a revision to the Accounts Direction – Northern Ireland district councils' requirements in relation to the treatment of short-term accumulated compensated absences. The Direction now requires that the accrued element of short-term accumulating compensated absences is to be held within the Accumulated Absences Reserve until the liability is discharged (see paragraph 6.2.5.1).	No – applies only to Local Authorities in Northern Ireland
13	The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) incorporates the requirements of the Scottish Government Finance Circular 1/2011 *Accounting for Local Authority Pension Funds* (Scotland). The Code sets out in accordance with the circular that administering authorities in Scotland are no longer required to include the pension fund accounts in the local authority financial statements but are required instead to make the disclosures stipulated by the circular (see section 6.5).	No – applies only to Local Authorities in Scotland

	Change	Relevant to Durham County Council
14	The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) includes reference in Appendix B to the new statutory guidance issued by the Scottish Government including Scottish Government Finance Circulars *Accounting for Investments – Icelandic Banks* (Circular 5/2011), *Accounting for Grants Contributions and Donated Assets* (Circular 6/2011) and *Accounting for Investment Properties* (Circular 7/2011).	No – applies only to Local Authorities in Scotland
15	The 2012/13 Code does not include the changes anticipated in the consultation on the Code relating to the amendments to IAS 12 *Income Taxes (Deferred Tax: Recovery of Underlying Assets)* as at the date of approval for publication it appeared that this standard would not be adopted by the EU by its effective date and the effective date applicable to the 2012/13 Code.	No
16	The 2012/13 Code also does not include the accounting requirements in relation to Housing Revenue Account reform in England. It is anticipated these will be included in a 2012/13 Code Update.	Yes
17	The 2012/13 Code Update (and the 2013/14 Code), includes requirements for the accounting treatment of allowances in respect of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme in section 2.4.	Yes
18	The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) removes references to 'Area Based Grant'.	Yes

	Change	Relevant to Durham County Council
19	The 2012/13 Code Update (and the 2013/14 Code) includes minor amendments to the HRA Income and Expenditure Statement. It also includes revisions to reflect the changes in the statutory accounting requirements for property, plant and equipment in relation to the transfers to and from the Major Repairs Reserve under the new self-financing arrangements for housing authorities in England.	Yes
20	The 2012/13 Code Update (and the 2013/14 Code) includes a minor amendment to indicate that in cases where policy development might mean that authorities are not acting as agent for non-domestic rate income then authorities will need to use the principles of section 2.6 of the Code to assess whether or not for elements of the income they are agent or principal in the transaction.	Yes
21	The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) clarifies the requirements in a number of areas where uncertainty was identified in the 2010/11 and 2011/12 Codes:	
	• The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) includes clarifications to the recognition requirements and the treatment of general and unringfenced grants (see paragraphs 2.3.2.9 and 2.3.2.10). It also includes the definition of a stipulation from IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)* (see paragraph 2.3.2.6).	Yes
	• The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) clarifies the statutory reporting requirements in the Movement in Reserves Statement in respect of the HRA and the Major Repairs Reserve (see paragraph 3.4.2.40).	Yes
	• The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) includes the clarification that the disclosures relating to partnership schemes should also include schemes under s33 of the National Health Service (Wales) Act 2006 (see paragraph 3.4.4.1).	No – applies only to Local Authorities in Wales

	Change	Relevant to Durham County Council
	• The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) includes the statutory requirement to disclose the audited memorandum account of a fund established under section 15(1) (c) of the Community Care and Health (Scotland) Act 2002 (see paragraph 3.4.5.1).	No – applies only to Local Authorities in Scotland
	• The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) includes a minor clarification to the Balance Sheet and a number of minor clarifications to the Cash Flow Statement (see section 3.4).	Yes
	• The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) clarifies that for local authorities in Scotland the Accounts Commission has set a non statutory date for providing the audit opinion on the financial statements.	No – applies only to Local Authorities in Scotland
	• The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) includes additional clarification that local authorities in Scotland are able to post capital receipts to a statutory capital fund (see chapter four).	No – applies only to Local Authorities in Scotland
	• The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) includes clarification in relation to the accounting treatment of IAS 19 *Employee Benefits*, IAS 32 *Financial Instruments: Presentation,* IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* in relation to pension funds, particularly in relation to disclosures concerning the financial instruments held by funds (see paragraph 6.5.1.2).	Yes
	• The 2012/13 Code (following the amendments introduced in the 2011/12 Code Update) removes references to Scottish police and fire boards (see paragraph 9.1.2.46).	No – applies only to Local Authorities in Scotland

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Audit Committee

4 April 2013

Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2013

Don McLure, Corporate Director Resources

Purpose of the Report

1. Each year, Durham County Council assesses whether it should be considered a 'going concern', and whether the accounts should be prepared on that basis. This report considers the County Council's status as a going concern and asks Members to agree this.

Background

2. The general principles adopted in compiling the Statement of Accounts are in accordance with the 'Code of Practice on Local Authority Accounting 2012/13' (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code defines proper accounting practices for local authorities in England, Wales, Scotland and Northern Ireland.

3. The Code requires that a local authority's Statement of Accounts is prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This means that the Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of the operation.

4. An inability to apply the going concern concept can have a fundamental impact on the financial statements.

5. However, it is highly unusual that a local authority would have a going concern problem. There may be cases where part of an authority's operations cease to be viable or affordable. However, this will not give rise to a going concern issue for the authority; the impact would be restricted to only that part of the operation.

Key Issues

6. The assumption that a local authority's services will continue to operate for the foreseeable future is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are therefore that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

7. Local Authorities derive their powers from statute and their financing and accounting framework is closely monitored by primary and secondary legislation. It is a fundamental concept of local authority accounting that wherever accounting principles and legislative requirements are in conflict the legislative requirements apply.

8. An organisation must consider its financial performance to assess its ability to continue as a going concern. This assessment should cover historical, current and future performance.

Historical Position

9. Durham County Council became a Unitary Authority on 1 April 2009, bringing together the seven former District Councils in County Durham with the County Council.

10. The assets and liabilities of the former District Councils were transferred to the County Council on 1 April 2009. At that date, the Net Assets of the County Council were £1,240.742m, reducing to £900.094m at 31 March 2010. At 31 March 2011 there was a further decrease to £856,994m.

11. Net assets as at 31 March 2012 were £571.779m.

12. External Audit provide a 'Value For Money' conclusion at each year end which gives their opinion on the County Council in two areas:

    - *Financial Resilience* - The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and

    - *Securing economy, efficiency and effectiveness* - The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

13. In their Annual Governance Statement for 2011/12, External Audit stated, as evidence of financial resilience:

"The Council understands the financial challenges and risks it faces and has worked hard to deliver a sustainable Medium Term Financial Plan (MTFP) for 2012/13 and beyond and is aware of the challenges ahead.

Senior officers and members provide constructive scrutiny on financial matters and there is an effective Audit Committee in place. The Council has updated its medium term financial plan to reflect the savings required over the next four years. Senior officers receive regular finance reports that provide a clear link between budget, in-year forecasts and the year-end forecast."

"The positive financial out-turn for 2011/12 means the Council has positioned itself well for future challenges. In the short-term, the Council is facing existing challenges of dealing with:

- changes to welfare reform;
- business rates localisation;
- new public health responsibilities from April 2013; and
- the further savings and efficiencies required along with any agreed tri-borough collaboration arrangements.

Members and officers recognise the need to continue to work together to maintain momentum on achieving the wider-reaching changes needed to address the required efficiency savings."

14. In their Annual Governance Statement for 2011/12, External Audit further stated, as evidence of securing economy, efficiency and effectiveness:

"The Council has put proper arrangements in place to challenge how it secures economy, efficiency and effectiveness.

The medium term financial plan (MTFP) covers the four year period 2012/13 to 2015/16.The main objective of the programme is to achieve budget savings of up to £79.3 million by 2015/16 while maintaining focus on its vision and priorities for the county which were developed with partners.

The Council is continuing to ensure that sufficient capacity is provided to deliver the programme effectively. Accurately monitoring savings from these projects will continue be important if budget savings are to be achieved as planned."

Current Position

15. The County Council holds general reserves of £21.874m at 31 March 2012 and reserves earmarked for specific future purposes of £100.425m.

16. The Net Assets of the County Council at 31 March 2012 amounted to £571.779m, a decrease of £299.604m.

17. Current forecasts of the likely position as at 31 March 2013 were reported to Cabinet in March 2013. It is anticipated that the County Council will hold general reserves of £24.653m and reserves earmarked for specific future purposes, including those held for schools will be £96.330m.

18. The Housing Revenue Account (HRA) forms part of the County Council's main accounting statements. General reserves held by the HRA as at 31 March 2012 amounted to £7.821m, and those held for specific purposes were £2.460m.

Future Plans

19. The County Council approved its budget for 2013/14 and Medium Term Financial Plan to 2016/17 in February 2013.

Medium Term Financial Plan (MTFP) – 2013/14 to 2016/17

20. The council has faced unprecedented reductions in Government grants since the 2010 Comprehensive Spending Review (CSR) when the expectation for local government was a 28% cut in Government grant for the period 2011/12 to 2014/15. Since then, the position has deteriorated for local government and in total the council are now forecasting that Government support over the six year period 2011 to 2017 will reduce by £139m. This equates to a 36% reduction in Government support over this period.

21. The council's provisional funding baseline for 2013/14 was announced by the Government on 19 December 2012 with the final settlement being announced on 4 February 2013. The funding baseline for 2013/14 is £249.5m which is £9.1m less than the 2012/13 allocation.

22. After also taking into account estimated base budget pressures and growth in some council priority service areas, the medium term financial plan forecast requires the council to deliver £95m savings between 2013/14 and 2016/17. This is in addition to the £93m of savings that the council has had to make in 2011/12 and 2012/13 to balance its budgets.

23. The total savings therefore for the six year period 2011/12 to 2016/17 are estimated to be £188m with the figure expected to exceed £200m by 2017/18.

24. The 2013/14 budget requires savings of £20.9m to achieve a balanced net revenue budget of £457.814m.

25. The following assumptions have been utilised in developing the MTFP model.

(i) Government grant reductions for the MTFP period have been developed utilising information from both the 2013/14 Local Government Finance Settlement and the December 2012 Autumn Statement. The estimated reductions are as follows:

Forecast Government Grant Reductions

Year	Basis	Grant Reduction
		£m
2014/15	Revenue Support Grant reduction	29.086
2015/16	Net Reduction in all Government Funding	15.600
2016/17	Net Reduction in all Government Funding	9.530

(ii) The following estimates have been included for increased income in 2014/15 to offset the £29.086m (17.4%) reduction in Revenue Support Grant.

Increased Income Forecast for 2014/15

Increased Income	
	2014/15 £m
New Homes Bonus	1.250
New Homes Bonus Top Slice Reimbursement	0.750
Top Up Grant – RPI Increase (3%)	1.785
Business Rate Local Share – RPI Increase (3%)	1.600

(iii) Forecast Pay and Price Inflation levels have taken into account the 1% pay increase cap for 2013/14 and 2014/15. They have also taken into account the continuing high levels of price inflation in the economy with the Consumer Price Index (CPI) currently standing at 2.7% and Retail Price Index (RPI) currently standing at 3.1%. These levels are reflected in the 2013/14 Price Inflation allowance.

Pay and Price Inflation Assumptions

Year	Pay Inflation	Price Inflation
2013/14	1%	2.5%
2014/15	1%	1%
2015/16	1.5%	1.5%
2016/17	1.5%	1.5%

(iv) Continuing budget pressures in relation to Carbon Tax, Employer Pension Contributions, Concessionary Fares, Energy price increases and Adult Services demographic pressures.

(v) Continuing need to support both the current and additional capital programmes.

(vi) Council Tax increases for 2014/15 – 2016/17 are assumed to be 2% per annum.

(vii) There is a need for additional savings to be identified for the 2014/15 – 2016/17 period of £51.3m to achieve a balanced position across the MTFP period.

26. The council will face two new risks in future years which do not presently feature in MTFP modelling as detailed below:

(i) **Variation in Business Rate Local Share Income** – at this stage, the 2013/14 local share income is budgeted for at the baseline level set by the Government in the Start Up Funding Assessment (SUFA). It is expected however that actual income in the future could be higher or lower dependent upon the health of the economy in the county. This will need to be closely monitored for both budgetary control purposes and MTFP planning. Regeneration and Economic Development and Resources are working together to develop a framework which can model the movement of the business rate tax base within the county. If local share income reduces, the council will need to find additional savings to replace the income lost.

(ii) **Localisation of County Tax Support (LCTSS)** – from 2013/14 the council will be responsible for financing the LCTSS. Any variation in benefit claimants will change the levels of council tax income received by the council. This variation will again be linked very closely with the health of the local economy in the county.

27. A balanced MTFP model has been developed after taking into account the assumptions above. The MTFP model is summarised in the following table.

MTFP Summary Position

	2013/14	2014/15	2015/16	2016/17	TOTAL
	£m	**£m**	**£m**	**£m**	**£m**
Reduction in Resource Base	9.852	19.411	20.445	6.958	56.666
Budget Pressures	11.014	8.455	9.937	8.887	38.293
Savings required	**20.866**	**27.866**	**30.382**	**15.845**	**94.959**
Savings to be identified	**0**	**12.122**	**23.309**	**15.845**	**51.276**

28. Although difficult decisions have needed to be taken in order to balance budgets in 2011/12 and 2012/13, the council continues to be successful in delivering savings against its original budget strategy. Although the 2013/14 budget requires the delivery of further savings of £20.9m, there are a number of key service areas that have been protected and some services where the budget has been increased for the benefit of council tax payers including:

- For the fourth consecutive year, council tax bills for council tax payers will stay the same, should the council accept the Government's Council Tax Freeze Grant of £2m which is the equivalent to the amount of income the council would receive from a 1% council tax increase. Council tax bills will however still go up as the Police and Crime Commissioner has increased their council tax precept by 2% and for those payers living in parished areas should their parish council choose to increase their precept. The Fire authority is proposing a zero increase in council tax.

- Increasing the Adult Social Care budget by £1m in recognition of the increasing demands on the council due to demographic changes and more people becoming dependent upon these services. This is in line with the priorities identified through consultation.

- Protecting all 65,000 households in receipt of council tax benefit under the local council tax support scheme despite a 10% cut in government funding.

- Protecting the highways winter maintenance programme in order to keep our main highways infrastructure open for the public. Again this is in line with public consultation findings.

- A key priority of the capital programme is to stimulate regeneration and job creation across the county. In line with the

Council's key priority to stimulate regeneration and job creation across the county, an additional £3.25m of revenue has been allocated to fund prudential borrowing to invest in new and current capital projects amounting to £159m in 2013/14 with a total programme for the period 2013/14 to 2016/17 of £315m.

29. In December 2012, an extensive consultation process led to over 1,500 people giving their views on how the council has managed spending reductions so far, the impact that the reductions have had to date and ideas for making further reductions in the future.

30. The MTFP agreed by Council in February 2012, identified a range of forecast base budget pressures in 2013/14. Throughout the year, Cabinet has approved updated MTFP reports which have reviewed and updated estimates. The following table details the final forecasted position on the 2013/14 Base Budget pressures:

2013/14 Base Budget Pressures

Pressures	Amount
	£m
Pay Inflation (1%)	1.980
Price Inflation (2.5%)	3.087
Corporate Risk Contingency	0.440
Landfill Tax to 31 May 2013	0.171
Highways Operations	0.600
Carbon Reduction Commitment	0.100
Employee Pension Contributions	1.300
Community Governance Review	(0.050)
Adult Services Demographic Pressures	1.000
TOTAL	**8.628**

31. The savings plans for each service grouping for the 2013/14 – 2016/17 period are summarised in the following table across the MTFP period. The table also shows the forecasted shortfall in savings which will need to be identified to achieve financial balance from 2014/15 onwards, due to the deterioration in the financial outlook as detailed above.

Service Grouping Savings Plan 2013/14 – 2016/17

Service Grouping	2013/14	2014/15	2015/16	2016/17	TOTAL
	£m	**£m**	**£m**	**£m**	**£m**
ACE	0.653	0.261	0.220	0	1.134
CAS	11.212	9.353	4.454	0	25.019
NS	4.419	2.845	1.356	0	8.620
RED	0.970	0.776	0.480	0	2.226
RES	2.137	2.510	0.564	0	5.211
Other	1.475	0	0	0	1.475
Savings to be identified	0	12.122	23.309	15.845	51.276
TOTAL	**20.866**	**27.867**	**30.383**	**15.845**	**94.961**

32. The total saving for the period 2011/12 – 2016/17 is detailed below.

Total Savings 2011/12 – 2016/17

Period	Saving
	£m
2011/12 – 2012/13	93.0
2013/14 – 2016/17	95.0
TOTAL	**188.0**

2013/14 Net Budget Requirement

33. After taking into account base budget pressures, additional investment and savings, the council's recommended Council Net Budget Requirement for 2013/14 is £457.814m. The financing of the net budget requirement is detailed below:

Financing of the 2013/14 Budget

Financing Method	Amount
	£m
Revenue Support Grant	167.162
Top Up Grant	58.223
Business Rates – Local Share	52.985
Council Tax	164.469
Council Tax Freeze Grant	2.033
New Homes Bonus	4.799
New Homes Bonus Top Slice	0.943
Education Services Grant	7.200
TOTAL	**457.814**

Capital Funding

34. The council continues to invest in capital infrastructure. An additional £3.25m of revenue will be provided in the budget to finance Prudential Borrowing to continue to support the capital programme. A key priority of the capital programme is to stimulate regeneration and job creation within the local economy.

35. The need to invest in Capital Infrastructure during the economic downturn is seen as an essential means of regenerating the local economy and for job creation. Additional investment will maintain and improve infrastructure across the County, help retain existing jobs, create new jobs and ensure the performance of key council services are maintained and improved.

36. After considering all relevant factors, the Capital Member Officer Working Group (MOWG) have recommended that additional schemes be approved for inclusion in the Capital Programme. The additional 2013/14 schemes can be afforded by utilising unapplied capital grants and utilising the 2013/14 prudential borrowing allowance not committed in MTFP for 2012/13. The new 2014/15 schemes can be afforded by utilising capital grants, capital receipts and prudential borrowing. The approval of the 2014/15 schemes will leave £10.5m of prudential borrowing still to utilise. This availability of financing in 2014/15 can be considered as part of the development the next MTFP.

37. The new investments will ensure the council continues to invest in priority projects and key maintenance programmes.

38. The 2013/14 – 2016/17 Capital Budget will be as follows:

Capital Budget

Service Grouping	2013/14	2014/15	2015/16	2016/17	TOTAL
	£m	**£m**	**£m**	**£m**	**£m**
ACE	3.959	1.260	-	-	5.219
CAS	56.046	32.005	-	-	88.051
Neighbourhoods	32.533	21.784	-	-	54.317
RED	49.318	27.379	0.725	0.027	77.449
Resources	17.605	1.645	-	-	19.250
Other	-	10.494	30.000	30.000	70.494
TOTAL	**159.461**	**94.567**	**30.725**	**30.027**	**314.780**
Financed by					
Grants and Contributions	66.498	33.661	0.271	-	100.430
Revenue and Reserves	0.987	0.807	-	-	1.794
Capital Receipts	10.000	10.000	10.000	10.000	40.000
Capital Receipts – BSF and Schools	9.774	3.000	-	-	12.774
Borrowing	72.202	47.099	20.454	20.027	159.782
TOTAL	**159.461**	**94.567**	**30.725**	**30.027**	**314.780**

39. The council has been able to set a balanced budget for 2013/14 and has a plan in place to continue to deliver local services up to 2017. Based on this, it is clear that the County Council is a going concern.

Financial Reserves

40. The County Council holds reserves:

- As a working balance to help cushion the impact of uneven cash flow and avoid unnecessary temporary borrowing – this forms part of the General Reserve.

- As a contingency to cushion the impact of unexpected events or emergencies – this also forms part of General Reserves.

- As a means of building up funds, earmarked reserves to meet known or predicted future liabilities.

41. Each earmarked reserve, with the exception of the Schools' reserve, is reviewed on an annual basis. The Schools' reserve is the responsibility of individual schools with balances at the year end which make up the total reserve.

42. A Local Authority Accounting Panel Bulletin published in November 2008 (LAAP77) makes a number of recommendations relating to the determination and the adequacy of Local Authority Reserves. The guidance contained in the Bulletin "represents good financial management and should be followed as a matter of course".

43. This bulletin 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 general reserves were to be used as part of the budget process, appropriate action would need to be factored into the MTFP to ensure that this is addressed over time so that the base budget is not reliant on a continued contribution from general reserves.

44. The setting of the level of reserves is an important decision not only for the 2013/14 budget but for the MTFP. The Quarter 3 Forecast of Outturn for 2012/13 agreed by Cabinet in March 2013 forecast an increase of £4.5m in the General Reserve Balance to £26.4m. This balance will be above the council's current reserves policy but in times of ongoing austerity, the recommended level of General Reserve should be reviewed in the light of the two new key risks identified in paragraph 26, in addition to the many associated uncertainties for local authorities in the coming years. It is therefore felt prudent for the council to consider maintaining a higher level of General Reserve in the medium term until such a time when the impact of the Business Rates Retention scheme and the Local Council Tax Support Scheme are more fully understood and Government funding reductions have ended.

45. The County Council's Reserve Policy is therefore as follows:

(i) Set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director Resources should be authorised to establish such reserves as required, to review them for both adequacy and purpose on a regular basis reporting appropriate to the Cabinet Portfolio Member for Resources and to Cabinet.

(ii) Aim to maintain General Reserves in the medium term of up to 7.5% of the Net Budget Requirement which in cash terms equates to up to £35m.

46. Based on the level of reserves held, the County Council has demonstrated robust financial management that underpins its status as a going concern.

Risk

47. The council had previously recognised that a wide range of financial risks needed to be managed and mitigated across the medium term. The risks faced have now been exacerbated by the localisation of business rates and the localisation of council tax support. All risks will

be assessed continually throughout the MTFP period. Some of the key risks identified include:

(i) Ensure the achievement of a balanced budget and financial position across the MTFP period.

(ii) Ensure the savings are risk assessed across a range of factors e.g. impact upon customers, stakeholders, partners and staff.

(iii) The Government funding reductions are based upon Government national control total data from the December 2012 Autumn Statement. Further analysis of the content of the March 2013 Budget and the expected 2015/16 Comprehensive Spending Review in the spring of 2013 will be required to ensure estimates are updated. Recent experience would indicate that each Government financial forecast includes additional savings for local government.

(iv) The localisation of council tax support passes the risk for any increase in council tax benefit claimants onto the council. Activity in this area will need to be monitored carefully with medium term projections developed in relation to estimated volume of claimant numbers.

(v) The MTFP model builds in estimates for pay and price inflation. At the present time price inflation levels remain well above Government targets which could place significant pressure upon budgets.

48. Based on the above there are no risks which would indicate that the County Council is not a going concern.

Conclusion

49. When approving the accounts, the Audit Committee members being those charged with governance for the County Council will need to consider which of the following three basic scenarios is the most appropriate:

- the body is clearly a going concern and it is appropriate for the accounts to be prepared on the going concern basis;

- the body is a going concern but there are uncertainties regarding future issues which should be disclosed in the accounts to ensure the true and fair view;

- the body is not a going concern and the accounts will need to be prepared on an appropriate alternative basis.

50. Based on the assessment undertaken, in my view:

- the County Council has a history of stable finance and ready access to financial resources in the future,

- there are no significant financial, operating or other risks that would jeopardise the County Council's continuing operation.

51. Therefore the County Council is a going concern and it is appropriate for the Statement of Accounts to be prepared on that basis.

Recommendation

52. It is recommended that the County Council should be considered as a going concern and that the Statement of Accounts should be prepared on that basis.

Background papers

(a) County Council – 20 February 2013 – General Fund Medium Term Financial Plan, 2013/14 – 2016/17 and Revenue and Capital Budget 2013/14

(b) Cabinet - 13 March 2013 - Forecast of Revenue and Capital Outturn 2012/13 for General Fund and Housing Revenue Account – Period to 31 December 2012

(c) Annual Governance Report – 2011/12 – Durham County Council

Contact: Hilary Appleton Tel: 03000 266239

Appendix 1: Implications

Finance -

The report considers the County Council as a ‘going concern’.

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

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Audit Committee

4 April 2013

Agreement of Accounting Policies for Application in the 2012/13 Financial Statements

Don McLure, Corporate Director Resources

Purpose of the Report

1. The purpose of this report is to update the Audit Committee on the County Council's accounting policies to be applied in the preparation of the 2012/13 Statement of Accounts and to seek confirmation from the Audit Committee that appropriate policies are being applied.

2. Appendix 2 provides a summary of all changes to be applied in preparing the 2012/13 Statement of Accounts.

3. Objective 2 of the Audit Committee's Terms of Reference requires it to provide *'Independent assurance over the financial reporting of the Council's Statement of Accounts ensuring that any issues arising from the process of drawing up, auditing and certifying the Council's annual accounts are dealt with properly to maintain an understanding of accounting policies and internal and external reporting requirements'.*

Background

4. It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2011 for the Statement of Accounts to be produced in accordance with proper accounting practices.

5. Accounting policies are defined in the Code as *"the specific principles bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements"*.

6. Accounting policies need not be applied if the effect of applying them would be immaterial. Materiality is defined in the Code as it applies to omissions and misstatements:

   Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

7. The proposed accounting policies are in line with those used in the preparation of the 2011/12 accounts as there have been no changes to the Code necessitating a change for 2012/13.

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

Amended Accounting Policies

9. The wording of existing accounting policies has been improved to more accurately reflect the County Council's approach and improve compliance with Code disclosure requirements, and clarify principles being applied:

- **Property, Plant and Equipment - Depreciation:** The part of this policy relating to Vehicles, Plant, Furniture and Equipment has been amended to more accurately reflect the County Council's approach and remains in line with Code requirements.

- **The Local Government Pension Scheme:** The part of this policy referring to the valuation of property assets in respect of Durham County Council pension fund attributable to the County Council has been removed as non are currently held.

Recommendations and reasons

10. The Committee is recommended to:

- review the accounting policies; and

- approve their use in the preparation of the 2012/13 financial statements.

- the Corporate Director, Resources be authorised to review the accounting policies as necessary, and report changes to the Audit Committee.

Contact: Hilary Appleton Tel: 03000 266239

Appendix 1: Implications

Finance -

The report considers the Accounting Polices for the County Council's Statement of Accounts for 2012/13.

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

Appendix 2: Accounting Policies 2012/13

Accounting Policy	New policy	Amended policy	No change	In line with Code
1. General Principles			✓	✓
2. Accruals of Income and Expenditure			✓	✓
3. Cash and Cash Equivalents			✓	✓
4. Exceptional Items			✓	✓
5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors			✓	✓
6. Charges to Revenue for Non-Current Assets			✓	✓
7. Employee Benefits		✓		✓
8. Events After the Reporting Period			✓	✓
9. Financial Instruments			✓	✓
10. Foreign Currency Translation			✓	✓
11. Government Grants and Contributions			✓	✓
12. Heritage Assets			✓	✓
13. Intangible Assets			✓	
14. Interests in Companies and Other Entities			✓	✓
15. Inventories & Long Term Contracts			✓	✓
16. Investment Property			✓	✓
17. Jointly Controlled			✓	✓

Accounting Policy	**New policy**	**Amended policy**	**No change**	**In line with Code**
Operations and Jointly Controlled Assets				
18. Leases			✓	✓
19. Overheads & Support Services			✓	✓
20. Property, Plant and Equipment		✓		✓
21. Disposals and Non-current Assets Held for Sale			✓	✓
22. Private Finance Initiative (PFI) and Similar Contracts			✓	✓
23. Provisions			✓	✓
24. Landfill Allowance Schemes			✓	✓
25. Contingent Liabilities			✓	✓
26. Contingent Assets			✓	✓
27. Reserves			✓	✓
28. Revenue Expenditure Funded from Capital under Statute			✓	✓
29. Value Added Tax (VAT)			✓	✓
30. Carbon Reduction Commitment Allowances			✓	✓

Accounting Policies

1. General Principles

The Statement of Accounts summarises the County Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The County Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices.

Those practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) and the Service Reporting Code of Practice 2012/13 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

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

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the County Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the County Council.
- Revenue from the provision of services is recognised when the County Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the County Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The County Council has a policy of

not accruing for manual sundry creditor or sundry debtor provisions for less than £1,000 other than in exceptional circumstances.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the County Council's cash management.

4. Exceptional Items

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

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

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

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

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

6. Charges to Revenue for Non-Current Assets

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

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

The County Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end.

They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and nonmonetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the County Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the County Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the County Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the County Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the County Council are members of two separate pension schemes:

- The Local Government Pensions Scheme, administered by Durham County Council.

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the County Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the County Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

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

- The liabilities of the Durham County Council pension fund attributable to the County Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of *[5.50% subject to information from the Fund's Actuary]* (based on the indicative rate of return on high quality corporate bond Aon Hewitt UK Corporate AA Curve – Swaps Extrapolation.
- The assets of Durham County Council pension fund attributable to the County Council are included in the Balance Sheet at their fair value:

  1. quoted securities – current bid price.
  2. unquoted securities – professional estimate.
  3. unitised securities – current bid price.
  4. ~~property – market value.~~

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

1. Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
2. Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
3. Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to

the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

4. Expected return on assets – the expected annual investment return on the fund assets attributable to the County Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
5. gains or losses on settlements and curtailments – the result of actions to relieve the County Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
6. Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
7. Contributions paid to the Durham County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

8. Events After the Reporting Period

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

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.

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

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

9. Financial Instruments

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

However, the County Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, and amounts are material, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the County Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the County Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

10. Foreign Currency Translation

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

11. Government Grants and Contributions

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

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

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

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

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

12. Heritage Assets

Tangible and Intangible Heritage Assets
A tangible heritage asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
An intangible heritage asset is defined as an intangible asset with cultural, environmental, or historical significance. Examples of intangible heritage assets include recordings of significant historical events

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

land and buildings, as this is its primary purpose, but the exhibits within it may be classified as heritage.

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

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

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

The County Council is custodian or guardian of a number of monuments or sites. These are recognised as heritage assets; however they do not usually have any appropriate valuation so they are not recognised on the balance sheet.

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

Museum Collections and Artefacts
This includes museum exhibits and items such as books of remembrance and miners banners. They are reported in the balance sheet at insurance value.

Artwork, including Public Art and Sculptures
This includes paintings, sculptures and outdoor public art installations around the county. Some items in this collection are reported at insurance value, others at cost and there are a number for which no value is available so they are not reported on the balance sheet.

The distinction between sculptures, monuments and statues can be subjective, however for the purposes of classification the County Council has determined that sculptures are generally modern, commissioned pieces of art, monuments can be modern or historic and are usually dedicated to people or events and statues are usually historical structures. Monuments and statues are included under the heading “Monuments, Statues and Historic Buildings” below.

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

Civic Regalia and Silverware
This includes civic chains, badges of office and silverware used for civic purposes, and are recorded at insurance value.

Geophysical / Archaeological
This includes pit wheel sites and roman archaeological sites. No appropriate or relevant valuations are available for these assets so they are not recognised on the balance sheet.

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

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

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

13. Intangible Assets

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the County Council can be determined by reference to an active market. In practice, no intangible asset held by the County Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

14. Interests in Companies and Other Entities

The Code requires local authorities to produce group accounts to reflect significant activities provided to Council taxpayers by other organisations in which an authority has an interest. The County Council has reviewed its interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities against the criteria for group accounts as set out in the Code and has concluded that there are no such material interests that require the preparation of group accounts. In the County Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

15. Inventories and Long Term Contracts

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

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

16. Investment Property

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

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

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

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

17. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the County Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The County Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the County Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The County Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

18. Leases

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

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

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

The County Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The County Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The County Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the County Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

19. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multifunctional, democratic organisation.

- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

20. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH); and
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

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

Deprecation is calculated on the following bases:

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

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

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

21. Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

22. Private Finance Initiative (PFI) and Similar Contracts

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

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

For the BSF Schools PFI Project, the liability was written down by an initial capital contribution of £0.270m.

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge of 10.15% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

23. Provisions

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

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

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

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

24. Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

25. Contingent Liabilities

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

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

26. Contingent Assets

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

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

27. Reserves

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

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

28. Revenue Expenditure Funded from Capital under Statute

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

29. Value Added Tax (VAT)

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

30. Carbon Reduction Commitment Allowances

The County Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The County Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the County Council is recognised and reported in the costs of the County Council's services and is apportioned to services on the basis of energy consumption.

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Audit Committee

4 April 2013

Final Accounts Timetable for the year ended 31 March 2013

Don McLure, Corporate Director Resources

Purpose of the Report

1 The purpose of the report is to provide Members with the Final Accounts Timetable for 2012/13. This timetable details the deadlines for key actions to complete the Statement of Accounts in line with statutory deadlines.

2 The report is presented in accordance with paragraph 4.2.3 of the Committee's operational terms of reference which requires it '**to maintain an understanding of internal and external reporting requirements'.**

3 The Final Accounts Timetable is attached at Appendix 2.

Background

4 The 'Accounts and Audit Regulations 2011' introduced a two stage approval process for the Statement of Accounts; the first stage is in June each year. The Regulations require that the responsible financial officer, by no later than 30 June, signs and certifies that the Statement of Accounts presents a true and fair view of the financial position of the County Council for the year to 31 March previous, subject to the views of the External Auditor.

5 The second stage, as set out in the Regulations, requires that on or before the 30 September, approval needs to be given to the Statement of Accounts by resolution of a committee, which for Durham County Council is the Audit Committee. This approval will take into account the views of the External Auditor. This is done so that the Statement of Accounts can then be published.

6 In order to ensure that the County Council can meet these statutory deadlines, the process of 'closing the accounts' must be closely managed and monitored.

7 The Annual Governance Report (AGR) for 2010/11 produced by External Audit recommended that the County Council

"Ensure closedown arrangements are managed against a close down plan, clearly identifying roles, responsibilities and target dates."

8 The Final Accounts timetable is therefore a combination of the implementation of External Audit’s recommendations and a tool for the effective management and monitoring of the final accounts process.

The Timetable

9 Each year the timetable is compiled in Strategic Finance with input from Service Groupings to ensure that deadlines are achievable and will lead to completion of a Statement of Accounts for signing by the Section 151 Officer by 30 June. The impact of new and amended processes upon achievement of deadlines is considered, as well as reference to the previous year’s problems and meeting of deadlines.

10 Strategic Finance monitors the achievement of the dates in the timetable throughout the period February to September. Although every effort is made to meet every deadline set, there will inevitably be some delays that will lead to some of the deadlines being missed.

11 Strategic Finance will follow up all delays and missed deadlines to ensure that the overall timetable will be achieved and identify improvements that can be made to the following year’s Final Accounts process.

12 Final Accounts Monitoring Meetings are also held each week during April to May to ensure that practitioners apply accounting procedures consistently; best practice is shared; there is a shared understanding of any difficulties or delays that are happening and to disseminate updated information quickly and consistently. These meetings are not shown in the timetable, but happen each Thursday.

13 This was the process that was in operation for the closedown of 2011/12 Accounts, which successfully produced the Statement of Accounts in line with the statutory deadline. However, the intention is to improve performance.

14 The production of the working papers were of particular concern in the AGR for 2011/12 and the deadline for the production of these has been included in the timetable.

15 Another area of concern was the lack of time to complete an effective analytical review of the Statement of Accounts. Being able to do this should reduce the number of errors. Time for undertaking an analytical review has been built into this timetable, which necessitated changes to the deadlines set for 2011/12.

Recommendations and reasons

16 Members are asked to note the Final Accounts Timetable for 2012/13 detailed in Appendix 2.

Contact: Hilary Appleton Tel: 03000 266239

Appendix 1: Implications

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

Staffing -

None

Risk -

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

Equality and Diversity / Public Sector Equality Duty -

None

Accommodation -

None

Crime and Disorder -

None

Human Rights -

None

Consultation -

None

Procurement -

None

Disability Discrimination Act -

None

Legal Implications -

None

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Durham County Council
Timetable Year End 2012/13

APPENDIX 2

KEY
- Financial Services - Revenues and Benefits
- Strategic Finance - Capital
- Financial Services - Neighbourhoods
- Payroll
- Creditors Team
- Queries

KEY to 'Delay in days'
Completed within :
- 5 days of target
- 5 to 10 days of target
- over 10 days late

	Task	Responsible	Proposed Date 2012/13	2012/13 Dates and Comments: Completion Date 2012/13	Comments 2012/13	Delay in days 2012/13
	January 2013					
1	Prepare draft timetable - approval by FSP	Strategic Finance/HA	Tue 22 Jan 2013	Mon 21 Jan 2013		-1
2	Contact ICT - Employees survey	Strategic Finance/DH	Fri 25 Jan 2013	Fri 25 Jan 2013		0
3	Contact Communications - Employees survey	Strategic Finance/DH	Fri 25 Jan 2013	Fri 25 Jan 2013		0
4	Prepare Matrix and submit to External Audit to establish the need for Group Accounts	Strategic Finance/DH	Tue 29 Jan 2013			-41303
5	Prepare Guidance Notes	Strategic Finance/AC	Thu 31 Jan 2013	Thu 31 Jan 2013		0
	February 2013					
6	Final timetable issued	Strategic Finance/HA/IH/AC	Fri 01 Feb 2013	Fri 01 Feb 2013		0
7	Issue of guidance notes	Strategic Finance/IH/AC	Fri 01 Feb 2013	Fri 01 Feb 2013		0
8	Review The Code to identify changes to be incorporated in 2012/13 Statement of Accounts	Strategic Finance/IH	Fri 08 Feb 2013	Wed 08 Feb 2012		-366
9	Issue of instructions to valuer	Strategic Finance/AZH	Fri 08 Feb 2013	Sun 10 Feb 2013		2
10	Liaise with External Audit (Mazars) to establish the need for Group Accounts	Strategic Finance/DH	Fri 15 Feb 2013			-41320
11	Issue Balance Sheet Reconciliations for period ending 31 December 2012	Strategic Finance/AC	Fri 15 Feb 2013	Tue 19 Feb 2013		4
12	Request information on changes in Vehicles, Plant and Equipment, Community Assets (non-land and building) and Intangible Assets from services (additions, disposals and cost centre changes Apr - Dec)	Strategic Finance/AZH	Fri 15 Feb 2013	Fri 15 Feb 2013		0
13	Request Floor Areas of Administrative Buildings	Financial Services - Resources/AB	Fri 15 Feb 2013	Mon 17 Dec 2012		-60
14	Request Allocation of Staff Time in Central Services	Financial Services - Resources/AB	Fri 15 Feb 2013	Mon 17 Dec 2012		-60
15	Request Occupational Health-Activity over Services	Financial Services - Resources/AB	Fri 15 Feb 2013	Mon 17 Dec 2012		-60
16	Request Charge to Corporate and Democratic Core	Financial Services - Resources/AB	Fri 15 Feb 2013	Mon 17 Dec 2012		-60
17	Template from Actuary re IAS 19 for completion by Strategic Finance	Strategic Finance/Actuary/AM/PET	Fri 22 Feb 2013	Mon 04 Feb 2013		-18
18	Run report to identify outstanding automatic accruals in Oracle for review	Strategic Finance/AC/DH	Fri 22 Feb 2013			-41327
19	Request 'Assets Held for Sale' details	Strategic Finance/AZH	Fri 22 Feb 2013			-41327
20	Training - Attend External Audit (Mazars) Workshop	Strategic Finance/IH/AC/AZH	Wed 27 Feb 2013			-41332
21	Obtain Aged Debt Report from MR in order to produce bad debt provision information	Strategic Finance/AC/DH	Thu 28 Feb 2013			-41333
22	List of 'Assets Held for Sale' to Strategic Finance	Asset Management Team	Thu 28 Feb 2013			-41333

	Task	Responsible	Proposed Date 2012/13	2012/13 Dates and Comments		
				Completion Date 2012/13	Comments 2012/13	Delay in days 2012/13
23	Information on Asset Values - Land and buildings, Council Dwellings, Investment Properties, Community Assets - this means all transactions for the year in question (Revaluations (effective 1 April), Impairments (effective 31 March), plus completions	Asset Management Team	Thu 28 Feb 2013			-41333
	March 2013					
24	Last February non-Schools Petty Cash to Resources - Creditors Team	Services	Tue 05 Mar 2013			-41338
25	Completion of Template for IAS 19 to send to Actuary (formerly FRS 17)	Strategic Finance/PET/Pensions/NO	Tue 05 Mar 2013			-41338
26	Estimates of full year electricity and gas charges	Financial Services	Fri 08 Mar 2013			-41341
27	Issue schedules of outstanding debtor accounts to services and centrally calculated bad debt provision as at end of February for review	Strategic Finance/AC/DH	Fri 08 Mar 2013			-41341
28	Update spreadsheets in respect of 2011/12 changes to lease income and payments in respect of Land and buildings	Strategic Finance/AC	Wed 13 Mar 2013			-41346
29	Balance sheet reconciliation completed for January 2013	Strategic Finance/AC/Financial Services	Thu 14 Mar 2013			-41347
30	Return of Floor Areas of Administrative Buildings to Financial Services - Resources/AB	Services	Fri 15 Mar 2013	Mon 17 Dec 2012		-88
31	Return of Allocation of Staff Time in Central Services to Financial Services - Resources/AB	Services	Fri 15 Mar 2013	Mon 17 Dec 2012		-88
32	Return of Occupational Health-Activity over Services to Financial Services - Resources/AB	Services	Fri 15 Mar 2013	Mon 17 Dec 2012		-88
33	Return of Information on changes in Vehicles, plant and equipment, community assets (non-land and building) to Strategic Finance (additions, disposals and cost centre changes Apr - Dec)	Financial Services	Fri 15 Mar 2013			-41348
34	Additional Loomis Cash collections	Financial Services - Revenues and Benefits/Financial Services - Resources/PAD	Tue 26 Mar 2013			-41359
35	Additional Loomis Cash collections	Financial Services - Revenues and Benefits/Financial Services - Resources/PAD	Wed 27 Mar 2013			-41360
36	Additional Loomis Cash collections	Financial Services - Revenues and Benefits/Financial Services - Resources/PAD	Thu 28 Mar 2013			-41361
37	All Cash posted up to and inc 27 March 2013	Financial Services - Revenues and Benefits/Financial Services - Resources/PAD	Thu 28 Mar 2013			-41361
38	Final postings by Benefits section (5 pm)	Financial Services - Revenues and Benefits/Financial Services - Resources/PAD	Thu 28 Mar 2013			-41361
39	Last paysheet for 2012/13	Creditors Team	Thu 28 Mar 2013			-41361
40	Last day for posting February non-Schools Petty Cash to Ledger	Creditors Team/Strategic Finance/MS	Thu 28 Mar 2013			-41361
41	All stock checks completed at 28 March 2013	Services	Thu 28 Mar 2013			-41361
42	Opening of Oracle modules for 2013/14	Financial Systems/MR	Thu 28 Mar 2013			-41361
43	Last date for running Independent Sector Paysheet for period 13	Creditors Team	Thu 28 Mar 2013			-41361
44	Sending out Related Party Transaction Declaration Pro-forma to Members and Senior Officers (CMT)	Resources - Democratic Services	Thu 28 Mar 2013			-41361
45	All amounts banked by 28 March 2013 to be receipted in Oracle	Services	Thu 28 Mar 2013			-41361

				2012/13 Dates and Comments		
	Task	Responsible	Proposed Date 2012/13	Completion Date 2012/13	Comments 2012/13	Delay in days 2012/13
46	Last date for schools to submit 2012/13 invoices to School Funding	Schools	Thu 28 Mar 2013			-41361
47	Opening of adjustment period (AD1-13) for 2012/13	Strategic Finance/MS	Thu 28 Mar 2013			-41361
48	Run AR reports to ensure that cash is allocated to the correct periods	Financial Systems/MR	Thu 28 Mar 2013			-41361
49	Cash posted for 28 March 2013 (12 noon)	Financial Services - Revenues and Benefits/Financial Services - Resources/PAD	Thu 28 Mar 2013			-41361
50	PM - Open Revenue system closedown (all users disconnect from system)	Financial Services - Revenues and Benefits/Financial Services - Resources/PAD	Thu 28 Mar 2013			-41361
	Good Friday		**Fri 29 Mar 2013**			
	April 2013					
	Easter Monday		**Mon 01 Apr 2013**			
51	Strategic Finance to request Financial Systems run Debtors report for Bad Debt Provision and circulate to services	Financial Systems / Strategic Finance/AC/DH	Tue 02 Apr 2013			-41366
52	Run report for outstanding automatic accruals (excess receipting) and issue to Services	Financial Systems / Strategic Finance/AC/DH	Tue 02 Apr 2013			-41366
53	Additional Loomis Cash collection	Financial Services - Revenues and Benefits/Financial Services - Resources/PAD	Tue 02 Apr 2013			-41366
54	Issue of 2012/13 Staff Leave Survey	Strategic Finance/DH	Tue 02 Apr 2013			-41366
55	MRP posted (excluding Finance Lease MRP)	Strategic Finance/AZH	Tue 02 Apr 2013			-41366
56	Building timesheets to Business Support	Neighbourhoods - Business Support	Tue 02 Apr 2013			-41366
57	Report to Strategic Finance detailing all County Council employees at 31 March 2013	Payroll	Tue 02 Apr 2013			-41366
58	Collection Fund (Council Tax and NNDR) year end reports (financial control, analysis of aged debt, charitable relief) to Strategic Finance	Revenues and Benefits	Tue 02 Apr 2013			-41366
59	Last monthly Salaries and Wages for 2012/13 in ledger	Payroll/Strategic Finance	Tue 02 Apr 2013			-41366
60	Last day for 2012/13 manual receipts advice forms received by Income Team	Services	Tue 02 Apr 2013			-41366
61	Datasets for Rail Warrants available for processing	Payroll	Tue 02 Apr 2013			-41366
62	Open Revenue System closedown (all users reconnected to the system)	Revenues and Benefits/PAD	Wed 03 Apr 2013			-41367
63	All Buildings timesheets and other project transactions complete	Neighbourhoods - Business Support	Wed 03 Apr 2013			-41367
64	Last day for receipting Oracle Inventory purchase orders for stock items received on or before 31 March 2013	Services	Wed 03 Apr 2013			-41367
65	Last day for updating Inventory for stores issued on or before 31 March 2013	Services	Wed 03 Apr 2013			-41367

				2012/13 Dates and Comments		
	Task	Responsible	Proposed Date 2012/13	Completion Date 2012/13	Comments 2012/13	Delay in days 2012/13
66	School Meals dataset available for processing	Resources - Business Support	Wed 03 Apr 2013			-41367
67	Internal recharges via projects completed for CORAM (7pm)	Neighbourhoods - Business Support	Wed 03 Apr 2013			-41367
68	Procurement cards processed for CORAM and Other Non Priced Work	Neighbourhoods - Business Support	Thu 04 Apr 2013			-41368
69	Procurement card processing complete	Neighbourhoods - Business Support	Thu 04 Apr 2013			-41368
70	Recharges to Michael Ross (run overnight)	Financial Systems/MR	Fri 05 Apr 2013			-41369
71	Last payroll supplementary runs processed	Payroll/Strategic Finance/MS	Fri 05 Apr 2013			-41369
72	Last day for 2012/13 non-order invoices received by Creditors Team (N.B. non-order invoices relating to projects to be batched separately)	Services	Fri 05 Apr 2013			-41369
73	Amendments to CORAM provisions to Asset Management from Service Accountants	Financial Services	Fri 05 Apr 2013			-41369
74	Last Highways operations internal recharges and rechargeable works entered into Projects	Financial Services - Neighbourhoods	Fri 05 Apr 2013			-41369
75	Last S/C & S/D provisions to Financial Services	Services	Fri 05 Apr 2013			-41369
76	Last Date for running paysheets to include final 2012/13 Schools and non-order invoices	School Funding/ Creditors Team	Fri 05 Apr 2013			-41369
77	Upload to ledger of last file for 2012/13 Schools Invoices	Creditors Team	Fri 05 Apr 2013			-41369
78	Last day for receipting of 2012/13 Oracle purchase orders for which goods and services were received on or before 31 March 2013	Services	Fri 05 Apr 2013			-41369
79	Last 2012/13 Debtors invoices raised in Accounts Receivable	Services	Fri 05 Apr 2013			-41369
80	Last date for journals for water to Strategic Finance	Creditors Team	Fri 05 Apr 2013			-41369
81	Dataset for Fleet Maintenance available for processing	Financial Services - Neighbourhoods	Mon 08 Apr 2013			-41372
82	Dataset for Catering Recharges available for processing	Financial Services - Neighbourhoods	Mon 08 Apr 2013			-41372
83	Journal for Building Cleaning available for processing	Financial Services - Neighbourhoods	Mon 08 Apr 2013			-41372
84	Pension Fund to issue final invoices for 2012/13 DCC pension / added years recharges	Pensions	Mon 08 Apr 2013			-41372
85	Dataset for Grounds Maintenance available for processing	Financial Services - Neighbourhoods	Mon 08 Apr 2013			-41372
86	Late Completions - Land and Buildings, Council Dwellings and Community Assets - this for any changes since the 28 February 2013 deadline.	Asset Management Team	Mon 08 Apr 2013			-41372
87	Valuer's report and certificate, including outstanding valuations and reasons for impairment - Land and Buildings	Asset Management Team	Mon 08 Apr 2013			-41372

				2012/13 Dates and Comments		
	Task	Responsible	Proposed Date 2012/13	Completion Date 2012/13	Comments 2012/13	Delay in days 2012/13
88	Supply Service Accountants with details of March 2013 unfunded pensions costs	Financial Services - Resources	Mon 08 Apr 2013			-41372
89	Last date for reconciliation of all bank statement lines up to 31 March 2013	Income Team	Mon 08 Apr 2013			-41372
90	OTL completed	Services	Mon 08 Apr 2013			-41372
91	WIP ready for supervisor meetings (Priced Work)	Financial Services - Neighbourhoods	Mon 08 Apr 2013			-41372
92	Priced Work WIP to Assets (8am)	Financial Services - Neighbourhoods	Tue 09 Apr 2013			-41373
93	Highways operations recharges in ledger (with Purchase Orders)	Financial Services - Neighbourhoods	Tue 09 Apr 2013			-41373
94	Non-CORAM (ie Other Non Priced Work) WIP to Service Accountants (10.30am)	Financial Services - Neighbourhoods	Wed 10 Apr 2013			-41374
94	Valuation meetings with Buildings supervisors (Priced Work)	Financial Services - Neighbourhoods/LS	Wed 10 Apr 2013			-41374
95	Last 2012/13 non-order invoices in ledger - Projects invoices	Creditors Team	Wed 10 Apr 2013			-41374
96	February 2013 gas journals available for posting to ledger	Financial Services - Resources	Thu 11 Apr 2013			-41375
97	February 2013 electricity journals available for posting to ledger	Financial Services - Resources	Thu 11 Apr 2013			-41375
98	Last 2012/13 non-order invoices in ledger - non-Projects invoices	Creditors Team	Thu 11 Apr 2013			-41375
99	Return of Charge to Corporate and Democratic Core to Resources - Finance	Services/Financial Services - Resources/AB	Thu 11 Apr 2013			-41375
100	CORAM WIP returned by Design Services (5pm)	Design Services	Thu 11 Apr 2013			-41375
101	Non-CORAM (ie Other Non Priced Work) returned by Financial Services to NS Finance (5pm)	Financial Services	Thu 11 Apr 2013			-41375
102	Processing of S/C and S/D provisions completed	Financial Services	Thu 11 Apr 2013			-41375
103	Final adjustments for reconciliation of Inventory to ledger	Financial Services	Thu 11 Apr 2013			-41375
104	Recharges for Priced Work received from Design Services (to Business Support by 12 noon)	Design Services	Fri 12 Apr 2013			-41376
105	Agreed Priced Work recharges completed by Business Support (6pm)	Neighbourhoods - Business Support	Fri 12 Apr 2013			-41376
106	CORAM provisions in Ledger	Asset Management Team/Strategic Finance/MS	Fri 12 Apr 2013			-41376
107	Issue schedules of outstanding debtor accounts to Strategic Finance	Income Team/ Strategic Finance/DH/ Financial Systems/MR	Fri 12 Apr 2013			-41376
108	Ensure financial information available from Unilink for Plant and Machinery leases to prepare year end accounting entries.	Strategic Finance/AC/DC	Fri 12 Apr 2013			-41376

				2012/13 Dates and Comments		
	Task	Responsible	Proposed Date 2012/13	Completion Date 2012/13	Comments 2012/13	Delay in days 2012/13
109	IAS 19 Information received from the Actuary	Strategic Finance/HA	Fri 12 Apr 2013			-41376
110	Return of amendments to centrally calculated Bad Debt Provision from Financial Services	Financial Services	Fri 12 Apr 2013			-41376
111	Depreciation and amortisation charges posted for Vehicles Plant and Equipment, Furniture and Fittings and Intangible Assets	Strategic Finance/AZH	Fri 12 Apr 2013			-41376
112	Collection Fund aged debt analysed, bad debt provision calculated and posted to ledger	Strategic Finance/SO	Fri 12 Apr 2013			-41376
113	Details of related party transactions for Members and Senior Officers (CMT) received by Democratic Services	Resources - Democratic Services	Fri 12 Apr 2013			-41376
114	WIP provision recharge via journal entry re CORAM and Non Priced Work (reverses April 13)	Financial Services - Neighbourhoods/MC	Fri 12 Apr 2013			-41376
115	Projects updated, rejections and systems checks resolved	Financial Systems/Neighbourhoods - Business Support	Mon 15 Apr 2013			-41379
116	Re-run report for accruals (excess receipting) following review by Services.	Financial Systems / Strategic Finance/AC/DH	Mon 15 Apr 2013			-41379
117	Centrally calculated Bad Debt Provision posted to ledgers	Strategic Finance/AC/DH	Mon 15 Apr 2013			-41379
118	Run Aged Debt Report at close down and reconcile to debtor's report for Bad Debt Provision ran 2 April 2013 - reconcile the movement between the Bad Debt Provision at February 2013 and the position at March 2013.	Financial Systems/MR/Strategic Finance/DH	Mon 15 Apr 2013			-41379
119	Review of responses to Staff Leave Survey - assessment of sample size received	Strategic Finance/DH	Mon 15 Apr 2013			-41379
120	Projects closed (at start of day) for 2012/13 processing	Financial Systems/MR	Tue 16 Apr 2013			-41380
121	AR Module closing	Financial Systems/MR	Wed 17 Apr 2013			-41381
122	AP/Purchasing and Inventory Modules closing	Strategic Finance/MS/Financial Systems/MR	Wed 17 Apr 2013			-41381
123	GL closing for the March Period - N.B. AD1-13 is now open	Strategic Finance/MS	Wed 17 Apr 2013			-41381
124	Re-send Staff Leave Survey - if insufficient responses received by 15 April	Strategic Finance/DH	Wed 17 Apr 2013			-41381
125	Review of capital expenditure and processing of any necessary coding adjustments completed prior to issue of capital expenditure working papers	Financial Services	Thu 18 Apr 2013			-41382
126	Education claims based monthly pay groups for April 2013 in ledger (s/c)	Payroll/Strategic Finance/MS	Thu 18 Apr 2013			-41382

				2012/13 Dates and Comments		
	Task	Responsible	Proposed Date 2012/13	Completion Date 2012/13	Comments 2012/13	Delay in days 2012/13
127	Schedule to Strategic Finance for infrastructure capital charges	Financial Services -Neighbourhoods and RED	Thu 18 Apr 2013			-41382
128	Information on remuneration of employees over £50k to Strategic Finance	Payroll	Thu 18 Apr 2013			-41382
129	Redundancy payments report produced to identify payees for amounts over £50k	Human Resources	Thu 18 Apr 2013			-41382
130	Prepare journals, spreadsheets and complete reconciliations in respect of Plant and Machinery leases	Strategic Finance/AC	Fri 19 Apr 2013			-41383
131	Issue of capital expenditure working papers for details of financing (e.g. capital grants and contributions) and analysis for fixed assets	Strategic Finance/AZH	Mon 22 Apr 2013			-41386
132	Assessment of responses to Staff Leave Survey	Strategic Finance/DH	Mon 22 Apr 2013			-41386
133	Estimate of Information on March car mileages and subsistence to be paid in April 2013 payrolls calculated by services	Financial Services	Tue 23 Apr 2013			-41387
134	Estimate of information on March enhancements (overtime etc.) to be paid in April 2013 payrolls calculated by services	Financial Services	Tue 23 Apr 2013			-41387
135	Depreciation charges for infrastructure posted to ledger	Strategic Finance/AZH	Wed 24 Apr 2013			-41388
136	Capital outturn and financing template distributed to service capital accountants	Strategic Finance/AZH/Financial Services - Resources/AG	Wed 24 Apr 2013			-41388
137	All bank reconciliations completed	Strategic Finance/IS	Thu 25 Apr 2013			-41389
138	Collection fund cash and refunds reconciled to Oracle	Strategic Finance/SO/Financial Services - Revenues and Benefits	Thu 25 Apr 2013			-41389
139	Draft NNDR3 report prepared	Strategic Finance/SO/Financial Services - Revenues and Benefits	Thu 25 Apr 2013			-41389
140	Assess new Land and Buildings leases in respect of their IFRS status and amend GL codings where appropriate	Asset Management Team/ Strategic Finance/AC	Fri 26 Apr 2013			-41390

				2012/13 Dates and Comments		
	Task	Responsible	Proposed Date 2012/13	Completion Date 2012/13	Comments 2012/13	Delay in days 2012/13
141	Review new and amended contracts as to whether there are any embedded leases.	Strategic Finance/AC	Fri 26 Apr 2013			-41390
142	Information re exit packages (numbers and related costs) for 2011/12 and 2012/13	Financial Services/Strategic Finance/IH	Fri 26 Apr 2013			-41390
143	Depreciation and Impairment charges (Valuations) posted for Land and Buildings, Council dwellings and Community Assets	Strategic Finance/AZH	Fri 26 Apr 2013			-41390
144	Post Journal for 2012/13 Insurance Recharges including charges to Service Groupings and movements on Reserves and Provisions	Strategic Finance/AC/DH	Fri 26 Apr 2013			-41390
145	Information on redundancy payments checked by Payroll and returned to Strategic Finance - exit package note	Human Resources	Mon 29 Apr 2013			-41393
146	Request details of Newcastle Airport share valuation from South Tyneside MBC	Strategic Finance/DH	Mon 29 Apr 2013			-41393
147	Return to Strategic Finance of capital expenditure working papers with details of financing (e.g. capital grants and contributions) and assets to which the spend relates	Financial Services	Tue 30 Apr 2013			-41394
148	Submission of CPR4 form	Strategic Finance/AZH/JS	Tue 30 Apr 2013			-41394
149	Benefit Subsidy information to Resources - Finance	Financial Services - Revenues and Benefits/Financial Services - Resources/PAD	Tue 30 Apr 2013			-41394
	May 2013					
150	Return to Strategic Finance of detailed analysis of Housing Capital Expenditure (ALMOs)	Dale and Valley Homes/East Durham Homes/Financial Services - HRA/JH	Wed 01 May 2013			-41395
151	Return to Strategic Finance of detailed analysis of Housing Capital Expenditure (Durham City)	Financial Services - HRA/JH	Wed 01 May 2013			-41395
152	Processing of Equal Pay Journal (Non Schools) in Ledger	Strategic Finance/IH	Wed 01 May 2013			-41395
153	Completion of Reserves Protocols requests to Strategic Finance for consideration (including Cash Limit requests). These will be subject to confirmation of final figures where estimates are used. **Deadline 12 noon.**	Financial Services	Wed 01 May 2013			-41395
154	SSID - input of SSID S/C Provisions	Financial Services - CAS/PR	Thu 02 May 2013			-41396

				2012/13 Dates and Comments		
	Task	Responsible	Proposed Date 2012/13	Completion Date 2012/13	Comments 2012/13	Delay in days 2012/13
155	Ledger entries for IAS 19 completed	Strategic Finance/IH	Thu 02 May 2013			-41396
156	Entries affecting support service recharges complete and in ledger	Strategic Finance/Financial Services	Fri 03 May 2013			-41397
157	Strategic Finance to prepare report for CMT on Reserve Protocol requests to be considered by Heads of Finance	Strategic Finance/IH/Heads of Finance	Fri 03 May 2013			-41397
158	Initial capital financing and revenue expenditure funded from capital under statute completed	Strategic Finance/AZH	Fri 03 May 2013			-41397
159	Capital outturn and financing template returned to Strategic Finance	Financial Services	Fri 03 May 2013			-41397
	May Day		**Mon 06 May 2013**			
160	Actual information (from final main April 2013 payroll) on March car mileages and subsistence paid April 2013 available for distribution to services	Payroll Systems Admin Team/Strategic Finance	Tue 07 May 2013			-41401
161	Actual information (from final main April 2013 payroll) on March enhancements (overtime etc.) paid April 2013 available for distribution to services	Payroll Systems Admin Team/Strategic Finance/MS	Tue 07 May 2013			-41401
162	VAT Final Entry - transfer to balance sheet	Strategic Finance/NA	Tue 07 May 2013			-41401
163	RO and CO Forms available for distribution	Strategic Finance/IH/JS	Tue 07 May 2013			-41401
164	Final information from main April 2013 payroll and supplementary runs on March car mileages and subsistence paid April 2013 available for distribution to services - for checking for material differences to estimates completed 23 April 2013 (line 134).	Payroll Systems Admin Team/Strategic Finance	Wed 08 May 2013			-41402
165	Final information from main April 2013 payroll and supplementary runs on March enhancements (overtime etc.) paid April 2013 available for distribution to services - for checking for material differences to estimates completed 23 April 2013 (line 133).	Payroll Systems Admin Team/Strategic Finance/MS	Wed 08 May 2013			-41402
166	CMT to consider Reserve Protocol Requests - subject to Heads of Finance clearance	Heads of Finance/CMT	Wed 08 May 2013			-41402
167	Impairment charged to CIES (both as a result of valuations and capital expenditure not adding value)	Strategic Finance/AZH	Fri 10 May 2013			-41404

	Task	Responsible	Proposed Date 2012/13	2012/13 Dates and Comments Completion Date 2012/13	Comments 2012/13	Delay in days 2012/13
168	Information from organisations for preparation of ~~Group Accounts~~/Related Party disclosure note to Strategic Finance - accounts, ~~inter-company transactions reconciled~~ and debtor and creditor balances identified	Financial Services/relevant group entities	Fri 10 May 2013			-41404
169	Services to confirm Reserve requests figures where estimates were used for CMT Report	Services/Financial Services	Fri 10 May 2013			-41404
170	Movement in Reserves entries in the General Ledger following CMT decisions (actual figures)	Strategic Finance/IH	Fri 10 May 2013			-41404
171	Recharges to Services following Support Services allocations	Financial Services	Fri 10 May 2013			-41404
172	Ledger balances proved following Support Services allocations	Financial Services	Fri 10 May 2013			-41404
173	Meeting with Head of Finance (Corporate) to agree capital financing decisions	Strategic Finance/IH/HA/AZH/Head of Finance - JG	Mon 13 May 2013			-41407
174	MOWG to consider Capital Outturn	Strategic Finance/Financial Services	Tue 14 May 2013			-41408
175	Overall revenue and capital financing decisions made and journal processed	CDR/Head of Finance - JG/Strategic Finance	Tue 14 May 2013			-41408
176	Support Services allocations complete	Financial Services - Resources/AB	Tue 14 May 2013			-41408
177	Estimate of Customer Services Recharges to Resources for Support Service Allocations	Financial Services - Neighbourhoods/CR	Wed 15 May 2013			-41409
178	Service ledgers finalised and final reports produced	Financial Services	Wed 15 May 2013			-41409
179	Net Revenue Outturn for each service notified to Strategic Finance	Financial Services	Wed 15 May 2013			-41409
	For information only - 2011/12 line. Disclosure notes and working papers	Strategic Finance/ALL				
	For information only - 2011/12 line. Working Papers for the notes to the accounts	Strategic Finance/ALL				
180	**Statement of Accounts - Notes and Working Papers required**					
	Explanatory Foreword	Strategic Finance/HA	Wed 15 May 2013			-41409
	Independent Auditors Report to Durham County Council	External Audit (Mazars)	Fri 13 Sep 2013			-41530
	Movement in Reserves Statement	Strategic Finance/IH	Fri 31 May 2013			-41425
	Comprehensive I&E Statement	Strategic Finance/AC/DH	Fri 31 May 2013			-41425
	Balance Sheet	Strategic Finance/IH	Fri 31 May 2013			-41425
	Cash Flow Statement	Strategic Finance/IS	Mon 03 Jun 2013			-41428
	Notes to the Accounts					
	Note 1: Accounting policies	Strategic Finance/IH/HA/AZH	Wed 15 May 2013			-41409

	Task	Responsible	Proposed Date 2012/13	2012/13 Dates and Comments Completion Date 2012/13	Comments 2012/13	Delay in days 2012/13
	Note 2: Accounting standards that have been issued but have not yet been adopted	Strategic Finance/IH/AZH/AC	Wed 15 May 2013			-41409
	Note 3: Critical judgements in applying accounting policies	Strategic Finance/IH	Wed 15 May 2013			-41409
	Note 4: Assumptions made about the future and other major sources of estimation uncertainty	Strategic Finance/IH	Wed 15 May 2013			-41409
	Central Administration Costs	Financial Services - Resources/AB	Wed 15 May 2013			-41409
	Insurance	Strategic Finance/AC/DH	Wed 15 May 2013			-41409
	Note 5: Material items of income and expense	Strategic Finance/IH	Wed 15 May 2013			-41409
	Note 6: Events after the balance sheet date	Strategic Finance/IH	Wed 15 May 2013			-41409
	Note 7: Adjustments between accounting basis and funding basis under regulations	Strategic Finance/IH/AZH/AC	Fri 07 Jun 2013			-41432
	Note 8: Transfers to/from earmarked reserves	Strategic Finance/IH	Wed 05 Jun 2013			-41430
	Note 9: Other operating expenditure	Strategic Finance/AC/DH	Wed 05 Jun 2013			-41430
	Note 10: Financing and investment income and expenditure	Strategic Finance/AC/DH	Wed 05 Jun 2013			-41430
	Note 11: Taxation and non-specific grant income	Strategic Finance/AC/DH	Wed 05 Jun 2013			-41430
	Note 12: Property, plant and equipment	Strategic Finance/AZH	Fri 07 Jun 2013			-41432
	Note 13: Heritage Assets	Strategic Finance/AZH	Fri 07 Jun 2013			-41432
	Note 14: Investment properties	Strategic Finance/AZH	Fri 07 Jun 2013			-41432
	Note 15: Intangible assets	Strategic Finance/AZH	Fri 07 Jun 2013			-41432
	Note 16: Financial Instruments + Fair Values of Assets and Liabilities	Strategic Finance/IS	Fri 07 Jun 2013			-41432
	Car Loans	Financial Services - Resources/Payroll	Fri 07 Jun 2013			-41432
	Lease Cars	Resources - Business Support/Payroll	Fri 07 Jun 2013			-41432
	Note 17: Inventories	Strategic Finance/DH/Financial Services	Fri 07 Jun 2013			-41432
	Note 18: Construction contracts	Strategic Finance/AZH/JS				
	Note 19: Debtors	Strategic Finance/DH/Financial Services	Wed 05 Jun 2013			-41430
	Note 20: Cash and cash equivalents	Strategic Finance/IS	Fri 07 Jun 2013			-41432
	Note 21: Assets held for sale	Strategic Finance/AZH	Fri 07 Jun 2013			-41432
	Note 22: Creditors	Strategic Finance/DH/Financial Services	Wed 05 Jun 2013			-41430
	Note 23: Provisions	Strategic Finance/IH/Financial Services	Wed 05 Jun 2013			-41430
	Note 24: Usable reserves	Strategic Finance/IH	Wed 05 Jun 2013			-41430
	Note 25: Unusable reserves		Mon 10 Jun 2013			-41435
	Revaluation reserve	Strategic Finance/AZH	Mon 10 Jun 2013			-41435
	Available for sale financial instruments reserve	Strategic Finance/IS	Mon 10 Jun 2013			-41435
	Capital adjustment account	Strategic Finance/AZH	Mon 10 Jun 2013			-41435
	Financial instruments adjustment account	Strategic Finance/IS	Mon 10 Jun 2013			-41435
	Pensions reserve	Strategic Finance/IH/AC	Mon 10 Jun 2013			-41435
	Deferred capital receipts reserve	Strategic Finance/AZH	Mon 10 Jun 2013			-41435
	Collection fund adjustment account	Strategic Finance/SO	Mon 10 Jun 2013			-41435
	Accumulated absences account	Strategic Finance/DH	Mon 10 Jun 2013			-41435
	Note 26: Cash flow statement - operating activities	Strategic Finance/IS	Wed 12 Jun 2013			-41437
	Note 27: Cash flow statement - investing activities	Strategic Finance/IS	Wed 12 Jun 2013			-41437
	Note 28: Cash flow statement - financing activities	Strategic Finance/IS	Wed 12 Jun 2013			-41437
	Note 29: Amounts reported for resource allocation decisions (SEGMENTAL)	Strategic Finance/DH	Wed 12 Jun 2013			-41437
	Note 30: Acquired and discontinued operations	Strategic Finance/IH				
	Note 31: Trading Operations	Strategic Finance/AC/Financial Services - Neighbourhoods/JM^{C}M	Fri 07 Jun 2013			-41432
	Note 32: Agency Services	Strategic Finance/HA/IH/Financial Services	Fri 07 Jun 2013			-41432
	Note 33: Road charging schemes under the Transport Act 2000	Financial Services - Neighbourhoods/PAC				
	Note 34: Pooled budgets	Strategic Finance/AC				
	Note 35: Members' Allowances	Strategic Finance/AC/Resources - Business Support	Fri 07 Jun 2013			-41432

	Task	Responsible	Proposed Date 2012/13	2012/13 Dates and Comments		
				Completion Date 2012/13	Comments 2012/13	Delay in days 2012/13
	Note 36: Officers' Remuneration (including Exit Packages)	Strategic Finance/IH/SO/Financial Services/Payroll/Human Resources	Fri 07 Jun 2013			-41432
	Note 37: External audit costs	Strategic Finance/AC	Fri 31 May 2013			-41425
	Note 38: Dedicated Schools Grant	Financial Services - CAS/GS	Fri 31 May 2013			-41425
	Note 39: Grant Income	Strategic Finance/AC/Financial Services	Wed 05 Jun 2013			-41430
	Note 40: Related Parties	Strategic Finance/DH/Financial Services - RED and Neighbourhoods/Democratic Representation	Fri 31 May 2013			-41425
	Note 41: Capital expenditure and capital financing	Strategic Finance/AZH	Fri 07 Jun 2013			-41432
	Note 42: Leases	Strategic Finance/AC/DC	Fri 07 Jun 2013			-41432
	Authority as lessee	Strategic Finance/AC/DC	Fri 07 Jun 2013			-41432
	Finance leases	Strategic Finance/AC/DC	Fri 07 Jun 2013			-41432
	Operating Leases	Strategic Finance/AC/DC	Fri 07 Jun 2013			-41432
	Authority as lessor	Strategic Finance/AC/DC	Fri 07 Jun 2013			-41432
	Finance leases	Strategic Finance/AC/DC	Fri 07 Jun 2013			-41432
	Operating leases	Strategic Finance/AC/DC	Fri 07 Jun 2013			-41432
	Note 43: PFI	Financial Services - CAS/DEJS	Fri 31 May 2013			-41425
	Note 44: Impairment losses	Strategic Finance/AZH	Fri 07 Jun 2013			-41432
	Note 45: Capitalisation of borrowing costs	Strategic Finance/AZH/IS				
	Note 46: Termination benefits	Strategic Finance/IH	Fri 07 Jun 2013			-41432
	Note 47: Pension schemes accounted for as defined contribution schemes	Strategic Finance/IH/AC	Fri 31 May 2013			-41425
	Note 48: Defined benefit pension schemes	Strategic Finance/IH/AC	Fri 31 May 2013			-41425
	Participation in Pension Schemes	Strategic Finance/IH/AC	Fri 31 May 2013			-41425
	Transactions Relating to Post-employment Benefits	Strategic Finance/IH/AC	Fri 31 May 2013			-41425
	Assets and Liabilities in Relation to Post-employment Benefits	Strategic Finance/IH/AC	Fri 31 May 2013			-41425
	Scheme History	Strategic Finance/IH/AC	Fri 31 May 2013			-41425
	Basis for Estimating Assets and Liabilities	Strategic Finance/IH/AC	Fri 31 May 2013			-41425
	History of Experience Gains and Losses	Strategic Finance/IH/AC	Fri 31 May 2013			-41425
	Note 49: Contingent Liabilities	Strategic Finance/IH/Financial Services	Fri 31 May 2013			-41425
	Note 50 :Contingent Assets	Strategic Finance/IH/Financial Services	Fri 31 May 2013			-41425
	Note 51: Nature and extent of risks arising from financial instruments	Strategic Finance/IS	Fri 07 Jun 2013			-41432
	Credit Risk	Strategic Finance/IS	Fri 07 Jun 2013			-41432
	Market Risk	Strategic Finance/IS	Fri 07 Jun 2013			-41432
	Interest Rate Risk	Strategic Finance/IS	Fri 07 Jun 2013			-41432
	Price Risk	Strategic Finance/IS	Fri 07 Jun 2013			-41432
	Foreign exchange Risk	Strategic Finance/IS	Fri 07 Jun 2013			-41432
	Note 52: Heritage assets: Five year summary of transactions	Strategic Finance/AZH/JS	Fri 07 Jun 2013			-41432
	Note 53: Heritage Assets: Further information on the Museum's collection	Strategic Finance/AZH/JS	Fri 07 Jun 2013			-41432
	Note 54: Heritage Assets:Change in accounting policy [for 2011/12 only]	Strategic Finance/IH/AZH/JS				
	Note 55: Trust Funds	Financial Services - CAS/CM	Fri 31 May 2013			-41425
	Note 56: Exceptional Items	Strategic Finance/HA/IH	Fri 31 May 2013			-41425
	Note 57: Prior Period Adjustments	Strategic Finance/All	Fri 31 May 2013			-41425
	Housing Revenue Account	Financial Services - HRA/JH	Wed 29 May 2013			-41423
	Collection Fund Accounts	Strategic Finance/SO	Fri 17 May 2013			-41411

				2012/13 Dates and Comments		
	Task	Responsible	Proposed Date 2012/13	Completion Date 2012/13	Comments 2012/13	Delay in days 2012/13
	DCC Pension Fund Accounts	Strategic Finance/HA/BW/AM/PET	Mon 10 Jun 2013			-41435
	Statement of Responsibilities for the Statement of Accounts	Strategic Finance/HA	Fri 31 May 2013			-41425
	Annual Governance Statement	Internal Audit	Fri 17 May 2013			-41411
	Glossary of Terms used in the Accounts	Strategic Finance/HA/IH	Tue 30 Apr 2013			-41394
181	Double countings and internal recharges analysed passed to Strategic Finance	Financial Services/Strategic Finance/AC	Fri 17 May 2013			-41411
182	Service Outturn Reports to Strategic Finance	Financial Services	Fri 17 May 2013			-41411
183	Advertisement for inspection of accounts placed with Corporate Services - to appear 2 weeks later	Strategic Finance/HA	Fri 24 May 2013			-41418
	Spring Bank Holiday		**Mon 27 May 2013**			
	June 2013					
184	Mountsett Crematoria - Papers out for AGM to approve accounts	Neighbourhoods	Sat 01 Jun 2013			-41426
185	Overall Outturn Report inc Performance Statements - papers out for CMT meeting	Strategic Finance/IH/HA	Fri 07 Jun 2013			-41432
186	Mountsett Crematoria - Pre meeting for AGM to approve accounts	Neighbourhoods	Fri 07 Jun 2013			-41432
187	CMT - Overall Outturn Report inc Performance Statements	Strategic Finance/IH/HA	Wed 12 Jun 2013			-41437
~~188~~	~~Group Accounts completed~~	~~Strategic Finance/DH~~	~~Wed 12 Jun 2013~~			-41437
189	Durham Crematoria - Papers out for AGM to approve accounts	Neighbourhoods	Thu 13 Jun 2013			-41438
190	Mountsett Crematoria - AGM to approve accounts	Neighbourhoods	Sat 15 Jun 2013			-41440
191	Overall Outturn Report inc Performance Statements - papers out for CMT meeting	Strategic Finance/IH	Sat 15 Jun 2013			-41440
192	Analytical review of service balance sheets and outturn to Strategic Finance	Financial Services	Fri 14 Jun 2013			-41439
193	Draft Statement of Accounts to External Audit (Mazars) for Technical Review	Strategic Finance/IH	Mon 17 Jun 2013			-41442
194	Durham Crematoria - Pre meeting for AGM to approve accounts	Neighbourhoods	Thu 20 Jun 2013			-41445
195	CMT - Overall Outturn Report inc Performance Statements	Strategic Finance/IH	Thu 20 Jun 2013			-41445
196	Unaudited NNDR3 return submitted	Financial Services - Revenues and Benefits	Fri 21 Jun 2013			-41446
197	Overall Outturn Report inc Performance Statements - papers out for Cabinet Pre-Agenda	Strategic Finance/IH/HA	Fri 21 Jun 2013			-41446
198	Chief Financial Officer to Sign the Statement of Accounts	Strategic Finance/IH/HA	Thu 27 Jun 2013			-41452
199	Durham Crematoria - AGM to approve accounts	Neighbourhoods	Fri 28 Jun 2013			-41453
	July 2013					
200	Draft Statement of Accounts to External Audit (Mazars)	Strategic Finance/IH	Mon 01 Jul 2013			-41456
201	Start of Statement of Accounts audit - County Council	External Audit (Mazars)	Mon 01 Jul 2013			-41456
202	Statement of Accounts working papers available for External Audit (Mazars)	Strategic Finance/IH/HA	Mon 01 Jul 2013			-41456
203	Cabinet Pre-Agenda meeting - Overall Outturn Report inc Performance Statements	Strategic Finance/IH/HA	Fri 05 Jul 2013			-41460
204	Revenue and Capital Outturn forms returned to Strategic Finance	Financial Services	Fri 05 Jul 2013			-41460
205	Overall Outturn Report inc Performance Statements - (final) papers out for Cabinet	Strategic Finance/IH/HA	Mon 08 Jul 2013			-41463

	Task	Responsible	Proposed Date 2012/13	2012/13 Dates and Comments		
				Completion Date 2012/13	Comments 2012/13	Delay in days 2012/13
206	Start of Inspection Period - County Council	Determined by statute	Mon 08 Jul 2013			-41463
207	Revenue Outturn forms despatched to CLG (Assumed date)	Strategic Finance/IH	Fri 12 Jul 2013			-41467
208	Capital Outturn forms despatched to CLG (Assumed date)	Strategic Finance/AZH	Fri 12 Jul 2013			-41467
209	Cabinet Briefing - Overall Outturn Report inc Performance Statements	Strategic Finance/IH/HA	Mon 15 Jul 2013			-41470
210	Corporate Scrutiny Committee - outturn report - papers out	Financial Services - ACE and Resources	Tue 16 Jul 2013			-41471
211	Cabinet - Overall Outturn Report inc Performance Statements	Strategic Finance/IH/HA	Wed 17 Jul 2013			-41472
212	Audit Committee Meeting - papers out - To consider report on the Statement of Accounts	Strategic Finance	Fri 19 Jul 2013			-41474
213	Corporate Scrutiny Committee - outturn report	Financial Services - ACE and Resources	Thu 25 Jul 2013			-41480
214	End of Inspection Period - County Council	Determined by statute	Fri 26 Jul 2013			-41481
215	Appointed Day for Audit	Strategic Finance/IH	Mon 29 Jul 2013			-41484
216	Audit Committee Meeting - To consider report on the Statement of Accounts	Audit Committee	Wed 31 Jul 2013			-41486
217	Unaudited WGA return to auditors and CLG	Strategic Finance/AC	Wed 31 Jul 2013			-41486
	August 2013					
	Summer Bank Holiday		**Mon 26 Aug 2013**			
	September 2013					
218	Papers out - County Council - Treasury Management Outturn Report		Tue 10 Sep 2013			-41527
219	End of Statement of Accounts Audit - provisional	External Audit (Mazars)	Fri 13 Sep 2013			-41530
220	Completed of Pension Fund Annual Report to External Audit (Mazars)	Strategic Finance/BW	Fri 13 Sep 2013			-41530
221	Economy and Enterprise Scrutiny Committee - outturn report - papers out	Financial Services - RED	Fri 13 Sep 2013			
222	Audit Committee Meeting - papers out - Approval of Accounts (STATUTORY DEADLINE DATE)	Strategic Finance/IH	Mon 16 Sep 2013			-41533
223	Environment Scrutiny Committee - outturn report - papers out	Financial Services - Neighbourhoods	Tue 17 Sep 2013			
224	County Council - Treasury Management Outturn Report		Wed 18 Sep 2013			-41535
225	CYPS Scrutiny Committee - outturn report - papers out	Financial Services - CAS	Mon 23 Sep 2013			
226	AWH Scrutiny Committee - outturn report - papers out	Financial Services - CAS	Tue 24 Sep 2013			
227	Economy and Enterprise Scrutiny Committee - outturn report	Financial Services - RED	Tue 24 Sep 2013			
228	Environment Scrutiny Committee - outturn report	Financial Services - Neighbourhoods	Thu 26 Sep 2013			
229	Audited NNDR3 return submitted	Financial Services - Revenues and Benefits	Fri 27 Sep 2013			-41544
230	Audit Committee Meeting - Approval of Accounts (STATUTORY DEADLINE DATE)	Strategic Finance/IH/HA	Mon 30 Sep 2013			-41547
231	Publication of Annual Report of the Pension Fund	Strategic Finance/BW	Mon 30 Sep 2013			-41547
232	Publication of Accounts (STATUTORY DEADLINE DATE)	Strategic FinanceIH	Mon 30 Sep 2013			-41547
233	Last date to submit audited WGA return to CLG	Strategic Finance/AC	Mon 30 Sep 2013			-41547
	October 2013					
234	CYPS Scrutiny Committee - outturn report	Financial Services - CAS	Wed 02 Oct 2013			
235	AWH Scrutiny Committee - outturn report	Financial Services - CAS	Thu 03 Oct 2013			

KEY

- Financial Services - Revenues and Benefits
- Strategic Finance - Capital
- Financial Services - Neighbourhoods
- Payroll
- Creditors Team
- Queries

Audit Committee

4 April 2013

Action Plan
2011/12 Audit of Accounts - Update

Report of Don McLure, Corporate Director Resources

Purpose of the Report

1 The purpose of this report is to update Members on the progress on implementation of the Action Plan from the agreed recommendations for improving control weaknesses incorporated in the External Auditor's 2011/12 Interim and Final Governance Reports.

2 The Action Plan, which was reported to Members in November, is being used by management for monitoring purposes and as agreed at that Committee, this report forms part of 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".

Background

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 Responsibility for the actions then agreed have, where appropriate, been amended to a more appropriate officer from those recorded in the version reported to Committee in September.

6 The Action Plan has been incorporated into the Resources Performance Management Framework. Progress on the Plan is being monitored by the Resources Policy Performance and Planning Manager and this report gives an update on progress.

The Action Plan

7 An updated action plan incorporating progress made to date is included at Appendix 2.

8 All recommendations have a response to the Auditor's findings and an action plan to remedy the weakness identified. In many cases the weakness has now 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. This has now been identified and made available in most cases.

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.

Summary of Progress

Interim Governance Report (IGR)

12 The following table shows the progress towards implementing the External Audit recommendations from the IGR.

IGR	Total number of Actions	Actions Outstanding	Actions Completed	Evidence provided
As at 22 November 2012				
Actions from 2010/11	19	9	10	0
New Actions for 2011/12	33	10	23	0
	52	**19**	**33**	**0**
As at 11 February 2013				
Actions from 2010/11	19	6	13	9
New Actions for 2011/12	33	4	29	24
	52	**10**	**42**	**33**
As at 18 March 2013				
Actions from 2010/11	19	2*	17	13
New Actions for 2011/12	33	2	31	28
	52	**4**	**48**	**41**

* One outstanding action has a completion date 30 September 2014.

13 The above table shows that a further 6 of the recommended actions have been completed since the February report, and evidence has now been provided for 41 of the 48 completed actions.

Annual Governance Report (AGR)

14 Of the 6 recommendations detailed in the AGR, two were due to be complete by 28 February 2013.

15 Recommendation 1 – Revaluations – Schools, is now complete. Valuations have been received in line with the requirements of the Rolling Programme.

16 Recommendation 3 – Asset Register – Migration of Housing Dwellings is partly complete. Two of the three former Districts' Housing Assets have been successfully migrated into the Single Asset Register; the third is currently with CIPFA to be processed. It is anticipated that this will be completed, subject to any delays at CIPFA, by 31 March 2013. This delay will not affect the completion of the Statement of Accounts.

17 Work is on-going to put in place procedures to implement the remaining recommendations by their due date.

18 The monitoring of progress will continue through the Resources Performance Management Framework.

Recommendation and reasons

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

Background papers

(a) Audit Committee – 22 November 2012 – Action Plan - 2011/12 Audit of Accounts

(b) Audit Committee – 22 February 2013 – Action Plan - 2011/12 Audit of Accounts - Update

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

Recommendation	Finding	Responsibility	Priority	Auditor Comments	Response	Actions	Commentary	Evidence Provided	Complete By:	On target/ ahead of target/ behind target / complete / not due
1	Revaluations - Schools	Assets - Michael Gilbey	High	The Council Valuer will need to consider which assets are revalued in 2012/13 to 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.	Rolling Programme with External Audit for consideration.	Agree rolling programme of valuations with External Audit. Issue instructions to Assets - Valuer. Complete agreed valuations in line with agreed programme,	The rolling programme for valuations has been agreed with the External Auditor. The instruction to the Valuer has been issued, requesting valuations to be completed by 28 February 2013 in line with the Final Accounts Timetable.	Evidence Provided	Complete	The Rolling Programme includes the following assets: CYPS Phase B, Surplus, Assets held for Sale, investment, Housing, Ad-Hoc, and Annual Impairment Review. Although Wear Valley was the only housing area requiring a full valuation, owing to significant variations in values since the previous full valuation a sample of Durham City and Easington area houses were revalued and as there were no significant variations in value since the previous valuation then the Land Registry percentage impairment was deemed to be the correct valuation approach. In addition we review the Surplus and Investment properties but these are not reviewed until the year end with a valuation date of 31 March 2013.
2	Asset Register Reconciliation to Ledger	Ian Herberson	High	Reconciliations between the fixed asset register and the general ledger should be completed as part of the closedown 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.	Complete reconcilations for all entries in PPE note. Evaluate the benefit of including additions during the year.			30-Jun-13	Not Due
3	Asset Register - Migration of Housing Dwellings	Ian Herberson	High	Easington 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 IPF Asset Manager as soon as is practicable to address this issue.	Separate report to Audit Committee - 22 November 2012		The project has suffered some delays due to delays at CIPFA in processing data and other conflicting workload priorities. It is anticipated that all information on Housing Assets will be with CIPFA by 28 February 2013. This delay should have no impact on 2012/13 closing of accounts.		28-Feb-13	Wear Valley and Easington Hosuing Assets have now been processed by CIPFA and are available in the live Asset Register. These have been fully reconciled. City of Durham Housing Assets are with CIPFA for processing into the test system, and should be available in the live Asset Register by 31 March 2013, subject to any delays at CIPFA.
4	Working Papers	Hilary Appleton	High	The Council needs to ensure that final accounts working papers are prepared by officers as part of the closedown 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 signposts the working papers provided to the Notes to the Statement of Accounts.	Add action 'working paper completion' into Final Accounts Timetable. Create a central repository for the deposit of completed working papers ready for External Audit consideration. Ensure the quality of the working papers is improved.			30-Jun-13	Not Due
5	HRA Rents	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 offsite 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 specific evidence 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	Arrange for the required reports to be available as soon as possible after the year end. Investigate the possibility of providing reports in a format that allows interrogation i.e. not a text file. Consider how appropriate level of skills & knowledge to interrogate the system can be gained.			30-Jun-13	Not Due
6	HRS ALMOs	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.	Discuss the information requirements with External Audit prior to the year end. Provide evidence of the agreement o f the split of the ALMO fee as appropriate.			30-Jun-13	Not Due

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	2010/11	Finding	Responsibility	Priority	Auditor Comments	Response	Actions	Complete by:	Update:	Evidence
		Recommendation 1: General Ledger – Journal documentation (Ex.6) Supporting documentation should accompany all journals. This will allow the 'inputter' to view the documentation to ensure its accuracy before posting.								
		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 journal are accurate.	Strategic Finance - ALL / Service Finance - ALL	High	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	Journals are prepared and reviewed by service accountants who retain the appropriate documentation. The Ledger Management team's role is to process journals and to ensure that the journal has been correctly entered into the system. Accuracy checks on the journal entries are carried out in services.	Supporting documentation is attached to all journal entries completed	Complete	It is not practical to attach all evidence to journals. It has been agreed with the Final Accounts Monitoring Group that where it is possible to attach relevant documentation, this will be done.	N/A
*	7	**Recommendation 2: General Ledger: Journal authorisation (Ex.7)** The Council should introduce the review and authorisation of journals before posting to the General Ledger.								
		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.	Strategic Finance - Hilary Appleton	High	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	The review and authorisation of journals was discussed at the last audit. The volume of journals processed by Finance will require consideration of the process of review and authorisation to ensure that it is done efficiently. As appropriate, 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.	Propose a method of journal approval Supporting documentation is attached to all journal entries completed Agree with External Audit Implement a process of Journal Approvals	Complete	An on-line method of journal approval was proposed and discussed at FSP - the group of senior finance managers. The outcome was to confirm with the Final Accounts Monitoring Group the most appropriate method of approval. This Group agreed that there should be a paper-based system for journal approvals. This system will be implemented immediately for all journals over £1m, and is consistent with existing practices for journal approvals. This will be discussed with the External Auditor.	Briefing note to FSP, Minutes of FSP and minutes of Final Accounts Monitoring Group
*	13	**Recommendation 3: General Ledger: Dataset reconciliations (Ex.8)** The Council should complete regular reconciliations of dataset upload files.								
		ICON cash receipting, Durham City Homes rents and payroll datasets are uploaded into the General Ledger. However, it is possible to amend the datasets. As a result there is a risk of amendment to the datasets before posting to the General Ledger. Officers have introduced Payroll and cash receipting 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 amendment of files before upload into General Ledger.	Strategic Finance - Ledger Management Team/Service Finance - ALL	Medium	The risk is amendment of datasets resulting in the upload of errors to the General Ledger	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 upload into Oracle. It is agreed that upload files could be locked to prevent amendment. 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.	Investigate the possibility of locking files that are to be uploaded into Oracle. Request ICT arrange the locking of files, if possible to do this.	Complete	Further consideration has been given to the processing of files of information into Oracle. As a result, it is understood that the locking datasets would cause delays in processing, due to having to return files to the originator for resubmission. If the error is the result of a system, simply re-running would not remedy the problem, but would mean that information would not be available in Oracle. It has been discussed and agreed with External Audit that the Ledger Management team will retain the ability to amend datasets that include errors prior to processing into Oracle, but will keep a log of the errors amended and continue to ask the originator to amend the error in future files.	Log of errors available for Audit inspection - this will be available from 25 March 2013.
*	10	**Recommendation 4: General Ledger: Opening Balances (Ex. 9)** The Council should document a review of the opening balances to confirm the General Ledger has brought the correct balances forward.								
		The Oracle General Ledger automatically carries forward Opening balances. Officers are unaware of any procedures to check opening balances carried forward are correct.	Strategic Finance/Financial Systems Support	Medium	The risk is the Oracle GL does not carry forward the opening balances accurately, and officers do not identify this as no review takes place.	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.	Check the opening balances in Oracle are consistent with the Statement of Accounts. Record the verification of the balances and sign off.	Complete	The balances in Oracle General Ledger have been checked for consistency with the Statement of Accounts. The amendments made following the Audit of the Accounts are still to be completed. This is scheduled to be complete by 28 February 2013. Completed by 31 March 2013.	Evidence held on file in Strategic Finance.
*	11	**Recommendation 5: General Ledger: Trial Balance (Ex.10)** The Council should complete regular trial balances to ensure there are no major differences.								
		Completion of regular trial balances has not taken place during 2011/12. Trial balances are instead only completed at the year-end	Strategic Finance - Ian Herberson	Medium	The risk is that an imbalance occurs that is not identified before the year-end. Trial balances will be substantively tested at year end.	Agreed. Trial balances are being undertaken weekly, daily during the final accounts period. A trial balance was run on 9 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 run to ensure the system is in balance. On a monthly basis, there should also be a reconciliation to the Discoverer Reports.	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.	Complete	Trial balances are produced monthly and have been reviewed and approved up to 31 January 2013. This system has been in place since September 2012.	Evidence held on file in Strategic Finance.
*	35	**Recommendation 6: General Ledger: Electronic authorisation (Ex. 11)** 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.								
		Officers complete monthly Drive to Oracle reconciliations. A suitable officer then reviews and approves the reconciliation. This is an electronic authorisation which makes is difficult to verify the officer reviewing the reconciliation.	Strategic Finance - Ian Herberson	Medium	The risk is the review of the reconciliation does not take place.	The weekly reconciliation of the files processed through the AIM interface from the former District Council's Agresso systems to Oracle no longer occurs. As the Agresso systems have been decommissioned, this reconciliation is no longer applicable.		Complete		**No longer applicable**
*	14	**Recommendation 7: Payroll: No authorised signatories list (Ex.14)** 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								
		Neither the Payroll section nor the individual departments keep an authorised signatories list. It is not possible to confirm an approved officer has signed the manual time sheets.	HR - Payroll and Pensions - Nick Orton	Medium	The risk is submission of inaccurate or fraudulent claims without the knowledge of the supervising officer	Creating, maintaining and using an authorised signatories list would be significant, labour intensive paper based task which would have doubtful benefits. A more suitable approach for confirming the validity of claims is to move where possible to electronic submission of claims. The identity of the individuals submitting/authorising the claims is confirmed through their logging on to the system. Online mileage claims are already being rolled out across the Authority. The payroll system allows for the facility to allow electronic submission of additional hours worked. Some development work will be required and a decision on whether to develop this functionality is likely to be taken by 30 September 12.	Decide on the development of the functionality in 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.	30 September 2014	In practice the development of ResourceLink is now going forwards via a formal project plan (evidence Project Initiation Document) – a decision on whether or not to develop and introduce online timesheet authorisation will be made as part of the ResourceLink development project and (if agreed) progressed at the earliest as part of 'phase 2' (October 2013 to September 2014) under 'Enhancements to Manager & Employees Self Service'.	
						At present, a check is carried out to establish that timesheets and claims have been signed. The implementation of a module for recording additional hours on 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				
		Recommendation 8: Payroll: BACS pay run authorisation (Ex.15) The Payroll section should ensure a Team Supervisor authorises all BACS submission files								
		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.	HR - Payroll and Pensions - Nick Orton	Medium	The risk is that no review of the BACS submission file took place. Increasing the risk of inaccurate payments.	All BACS submission files are now authorised by a Team Supervisor.		Complete		Evidence Received - File in Relevant Office if Required

	2010/11	Finding	Responsibility	Priority	Auditor Comments	Response	Actions	Complete by:	Update:	Evidence
		Recommendation 9: Payroll: Voluntary Redundancy agreement not signed and returned by leaver (Ex. 18) The Council should ensure all employees leaving have returned signed copies of the redundancy agreements.								
		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.	HR - Lorraine Anderson	Medium	The risk is that the Council incorrectly processes voluntary redundancies without the individual concerned agreeing to take redundancy.	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		Evidence Received - File in Relevant Office if Required
*	12	**Recommendation 10: Payroll: Reconciliation of payroll upload files to GL (Ex.19)** 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	Strategic Finance - Beverley White	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	Complete	Reconciliations are being completed w.e.f. 01.04.12. Authorisation by independent officer to commence in March 2013 & will be carried out monthly thereafter.	Evidence held on file in Strategic Finance.
*		**Recommendation 11: Accounts Payable: Payrun authorisation (Ex.3)** The Council should introduce an independent review of pay sheets and BACS files.								
		Accounts Payable Team Leaders prepare daily pay run sheets in Oracle. However, there is no review and authorisation of the pay run by an independent officer to ensure the pay sheet is accurate.	Service Finance - K Coad / Chris Jones	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 BACS payments are reviewed and authorised by the nominated person.	Complete	Pay Sheets and BACS files are reviewed by an independent officer within AP to ensure the pay sheet is accurate and reasonable based on previous trends.	Evidence Provided
		Recommendation 12: Accounts Payable: Authorised Signatories List (Ex.50) The Accounts Payable section should introduce an authorised signatories list. Officers could limit the lists 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.	Service Finance - K Coad / Chris Jones	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 on-going	This has been discussed at P2P Board for consideration regarding utilisation of an electronic Oracle Approval Hierarchy List. There has not been a P2P Board meeting since this issue was raised, AP manager to ensure this is progressed when the Board next meets - it is anticipated for a meeting to be held in March.	
*	15	**Recommendation 13: Accounts Payable: Non-Purchase Order invoice review (Ex.51)** 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.	Service Finance - K Coad / Chris Jones	High	The risk is that coding or payment errors occur because there is no independent review of the information entered into 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	~~31/01/2013~~ 31 March 2013	AP Manager requested a sample report of 2% of coded invoices each day for AP Supervisors to validate, this report is not available to present. AP Supervisors will therefore select 20 random hard copy coded invoices per day to review. This process will commence from 11 March 2013	
*	40	**Recommendation 14: Accounts Payable and Receivable: Control account Reconciliations (Ex.5)** The Council should ensure the timely review and authorisation of all reconciliations by a senior officer.								
		Officers have completed regular 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.	Strategic Finance - Ian Herberson	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 is completed by Financial Systems and reviewed by Strategic Finance. The review and authorisation is now done on a regular/monthly basis.		Complete		Evidence held on file in Strategic Finance.
		Recommendation 15: Account Receivable: Periodic Invoices (Ex.12) 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 district invoices on a piecemeal basis as they only received district Agresso reports in November 2011. In addition, the Asset Management team has expressed concern that issuing of bills to some properties has not taken place for several years.	Asset Management Team - Gerard Darby	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. Processes are being reviewed and properties under separate classifications are being scrutinised and time periods/ biiling requirement ascertained/. Garage rent are currently on system with Industrial units review ongoing.		Complete	Garage rents are currently invoiced by standing charges. Industrial Rents are managed by Business Durham. All other rental invoices are currently being raised manually by Asset Management. We now have access to all former District Billing systems and are invoicing all rents previously billed in those systems.	Required
		Recommendation 16: Accounts Receivable: No reconciliation between Schools (SIMS) Receipts and Accounts Receivable System (Ex.13). 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.	Service Finance - Ian Mordue	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 provide to the schools for further reconciliation. A review will be undertaken by the Schools Funding team. Possible clarification needed with regards to the error message within Oracle AR. Debtors invoices not raised within Oracle	Determine a quality checking process School funding team to review the process Establish the meaning of the error message from Oracle system.	Complete	Schools do not raise accounts receivable via SIMS there is therefore no upload from SIMS batches in to Oracle. The recommendation seems to imply that the system for invoices payable exists for invoices receivable – this is not the case. 2. All income banked by schools is entered on an electronic E6 (Receipts Advice Form) system. This system which has been used for many years enables income banked by the school to be processed in Oracle without the need for a paper copy Receipts Advice form to be completed and sent to the Income Team. This income is then matched to income received by the County Council to the County Fund in the same way as any other County Council establishment. If the school failed to complete a Receipts Advice Form for income received in to the bank account or the amount differed then this would be followed up by the Income Team. 3. Not all income banked by schools relates to their school budget, most of it relates to school meals income which is income to the Local Authority (unless the school provide their own school meals) therefore only income relating to the school budget is entered on SIMS. Oracle is the prime accounting system and therefore we have a system in place on a monthly basis to provide schools with a statement of income processed in Oracle and coded to their school budget. This statement is then utilised by schools to post and reconcile income recorded on their SIMS system.	N/A

	2010/11	Finding	Responsibility	Priority	Auditor Comments	Response	Actions	Complete by:	Update:	Evidence
		Recommendation 17: Loans and Investments: Monthly reconciliation not authorised (Ex.17). The Council should ensure a senior officer reviews and authorises the monthly and year-end reconciliations.								
		Investments and Loans - Officers perform a monthly 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 this review taking place.	Strategic Finance - Ian Herberson	Medium	The risk is the reconciliations are not accurate and because no review takes place this is not identified.	Following Finance Unitisation, 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	Complete	Monthly reconciliations are complete for both principal and interest which has been balanced to both core records and Oracle GL in respect of loans and investments. All reconciliations are reviewed and approved to 31 January 2013.	Evidence is held in Strategic Finance.
*	18	**Recommendation 18: Oracle Projects: No authorised signatories list (Ex.54).** Service Direct should compile an authorised signatories list to provide assurance that all extraction forms and time sheets have suitable approval.								
		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.	Service Finance - Neighbourhood Services	Medium	The risk is that an inappropriate individual approves both the extraction forms and time sheets, resulting in the processing of inaccurate information.	All goods are ordered electronically using the Oracle system by the newly created Materials Controllers posts and the requistioner is identified at that stage. Goods are 'receipted' by the Materials Controller once they have been received. They use the delivery note as proof or confirm with the requistioner / Site Foreman / Supervisor that the goods have been received	Action completed	Complete		Required
*	19	**Recommendation 19: Oracle Projects: Lack of evidence of surveyor visit or authorisation (Ex.55)** Service Direct should ensure that Oracle Projects or a hard copy file documents all work completed by the Surveyor.								
		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.	Service Finance - Neighbourhood Services	Medium	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.	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 by the clients agent. This system has been recently reinforced and is monitored and reported upon by B & FM'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.	Action completed	Complete		Required
		Recommendation 20: Repairs and Maintenance: Delivery note filing (Ex.20) Service Direct should ensure filing of all delivery notes in date or supplier order.								
		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	Service Finance - Neighbourhood Services	Low	The risk is that Site Foremen do not provide the Materials Controllers with delivery notes. Instead, the Material Controller simply receipts 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.	Agree with the recommendation, and this will be implemented as soon as possible	Ensure that the recommendation has been implemented.	30 November 2012		
*	18	**Recommendation 21: Repairs and Maintenance: No authorised signatories list (Ex.21)** Service Direct should compile an authorised signatories list to provide assurance that all time sheets have suitable approval.								
		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.	Service Finance - Neighbourhood Services	Medium	The risk is that an inappropriate individual approves time sheets, resulting in the processing of inaccurate information.	Agree with the recommendation, and this will be implemented as soon as possible	Ensure that the recommendation has been implemented.	Complete		Required
		Recommendation 22: Repairs and Maintenance: Receipting of materials in Oracle (Ex.22) An independent officer should review receipts entered into Oracle to ensure the information entered is accurate, before Oracle recognises the receipts.								
		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 (£12.98) in the quantity received column; while including the quantity received (1) in the price column. 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.	Financial Systems - Keith Munroe	Medium	The risk is the individual receipting the goods enters wrong information resulting in inappropriate balances in the General Ledger. Although, budget monitoring would identify this, it could be time-consuming to correct any errors uploaded in such a way.	Introducing an independent check on every receipt entered is not practical as a control to eradicate occasional errors; plus there is no standard functionality to facilitate and it would require a customisation. The compensating control is that all outstanding accruals for material amounts (above £250) are circulated (on a monthly basis) for review.	No action required	Complete		N/A
		Recommendation 23: SSID: Reconciliation of the SSID upload to the Accounts Payable system (Ex.16) The Council should ensure the year-end reconciliation uses the control total sheet and that a senior officer reviews and authorises the year-end reconciliation.								
		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.	Accounts Payable - Chris Jones	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.	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.	Ensure completion of the reconciliation Review the reconciliation and ensure correct, or take corrective action Retain evidence of review	Complete	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.	Evidence Provided
		Recommendation 24: SIMS: Invoice not authorised for payment (Ex.23) 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.	Service Finance - David Shirer	Low	The risk is the payment of inaccurate or fraudulent invoices. In addition, goods may not have been received as there is no formal documentation of the School Manager receiving the goods.	A reminder will be issued to schools via the Extranet, about recommended procedures.	No action required	Complete	Note placed on the Schools Extranet 5 July 2012 reminding schools of procedures	Evidence Provided
		Recommendation 25: SIMS: Authorised Signatories List (Ex.24) The School Funding Team should ensure the annual updating of all authorised signatory lists.								
		The Payment Authorisation Control Listing (PACL) tested was authorised by a member of staff not included on the authorised signatories list held by the School Funding Team. 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.	Service Finance - David Shirer	Medium	The risk is an unapproved individual signs the PACL and as the signatories lists are not up to date this is not identified. This could result in payment of inaccurate or fraudulent invoices.	Agreed. The Creditor Team within School Funding will pursue this after half-term which is the best time to do this.	No action required	Complete	Note placed on Schools Extranet 15 January 2013 – copy of evidence attached. File held in office containing revised authorised forms received. Outstanding forms will be chased	Evidence Provided
		Recommendation 26: SIMS: Reconciliation of the SIMS upload to Accounts Payable system (Ex.25) 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.								
		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. Officers have provided assurance that a control sheet will be introduced by the year-end.	Service Finance - David Shirer	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.	This is now done. Reports from SIMS are sent to Creditors who then report on discrepancies to School Funding	Action Complete	Complete		Evidence Received - File in Relevant Office if Required
		Recommendation 27: Housing Benefits: Council Tax Benefit duplicate payment (Ex. 40) The Council should ensure that officers review all cases on the spool report and make manual amendments to the affected claims.								

	2010/11	Finding	Responsibility	Priority	Auditor Comments	Response	Actions	Complete by:	Update:	Evidence
		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 be corrected. Testing found that the Council made a duplicate Council Tax Benefit payment to Council Tax account 3612363390 for claim number 1009328. As at 4 January 2012 officers had not amended the affected claims.	Service Finance - M Waters/J Scotney	Low	The risk is the Council Tax Benefit posted to the claimants Council Tax account is wrong.	Conversion testing identified an issue regarding duplicated CTB payments, 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.		Complete		Evidence Provided
*	26	**Recommendation 28: Housing Benefits: Benefit payment controls (Ex.41)** The Council should ensure a Senior officer reviews all Housing Benefits payments before submission.								
		Authorisation of Housing Benefit payments by a senior officer before processing is not required.	Service Finance - M Waters/J Scotney	High	The risk is payment of inaccurate or fraudulent payments, as there is no requirement for the payment file to be authorised.	All HB payment runs (BACS & 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 offer responsible for the file submission.		Complete		Evidence Provided
		Recommendation 29: Housing Benefits: Rent Rebate Reconciliations (Ex.42) 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.								
		Easington and Wear Valley 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. **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. **Durham County Council (Unitary)** Officers have not performed reconciliations during 2011/12.	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 system.	At the time of the walkthrough, 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 of the HRA providers, with any discrepancies identified and noted. Reconciliation procedures have been developed and implemented internally. Reconciliation procedures have also been agreed with the housing providers, EDH, D&VH and DCH and reconciliations will continue to be completed as part of the overall Rents Reconciliations for all three areas.		Complete		Evidence Provided
		Recommendation 30: Housing Benefits: Council Tax Benefit Reconciliations (Ex. 42) The Council should introduce a standardised format for completing reconciliations. A senior should review also review and authorise the reconciliations. All entries and reconciling items should be referenced to supporting documentation.								
		No Council Tax benefit reconciliation has been completed during 2011/12.	Strategic Finance - Ian Herberson / Susan Oliver	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.	Following completion of the merged new system full reconciliation has taken place. Since January 2012 the monthly reconciliations have re-commenced.		Complete		Evidence Provided
		Recommendation 31: Housing Benefits: Rent Allowance Reconciliations (Ex.42) The Council should introduce a standardised format for completing reconciliations. A senior should review also review and authorise the reconciliations. All entries and reconciling items should be referenced to supporting documentation.								
		Chester-le-Street The format of the reconciliation is difficult to understand. In addition, unreconciled items with a value of £110,000 are included. **City of Durham** 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 £67 returned on 13 September 2011.				**Pre merged Chester le Street** - Officers have identified the discrepancies and are working to resolve the issue. **City of Durham -** The balance appeared to exclude the £67, 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.		Complete		Evidence Provided
		Sedgefield 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. **Durham County Council - Merged -** The reconciliation has not been completed in a timely manner and there is no evidence of review of the reconciliation by a senior officer.	Service Finance - C Blackburn/ T Robinson	High		**Sedgefield -** 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. **Durham County Council - Merged -** Following 'go live' of the new system, procedures are in place to reconcile payments on a monthly basis going forward. 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.				
		Recommendation 32: Housing Benefits: First payment made to landlords (Ex.43) The Council should only make first payments to the claimant's landlord if the claimant has approved the payment.								
		The Council has followed the guidance in A4/2011 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	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.	Housing Benefit (LHA & A4/2011) 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.		Complete		Evidence Provided
*	27	**Recommendation 33: Housing Benefits: Parameters (Ex.44)** The Council should ensure a senior officer reviews and authorises the parameters entered into the merged system.								
		Officers could not provide evidence a senior officer has reviewed the parameters in the new merged Housing Benefit system.	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 available detailing all parameters set and whilst 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		Evidence Provided
		Recommendation 34: Council Tax: Reconciliation of VOA schedule to RV reports (Ex.32) The Council should ensure the review and authorisation of the reconciliation by a senior officer.								
		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.	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		Evidence Provided
		Recommendation 35: Council Tax and NNDR: Unable to provide documentation of new property (Ex.34 and 40) The Council should ensure that all documentation is found and suitably filed.								
		Officers stated that planning department report all new properties or amendments to existing properties that require assessment for Council Tax and NNDR 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 Sedgefield and NNDR at Derwentside, due to staff and documentation being located on several sites.	Service Finance - K Coad/A Searle	Medium	The risk is that some properties are not charged Council Tax and NNDR 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		Evidence Provided
*	22, 24	**Recommendation 36: Council Tax and NNDR : Authorisation of Parameters (Ex.46 and Ex.37)** The Council should ensure a senior officer should review the 2012/13 parameters, and formal documentation of the review kept.								
		Sedgefield 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 entering the parameters. Therefore there is only evidence of this control taking place in retrospect.			The risk is the parameters were inaccurate and that no review was in place to identify the errors.	All former district sites are now obsolete i.e. Sedgefield, Wear Valley, Teesdale, Derwentside, Chester-le-Street and Easington. **Durham County Unitary -** Spreadsheets were available detailing all parameters set and whilst all parameters where checked by a senior officer the spreadsheets were not countersigned. As part of 2012/13 annual billing processes all		Complete		Evidence Provided

	2010/11	Finding	Responsibility	Priority	Auditor Comments	Response	Actions	Complete by:	Update:	Evidence
		Council tax - Wear Valley, Teesdale and Derwentside Senior officers entered the parameters and more junior staff then reviewed them (NB Teesdale - a senior officer did not review and authorise the NNDR 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. **Chester-le-Street and Easington** Officers could not find supporting documentation to support the annual updating of parameters.	Service Finance - M Waters/J Scotney	High		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.				
		City of Durham – NNDR only Officers claimed the parameters were input by two members of staff and then reviewed by a senior officer. However, the officer who claimed they reviewed the parameters has signed the supporting documentation as the inputting officer. The documentation does not include any evidence of another individual reviewing the parameters. Therefore there is no evidence to support the procedures described by officers. **Durham County Unitary** Officers could not provide documentary evidence of review of the Council Tax parameters after migration from the former district systems to the new unitary system.								
		Recommendation 37: Council Tax and NNDR: Fund account reconciliations (Ex.62) 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 NNDR system reconciliations were not completed in a timely manner and included a significant number of reconciling items, which officers were unable to explain as part of the January 2012 reconciliation. However, officers intend to resolve most reconciling items ready for the year-end reconciliation. In addition, no evidence of senior officer review and authorisation has taken place.	Service Finance - K Coad/ J Dowson	High	The risk is the General Ledger does not include all Council Tax and NNDR transactions.	Extensive work has been carried out in this area. A detailed action plan was developed, which included year end closedown procedures as well as a Reconciliation Proforma Log. Weekly 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.	Reconciliation Pro Forma Log is maintained, completed & reported to senior management monthly. Recs checked to ensure completion & review.All Reconciliations including 2011 are saved in the Audit Commission Folder each month.Reconciling items are investigated and dealt with on an ongoing basis	Complete		Evidence Provided
		Recommendation 38: NNDR: Reconciliation of VO Schedules to RV reports (Ex.36) The Council should ensure the review and authorisation of the reconciliation by a senior officer.								
		Durham County Council – All Sites 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. **Easington** For the 20 April 2011 the VO schedule states there are properties of 2,365 with a rateable value of 49,231,651. However, the property control report from the NNDR system shows properties of 2,364 with a rateable value of 49,254,901. Officers could not explain this difference.	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 NNDR records are incomplete and as a result not all NNDR income that should be received is	Procedures have now been implemented to formally record the review which is undertaken by senior officer	**Complete**	Complete		Evidence Provided
*	34	**Recommendation 39: Housing Rents: Review of feeder system upload files not documented (Ex.26)** Officers should sign both the hardcopy summary file received from the feeder systems and the batch upload file from the Housing Rents system.								
		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 Receipting and Housing Benefit files.	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
		Recommendation 40: Housing Rents: Weekly cash reconciliation not documented (Ex.27) 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.	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
		Recommendation 41: Reconciliations between the rents system and General Ledger not completed (Ex. 28) The Council should ensure completion of year-end reconciliations for all three sites. A senior officer should review and authorise all reconciliations.								
		Easington As at 10 January 2012 officers had completed an informal reconciliation for the period April to November 2011. Officers are developing a control sheet that will formally document the reconciliation undertaken and are hoping to 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.	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		Evidence Provided
*	34	**Recommendation 42: Housing Rents: Authorisation of the rents uprating calculation (Ex.29)** The rents uprating calculation should be authorised on a timely basis.								
		A senior officer has reviewed and authorised the rent restructure document used to uprate the rents across all three sites. However, this was in retrospect several months after the uprating took place. Therefore there is a weakness in the timeliness of the control.	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 eing uploaded, 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		Evidence Provided
		Recommendation 43: Housing Rents: Agreement of properties in the rent restructure document to the rents system (Ex.30) 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 this control.	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		Evidence Provided
		Recommendation 44: Housing Rents: Rent download and upload (Ex.39) 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.	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 load of new rents into the system, the rents are checked as above in order to review the contractors work. Should the contractor not be available, then the system supplier, Northgate, (or other consultants) would be able to undertake any requirements.		Complete		Evidence Provided
		Recommendation 45: Housing Rents: No review of property removal (Ex.45) The Council should introduce a review of all properties removed to ensure the removal has been completed correctly.								

	2010/11	Finding	Responsibility	Priority	Auditor Comments	Response	Actions	Complete by:	Update:	Evidence
Page 100		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.	Service Finance - J Hughes	Medium	The risk is that properties that have either being privately bought or demolished are still included in the housing stock and charges and valuations are wrongly raised for these properties.	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. Similarly, should a demolished property not be removed, the rent arrears would be 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, where a reconciliation of stock numbers is undertaken for the HRA Statement. 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		Evidence Provided
		Recommendation 46: Cash Receipting: Suspense Account (Ex.58) 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 £1,613,361.52. 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.	Service Finance - K Coad/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	Volume and value of suspense is now a local performance indicator,reported both weekly and monthly. Substantial improvement achieved	Evidence Provided
		Recommendation 47: Cash Receipting: Cash sheet totals reconciliation not evidenced (Ex.59) The Council should ensure documentation is maintained to provide evidence of reconciliations taking place.				Complete				
		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 were not working. This resulted in no hard copy documentation being obtained. Officers did however state that they reviewed ICON to ensure the values reconciled, although this review is not evidenced.	Service Finance - K Coad / 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 bankings have been reconciled from 1 April 2011 as part of the bank reconciliation. These form part of the reconciliation action plan.		Complete	Any previous cash-up reports can also be viewed and re-printed. (See Evidence). Daily checks are undertaken to ensure ALL bankings are correcct and that they have gone in to Bank Reconciliation System. Again these are reconciled to the bank statement.Further evidence is available on site within the systems.Additionally,all staff provided with Cash Handling Policy,recently reviewed & updated	Evidence Provided
		Recommendation 48: Cash Receipting: Cash upload files reconciliation (Ex.60) 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.								
		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. The reconciliation only reconciles the element of the upload file coded to account 936900 - System Cash Account in the General Ledger. As a result the reconciliation for 9 January 2012 only reconciled £1,025,427.99 of £2,781,731.26 that was included in the cash upload file. In addition, there is no review and authorisation of the reconciliation by a senior officer.	Service Finance - K Coad / J Dowson	High	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.	Originally this reconciliation only included amounts going through ICON, which explains that difference. Since then, the daily reconciliation has been extended 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.		Complete	The ICON reconciliation to the GL was only introduced on a daily basis on the 1st December 2011, however it was then also completed retrospectively back to when ICON was implemented - 16th March 2011.Reconciliation is reviewed and authorised on at least a monthly basis and forms part of the monthly Reconciliation Pro Forma Log mentioned earlier.ICON is being rolled out to every remaining establishment by August 2013	Evidence Provided
		Recommendation 49: Cash Receipting: Duplicate References (Ex.61) 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.								
		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.	K Coad/J Dowson	Low	The residual risk is that income posted to the wrong account is not identified but this is not a material risk.	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.		Complete	Action was taken on accordance with Civica's Solution and all issues were resolved by September 2011, i.e.all duplicated were re-referenced,customers contacted,bank rules and validation were changed & tightened,account holder tables amended, additional lines for interfaces & impexes.Further evidence available on site	Evidence Provided
*	29	**Recommendation 50: Bank Reconciliations: Bank Reconciliations not prepared or authorised on a timely basis (Ex.56)** The Council should ensure Bank reconciliations for all accounts should be prepared and authorised on a timely basis.								
		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 and reviewed on 27 March 2012 but they contained material amounts of items in the bank but not in General Ledger. Not all of these amounts were identified to transaction level.	Service Finance K Coad / J Dowson / Strategic Finance - Ian Small	High	The risk is that bank or General Ledger errors will not be identified and corrected on a timely basis.	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/ updates continue to be conducted to monitor progress. A draft reconciliation is complete to 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.		Complete	Reconciliation for Income Account in 11/12 was not done throughout that year until a manual reconciliation was completed in February 12 and another final one for the year in March 12. Evidence supplied. Going forward, reconciliations have been undertaken on a timely and appropriate basis	Evidence Provided
		No district reconciliations have been undertaken since September 2011. Officers stated that one reconciliation will be prepared for each district, not each account, for the last 6 months of the year. In addition, there is no evidence the former district September 2011 reconciliations were reviewed and authorised. No Income Collection fund bank reconciliation has been undertaken during the year. This is because the bank reconciliation facility within ICON is not working. 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.				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 values and individual cheque amounts) with manual journal entries (batch amounts). This should be completed by the w/e 20/5/12. 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 11/12. This will be completed within days once the final adjustments that impact on these district balances have been processed from the Funds reconciliations and ICON bank reconciliation exercises. The ICON automated bank reconciliation module requires some data cleansing. Manual bank reconciliations have been undertaken for February, March & April and are currently still being worked and reviewed accordingly.	Ensure the reconciliations are completed, reviewed and evidence retained The current position is that David Watchman and Ian Small are currently working on the County Fund bank reconciliation for December 2012.			
*		**Recommendation 51: Bank Reconciliations: Material sum of items through bank not included in General Ledger (Ex. 57)** The Council should ensure that reconciliations are only authorised when all reconciling items have been identified.								
		No interface between the Open Revenues system and the General Ledger exists. 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.	Service Finance - K Coad/J Dowson	High	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	A senior officer now has responsibility for reviewing all reconciliations in accordance with a pre-approved checklist, on at least a monthly basis.		Complete		Required

	2010/11	Finding	Responsibility	Priority	Auditor Comments	Response	Actions	Complete by:	Update:	Evidence
		Recommendation 52: SPOCC: No reconciliation between the SPOCC system and the Accounts Payable system (Ex.31) 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.	Accounts Payable - Chris Jones	Medium	The risk is the Accounts Payable system and General Ledger will not be complete.	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.		Complete	**Complete**	Evidence Provided

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February 2013

Durham County Council – Audit Strategy Memorandum 2012/13

Contents

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

01

Purpose and background

This document communicates to you the scope of our audit, the risks we have identified and the procedures we will perform to deliver the audit.

Purpose and background

Purpose of this document

This document sets out our audit plan in respect of the external audit of Durham County Council (the Council) for the year ending 31 March 2013. This document forms the basis for discussion at the Audit Committee meeting on 4 April.

The Plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of those charged with governance are defined as to oversee the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process.

Our communication with you is important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of the auditor and those charged with governance;
- sharing information to assist both the auditor and those charged with governance to fulfil their respective responsibilities;
- providing to those charged with governance constructive observations arising from the audit process; and
- ensuring as part of the two-way communication process that we, as external auditors, gain an understanding of the attitude and views of those charged with governance of the internal and external operational, financial, compliance and other risks facing the Council which might affect the audit, including the likelihood of those risks materialising and how they are monitored and managed

Scope of engagement

We are appointed to perform the external audit of Durham County Council for the year to 31 March 2013. The scope of our engagement is laid out in the Audit Commission's Code of Audit Practice for Local Government bodies.

Respective responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out our respective responsibilities as the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and we undertake our audit work to meet these responsibilities.

We comply with the statutory requirements governing audit work, in particular the:

- Audit Commission Act 1998; and
- Code of Audit Practice for Local Government bodies.

We, as auditors to the Council, are responsible for forming and expressing an opinion on the financial statements and reaching a conclusion on the arrangements you have put in place to secure economy, efficiency and effectiveness in the use of your resources (the Value for Money conclusion).

We are also required to report on the consistency of your Whole Government Accounts L-Pack with the audited financial statements.

Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

02

Independence

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. If at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with the engagement lead.

We are required by the Audit and Assurance Council (previously the Auditing Practices Board - APB), which has issued ethical standards for auditors, to confirm we have complied with relevant ethical standards requirements regarding independence. This is to ensure our objectivity and independence is maintained.

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

We include in Appendix 1 our analysis of the principal threats to our objectivity and independence and the safeguards we have put in place.

03

Audit approach

We work with you to ensure our audit approach is efficient, effective and limits the impact on your staff.

Audit approach

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

Our audit of the financial statements will be conducted in accordance with International Standards of Auditing (UK and Ireland) issued by the Audit and Assurance Council (previously the APB). Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement such as judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past. We raise and discuss these with you on a regular basis, not just at the time of the audit fieldwork. We shall expect to obtain appropriate evidence as we consider sufficient to enable us to draw reasonable conclusions therefrom and will use a combination of controls and substantive testing procedures as appropriate.

We plan our audit to have a reasonable expectation of detecting fraud where the potential effects would be material to the financial statements. We will consider the control procedures in place to prevent and detect fraud, whether there are any significant risks of fraud that may have a material impact on the financial statements and adapt our procedures accordingly. We also plan our audit to negate the risk of management overriding controls by testing year-end journal entries and the major judgements and estimates that management make.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view.

We outline the key stages of the audit in the diagram below.

Planning

- Planning visit
- Risk assessment
- Agreeing proposed accounting treatments and accounting policies
- Developing audit strategy
- Agreeing timetable and deadlines
- Walkthrough of key financial systems
- Early substantive work where possible (to reduce time pressures during the summer)

Fieldwork

- Receiving and reviewing draft financial statements
- Reassessing audit strategy
- Executing the strategy starting with high risks
- Detailed testing
- Communicating progress and issues
- Clearance meeting

Completion

- Final review and disclosure checklist of financial statements
- Final Director review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing post balance sheet events
- Approving and signing the financial statements, signing the auditor's report, VFM conclusion, WGA assurance statement and certificate
- Issuing the Annual Audit Letter

Audit approach

Reliance on internal audit

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

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

Reliance on experts

We plan to place reliance on the following work of experts.

Area	Expert engaged by:	
	You	Us
Asset valuation	Internal valuer	Audit Commission – Gerald Eve
Pension liability	Actuary – Aon Hewitt	Audit Commission – PwC
Financial instruments – fair value disclosures	Sector (Treasury Management Advisor) and Public Works Loan Board	Audit Commission – national consideration of the use of Sector

Group accounts

Local authorities are required to consider interests in other entities and whether those interests might necessitate the production of group accounts. Although the Council has financial relationships with other related companies, joint ventures and joint arrangements it has determined that the consolidation of related companies would have no material effect on its financial performance or position. Therefore it has been concluded that it is not necessary to produce Group Accounts for 2012/13. This is consistent with the approach adopted in 2011/12. We will reassess the Council's proposed approach to ensure this remains reasonable for 2012/13.

Service organisations

We are required to assess whether there are any material entries in your financial statements where the Council is dependent on an external organisation. We call these entities service organisations. The Council has two 'Arms Length Management Organisations' (ALMOs), East Durham Homes Ltd and Dale and Valley Homes Ltd which are recognised as service organisations . We will substantively check transactions for repairs and maintenance and supervision and management expenditure.

04

Significant risks and key judgement areas

We plan our audit to focus on the risk of material misstatement in your financial statements.

Significant risks and key judgement areas

We met with senior management as part of the audit planning process. We discussed the risks that, in management's opinion, you face and considered the impact on our audit risk. Set out below are the audit risks and the areas of management judgement to which we will pay particular attention to reduce the risk of material misstatement in the financial statements.

Significant audit risk	How we will address this risk
Management override of controls Auditing standards state that management is in a unique position to perpetrate fraud, because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. While the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in *all* entities and is therefore a significant risk of material misstatement because of fraud.	We have updated our understanding and evaluation of internal controls procedures as part of our audit planning, including completion of a fraud risk assessment. As part of this, we will seek written assurances from the Audit Committee and management on their controls and processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud. Our testing strategy for this significant risk due to fraud will include: • general ledger journal testing; • consideration and review of material accounting estimates; • consideration and review of any unusual or significant business transactions; and • consideration of any other local factors.
Pensions entries (IAS 19) The financial statements contain material pensions entries in respect of the retirement benefits. The calculation of these pensions figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.	We will discuss with key contacts any significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we will: • evaluate management controls to assess the reasonableness of figures provided by the actuary; • consider any issues highlighted by the external auditor of the pension fund which are relevant to our audit work; and • consider the reasonableness of the actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the Audit Commission.

Significant risks and key judgement areas (continued)

Significant audit risk	How we will address this risk
Housing asset register migration The Council is transferring data from the three separate housing asset registers into the existing IPF asset register. There is a risk that the data will not be migrated completely or accurately resulting in a material misstatement.	We will discuss with key contacts involved in the migration process. We will: • evaluate management controls over the data migration process; and • review and test to ensure that data has been migrated successfully.
Valuations The Council values all its assets over a five year period but is required to ensure that there are no material differences in valuations each financial year. There is a risk that that some material classes of assets may not have been included for valuation in year resulting in a material misstatement. There is also a risk of material misstatement due to high estimation uncertainty. This is because any percentage change in valuations is likely to result in a material difference due to the Council's large asset base.	We will discuss with key contacts involved in valuations. We will: • evaluate management controls over the valuation process; • assess the reasonableness of your asset valuations in the financial statements using the work of our expert, Gerald Eve; • ensure that accounting records are supported by valuations on the correct basis as set out in relevant guidance; and • test that asset valuations have been appropriately accounted for, and disclosed, in the financial statements.
Bank reconciliations As at the end of February 2013, the Council has only completed the County fund monthly bank reconciliations for April 2012 for expenditure (all income bank reconciliations have been completed monthly to date). A reconciliation for the period May 2012 to December 2012 is currently being prepared. There is a risk that there may be material unreconciled amounts.	We will discuss with key contacts involved in the bank reconciliations . We will: • evaluate management controls over the bank reconciliation process; • follow up progress on the completion of the bank reconciliation for the period May to December 2012 ; and discuss any significant or material unreconciled amounts. • substantively test the year end bank reconciliation.
Refinancing of Newcastle Airport During 2012/13, the Council, along with other local authorities in the North East, has been involved in refinancing Newcastle International Airport. Given the complex nature of this exercise there is a risk that the valuation of the Council's investment in the airport will be inappropriate and that accounting entries and disclosures will be materially incorrect.	We will discuss with key contacts involved in refinancing exercise. We will: • evaluate management controls over valuation and accounting processes; • evaluate the reasonableness of the approach taken to value the Council's investment in the airport; and • review the accounting entries in the financial statements.

05

Value for money

We conclude on the arrangements you have in place to deliver value for money in the use of your resources.

Value for money

We are required to reach a conclusion on your arrangements to secure economy, efficiency and effectiveness in the use of your resources.

Our conclusion on your arrangements is based on two criteria, specified by the Audit Commission:

- securing financial resilience – focusing on whether you are managing your financial risks to secure a stable financial position for the foreseeable future; and
- challenging how you secure economy, efficiency and effectiveness – focusing on whether you are prioritising your resources within tighter budgets and the need to improve productivity and efficiency.

We have considered the risks that are relevant to our value for money conclusion and have not identified any significant risks that need to be addressed specifically through our work.

However, the Council faces financial pressures from reduced funding and continues to identify plans to deliver future savings. The Council has identified as a key risk that slippage in delivery of the MTFP will require further savings, which may result in further service reductions and job losses. We will focus our work on the robustness of plans to make the savings required to ensure the Council has a balanced budget as noted in the Council's Medium Term Financial Plan. We will also review any relevant data, such as VFM Profiles and the Council's work on benchmarking..

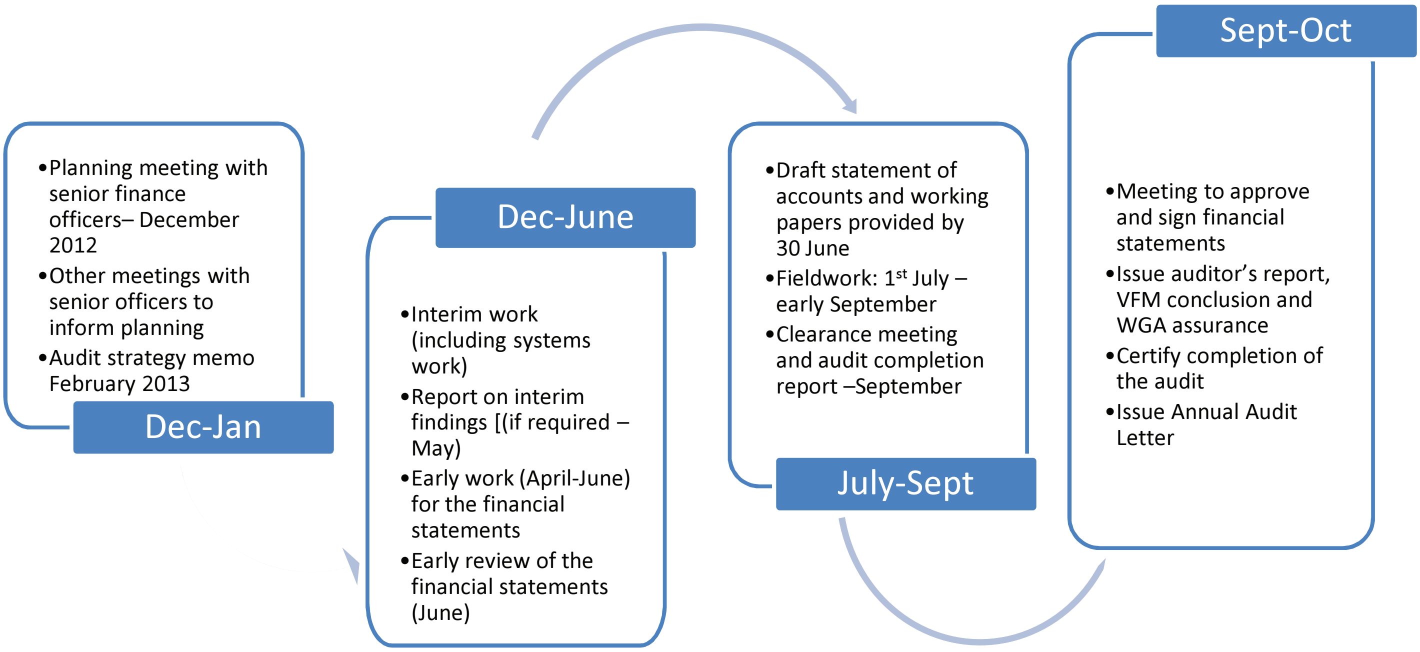
06

Audit timeline

We work closely with you to agree an audit timeline that enables us together to meet statutory target dates.

Audit timeline and deadlines

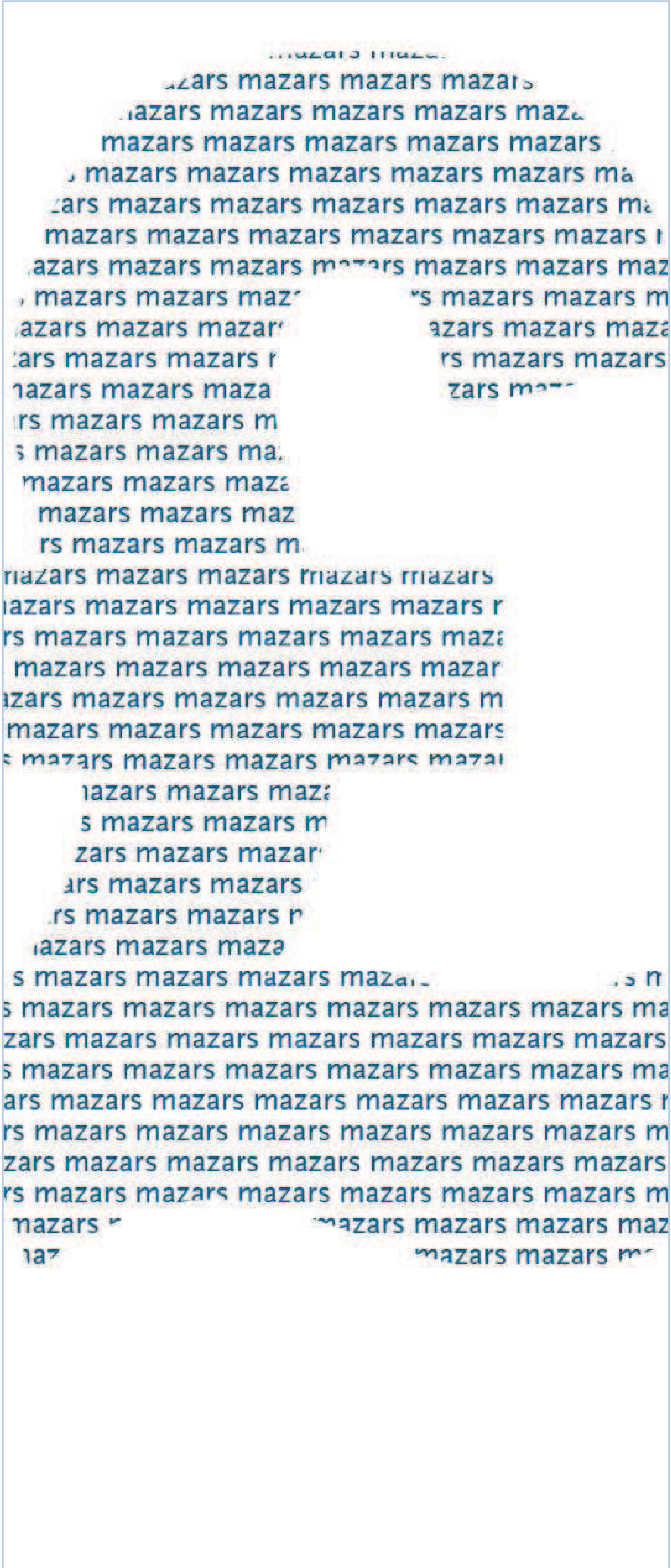
The diagram below sets out the timing of the key phases of our audit work. We will communicate with management throughout the audit process to facilitate a two way process of updates and identifying issues. We will continue to communicate outside of these dates to ensure that all parties understand developments and issues as they arise and to help in providing timely and appropriate solutions.



07

Fees for audit and other services

The Audit Commission has established a scale audit fee for our work. We will keep you informed if we need to make any changes.



Fees for audit and other services

Audit fees

As communicated to you in our letter dated 5 October 2012, the Audit Commission has set a scale fee of £333,180. Our audit fees for the audit are outlined in the table below:

Area of work	2012/13 Planned	2011/12 Actual
Audit	£333,180	555,300
Certification	£53,200	£90,000

Non-audit services

We do not currently plan any non-audit services, and no audit or non-audit services are currently provided to the Council by Mazars LLP associated entities.

08

Your audit team

We know that you value a team who understands the environment you operate in, understands your systems and controls and has a good working relationship with your staff and internal auditors. Your team meets all these criteria.

Your audit team

Name and contact	Role	Experience and responsibilities
Cameron Waddell Tel: 0191 383 6314 Email: cameron.waddell@mazars.co.uk	Engagement Lead	Cameron has over 20 years external audit experience of a wide range of public sector bodies. He is responsible for the overall delivery of the audit, including the quality of audit reports. Cameron will sign the auditor's report.
Steve Nicklin Tel: 0191 383 6300 Email: steve.nicklin@mazars.co.uk	Independent Director	Steve has over 30 years external audit experience of a wide range of public sector bodies. He is responsible for the independent review of the audit.
Catherine Banks Tel: 0191 383 6410 Email: catherine.banks@mazars.co.uk	Engagement Manager	Catherine has managed the Durham County Council audit for a number of years. She will manage and coordinate the different parts of the audit and be the key point of contact.
Campbell Dearden Tel: 0191 383 6410 Email: campbell.dearden@mazars.co.uk	Team Leader	Campbell is an experienced team leader having worked on both local government and NHS audits.

09

Appendices

A – Independence

B – Materiality

C – Required communication

Appendix A - Independence

Independence is an on-going consideration and as such we monitor it throughout the audit process. The principal types of threats to the auditor's objectivity and independence are:

- self-interest threat - exists when the auditor has financial or other interests which might cause the auditor to be reluctant to take actions that would be adverse to the interests of the audit firm or any individual in a position to influence the conduct or outcome of the audit;
- self-review threat - exists when the results of a non-audit service performed by the engagement team or by others within the audit firm are reflected in the amounts included or disclosed in the financial statements;
- management threat - exists when the audit firm undertakes work that involves making judgments and taking decisions that are properly the responsibility of management;
- advocacy threat - exists when the audit firm undertakes work that involves acting as an advocate for an audited entity and supporting a position taken by management in an adversarial context;
- familiarity (or trust) threat – exists when the auditors are predisposed to accept or are insufficiently questioning of the client’s point of view (for example, where they develop close personal relationships with client personnel through long association with the client); and
- intimidation threat – exists when the auditor’s conduct is influenced by fear or threats (for example, when they encounter an aggressive and dominating individual).

Prior to the provision of any non-audit services the engagement partner will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.
The following principal threat to our independence and associated safeguards have been identified:

Issue	Perceived threats	Safeguards
A member of the wider audit team has declared a close personal relationship with an officer in the Revenues and Benefits team of the Council.	Self-interest	If this member of the team is used on the Durham County Council audit, then appropriate safeguards will be put in place

Appendix B - Materiality

'Materiality' is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. It is reasonable for us to assume that users:

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

We will consider materiality whilst planning and performing our audit.

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

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

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

We will include in our Audit Completion Report all unadjusted errors we have identified above those which are clearly trivial.

Appendix C – Required communication

ISA 260 'Communication with Those Charged with Governance' and ISA 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' require the auditor to communicate a number of matters with those charged with governance. These matters are set out below along with our proposed approach.

Required communication	When and how we will communicate with you
Respective responsibilities of auditor and those charged with governance. Our responsibility for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.	Section 3 of this report and the Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies.
Communication of the planned scope and timing of the audit. Matters communicated include: ▪ significant audit risks and how we will address them; ▪ our approach to internal control relevant to the audit; ▪ the application of the concept of materiality in the context of an audit; ▪ our use of the work of internal audit; ▪ your approach to internal control and how you oversee the effectiveness of internal control procedures; ▪ the attitude, awareness and action of those charged with governance concerning the detection or possibility of fraud; and ▪ your response to new accounting standards, corporate governance practices and related matters.	Included in this document. These matters were discussed at the planning meeting and responses incorporated into this document as appropriate.
Our views on significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures. When applicable, why we consider a significant accounting practice not to be appropriate to the entity.	We will communicate these in our Audit Completion Report, orally as they arise and at the Audit Committee. Depending on the extent of the issue, either orally at the Audit Committee, in our Audit Completion Report or immediately we become aware of the issue.

Appendix C – Required communication (continued)

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Details of significant matters discussed with, or subject to correspondence with management.	We will communicate these in our Audit Completion Report, orally as they arise and at the Audit Committee meeting.
Details of written representations we require for our audit.	We will communicate this in our Audit Completion Report.
Any other matters which we consider to be significant to the oversight of the financial reporting process. Other significant matters arising from the audit that are directly relevant to those charged with governance in overseeing the financial reporting process may include such matters as material misstatements of fact or material inconsistencies in information accompanying the audited financial statements that have been corrected.	As any matters arise which we consider should be communicated to you and within the Audit Completion Report.

Appendix C – Required communication (continued)

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Required communication	When and how we will communicate with you
Statement that the engagement team and the firm have complied with relevant ethical requirements regarding independence. Written disclosure of relationships which have a bearing on our independence and safeguards we have put in place, details of non audit services provided and written confirmation of our independence.	Section 4 and Appendix 1 of this document and as any new matters arise.
Form, timing and general content of communications.	We will issue our Audit Completion Report which will conclude upon our audit and the issues presented in this document. Should you require us to communicate in a different way please inform us of your preferred method.
Our evaluation of the adequacy of the communication process between ourselves and those charged with governance. This may include: • observations on appropriateness and timing of action taken by you in response to matters we have raised; • the openness of your communication with us • your willingness and capacity to meet with us without management being present; • your opportunity to fully comprehend matters we have raised • the extent to which you probe issues raised and our recommendations; • any communications we have had in establishing with you the form, timing and general content of communications; and • your awareness of how our discussions impact on your governance and management responsibilities and whether your communication with us meets legal and regulatory requirements.	Should we consider it necessary to raise any of these issues, we will consider the most appropriate method and the most appropriate person. The nature of our observation will determine the method and timing of our communication. We may consider that any inadequacy in the communication process is indicative of an unsatisfactory control environment and increase our assessment of audit risk. We will also consider whether we need to reassess our audit strategy. We will discuss with you any additional procedures we consider necessary as a result of these observations. If we consider the communication between you and us to be inadequate and we are unable to agree additional procedures which we consider necessary, we may modify our audit opinion, obtain legal advice, discuss with other third parties as we consider appropriate or may, if permitted under applicable law or regulation, withdraw from the engagement.

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Required communication	When and how we will communicate with you
Any significant deficiencies in internal control that we have identified during the audit.	We will communicate these to you in our Audit Completion Report. Should it be appropriate, we will discuss significant deficiencies with management as they arise. Our written communication will include a description of the deficiencies with sufficient explanation for you to understand the context of the deficiency and an explanation of the potential effects. We are required to communicate all significant deficiencies to you, irrespective of whether you are already aware of them or have chosen not to take remedial action for cost or other reasons. We will continue to communicate deficiencies previously communicated to you until remedial action has been taken. We will consider whether failure to act, or lack of rational explanation itself represents a significant deficiency.
Other deficiencies in internal control that we have identified during the audit.	We will consider whether other deficiencies should be reported to you, taking into account the likelihood and potential magnitude of misstatements that may arise. We will also determine whether we report these to you orally or in writing.

February 2013

Durham County Council Pension Fund – Audit Strategy Memorandum 2012/13 -

Contents

01

Purpose and background

This document communicates to you the scope of our audit, the risks we have identified and the procedures we will perform to deliver the audit.

Purpose and background

Purpose of this document

This document sets out our audit plan in respect of the external audit of Durham County Council Pension Fund (the Fund) for the year ending 31 March 2013. This document forms the basis for discussion at the Audit Committee meeting on 4 April.

The Plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of those charged with governance are defined as to oversee the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process.

Our communication with you is important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of the auditor and those charged with governance;
- sharing information to assist both the auditor and those charged with governance to fulfil their respective responsibilities;
- providing to those charged with governance constructive observations arising from the audit process; and
- ensuring as part of the two-way communication process that we, as external auditors, gain an understanding of the attitude and views of those charged with governance of the internal and external operational, financial, compliance and other risks facing the Fund which might affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

Scope of engagement

We are appointed to perform the external audit of Durham County Council Pension Fund for the year to 31 March 2013. The scope of our engagement is laid out in the Audit Commission's Code of Audit Practice for Local Government bodies.

Respective responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out our respective responsibilities as the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and we undertake our audit work to meet these responsibilities.

We comply with the statutory requirements governing audit work, in particular the:

- Audit Commission Act 1998; and
- Code of Audit Practice for Local Government bodies.

We, as auditors to the Fund, are responsible for forming and expressing an opinion on the financial statements.

Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

02

Independence

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. If at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with the engagement lead.

We are required by the Audit and Assurance Council (previously the Auditing Practices Board - APB), which has issued ethical standards for auditors, to confirm we have complied with relevant ethical standards requirements regarding independence. This is to ensure our objectivity and independence is maintained.

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

We include in Appendix 1 our analysis of the principal threats to our objectivity and independence and the safeguards we have put in place.

03

Audit approach

We work with you to ensure our audit approach is efficient, effective and limits the impact on your staff.

Audit approach

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

Our audit of the financial statements will be conducted in accordance with International Standards of Auditing (UK and Ireland) issued by the Audit and Assurance Council (previously the APB). Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement such as judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past. We raise and discuss these with you on a regular basis, not just at the time of the audit fieldwork. We shall expect to obtain appropriate evidence as we consider sufficient to enable us to draw reasonable conclusions therefrom and will use a combination of controls and substantive testing procedures as appropriate.

We plan our audit to have a reasonable expectation of detecting fraud where the potential effects would be material to the financial statements. We will consider the control procedures in place to prevent and detect fraud, whether there are any significant risks of fraud that may have a material impact on the financial statements and adapt our procedures accordingly. We also plan our audit to negate the risk of management overriding controls by testing year-end journal entries and the major judgements and estimates that management make.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view.

We outline the key stages of the audit in the diagram below.

Planning

- Planning visit
- Risk assessment
- Agreeing proposed accounting treatments and accounting policies
- Developing audit strategy
- Agreeing timetable and deadlines
- Walkthrough of key financial systems
- Early substantive work where possible (to reduce time pressures during the summer)

Fieldwork

- Receiving and reviewing draft financial statements
- Reassessing audit strategy
- Executing the strategy starting with high risks
- Detailed testing
- Communicating progress and issues
- Clearance meeting

Completion

- Final review and disclosure checklist of financial statements
- Final Director review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing post balance sheet events
- Approving and signing the financial statements
- Issuing the Annual Audit Letter

Audit approach

Reliance on internal audit

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

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

Reliance on experts

We plan to place reliance on the following work of experts.

Area	Expert engaged by:	
	You	Us
Actuarial Present Value of Future Retirement Benefits.	Actuary – Aon Hewitt	Audit Commission – PwC
Nature and extent of risk arising from financial instruments	P-Solve	None.

Service organisations

We are required to assess whether there are any material entries in your financial statements where the Fund is dependent on an external organisation. We call these entities service organisations. The Fund has two categories of service organisation, investment managers and global custodian. The global custodian is JP Morgan and the investment managers who have provided services during the year are:

AllianceBernstein

Barings Asset Management

BlackRock

CBRE

Edinburgh Partners

Royal London Asset Management

We will substantively test transactions undertaken by the service organisations during the year, and the valuations applied to investments at the year end.

04

Significant risks and key judgement areas

We plan our audit to focus on the risk of material misstatement in your financial statements.

Significant risks and key judgement areas

We met with senior management as part of the audit planning process. We discussed the risks that, in management's opinion, you face and considered the impact on our audit risk. Set out below are the audit risks and the areas of management judgement to which we will pay particular attention to reduce the risk of material misstatement in the financial statements.

<table>
<tr><th>Significant audit risk</th><th>How we will address this risk</th></tr>
<tr><td>Management override of controls
Auditing standards state that management is in a unique position to perpetrate fraud, because of management's ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

While the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities and is therefore a significant risk of material misstatement because of fraud.</td><td>We have updated our understanding and evaluation of internal controls procedures as part of our audit planning, including completion of a fraud risk assessment.

As part of this, we will seek written assurances from the Audit Committee and management on their controls and processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud.

Our testing strategy for this significant risk due to fraud will include:
• general ledger journal testing;
• consideration and review of material accounting estimates;
• consideration and review of any unusual or significant business transactions; and
• consideration of any other local factors.</td></tr>
<tr><td>Valuation of unquoted investments
The fair value of investments in the Net Assets Statement includes unquoted investments , the fair value of which totaled £244m (12.9% of total assets) as at 31 March 2012.

The values of these investments are not quoted in an active market for securities and unitised investments. The values used in the accounts are those provided by fund managers based on forward looking estimates and judgements involving many factors.

This results in an increased risk of material misstatement.</td><td>We will discuss with key contacts involved in the valuation of unquoted investments. We will:
• evaluate management controls over the valuation process;
For investments managed by fund managers who fall within the remit of the global custodian, we will:
• agree holding s from fund manager reports to the global custodian's report; and
• agree the price to independent evidence.
For investments managed by Alliance Bernstein , who are not within the remit of the global custodian, we will:
• obtain a reconciliation of opening holding of units (and £) to closing holding of units (and £), taking account of purchases and sales during the year and agree to quarterly reports from the investment managers;
• agree allocation of total fund allocated to DCCPF; and
• agree the price to independent evidence.</td></tr>
</table>

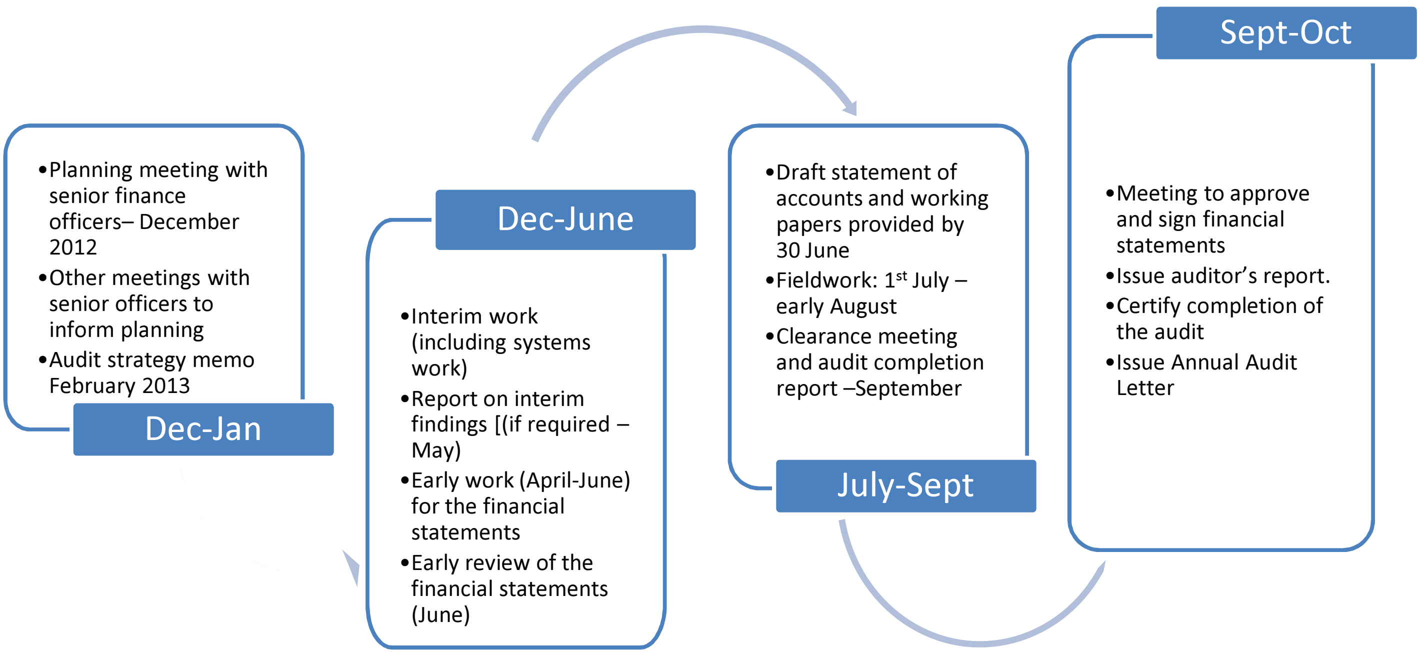
05

Audit timeline

We work closely with you to agree an audit timeline that enables us together to meet statutory target dates.

Audit timeline and deadlines

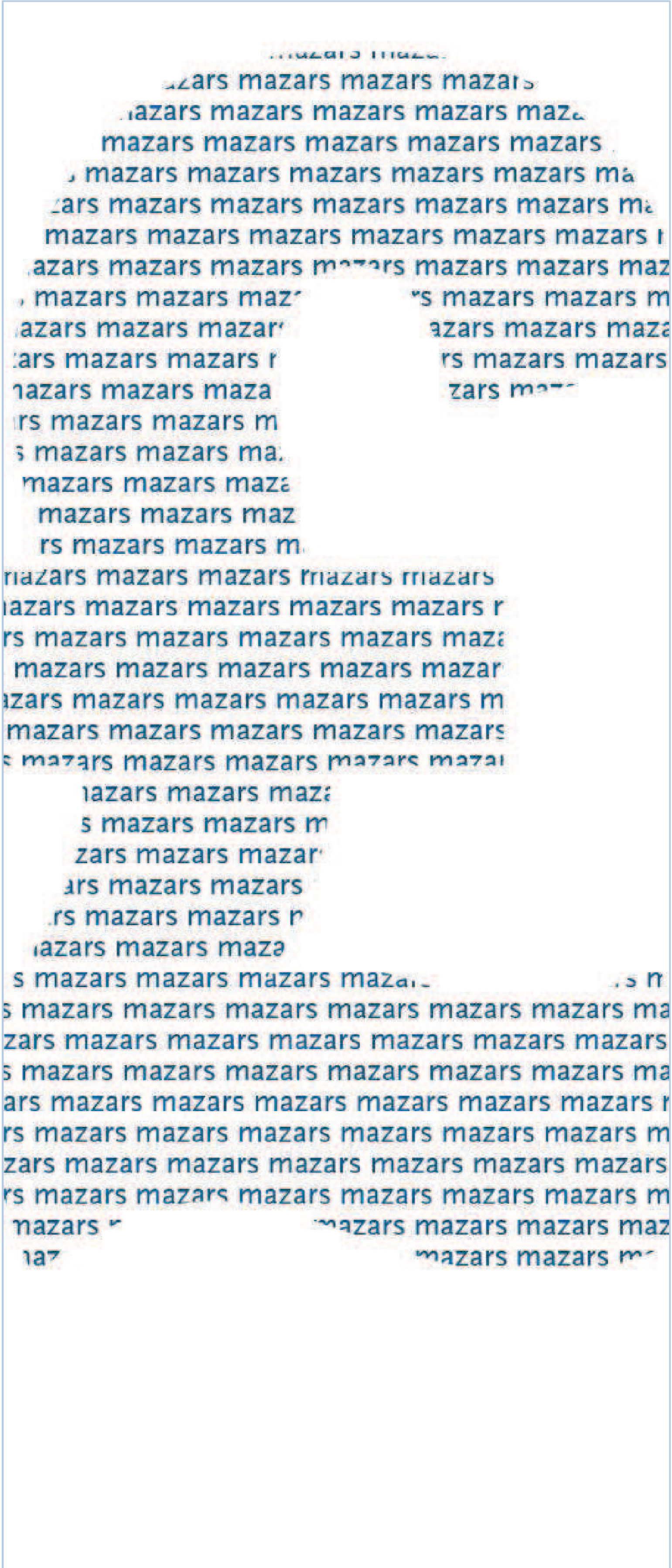
The diagram below sets out the timing of the key phases of our audit work. We will communicate with management throughout the audit process to facilitate a two way process of updates and identifying issues. We will continue to communicate outside of these dates to ensure that all parties understand developments and issues as they arise and to help in providing timely and appropriate solutions.



06

Fees for audit and other services

The Audit Commission has established a scale audit fee for our work. We will keep you informed if we need to make any changes.



Fees for audit and other services

Audit fees

As communicated to you in our letter dated 5 October 2012, the Audit Commission has set a scale fee of £25,919. Our audit fee for Durham County Council Pension Fund is in line with this scale fee of £25,919 (2011/12 £42,551).

Non-audit services

We do not currently plan any non-audit services, and no audit or non-audit services are currently provided to the Fund by Mazars LLP associated entities.

07

Your audit team

We know that you value a team who understands the environment you operate in, understands your systems and controls and has a good working relationship with your staff and internal auditors. Your team meets all these criteria.

Your audit team

Name and contact	Role	Experience and responsibilities
Cameron Waddell Tel: 0191 383 6314 Email: cameron.waddell@mazars.co.uk	Engagement Lead	Cameron has over 20 years external audit experience of a wide range of public sector bodies. He is responsible for the overall delivery of the audit, including the quality of audit reports. Cameron will sign the auditor's report.
Alistair Fraser Tel: 020 7063 4272 Email: Alistair.fraser@mazars.co.uk	Independent Partner	Alistair has over 25 years external audit experience of a wide range of bodies. He is responsible for the independent review of the audit.
Catherine Banks Tel: 0191 383 6410 Email: catherine.banks@mazars.co.uk	Engagement Manager	Catherine has managed the Durham County Council Pension Fund audit for a number of years. She will manage and coordinate the different parts of the audit and be the key point of contact.
Sharon Liddle Tel: 0191 383 6410 Email: sharon.liddle@mazars.co.uk	Team Leader	Sharon is an experienced team leader having worked on pension fund audits for a number of years.

08

Appendices

A – Independence

B – Materiality

C – Required communication

Appendix A - Independence

Independence is an on-going consideration and as such we monitor it throughout the audit process. The principal types of threats to the auditor's objectivity and independence are:

- self-interest threat - exists when the auditor has financial or other interests which might cause the auditor to be reluctant to take actions that would be adverse to the interests of the audit firm or any individual in a position to influence the conduct or outcome of the audit;
- self-review threat - exists when the results of a non-audit service performed by the engagement team or by others within the audit firm are reflected in the amounts included or disclosed in the financial statements;
- management threat - exists when the audit firm undertakes work that involves making judgments and taking decisions that are properly the responsibility of management;
- advocacy threat - exists when the audit firm undertakes work that involves acting as an advocate for an audited entity and supporting a position taken by management in an adversarial context;
- familiarity (or trust) threat – exists when the auditors are predisposed to accept or are insufficiently questioning of the client's point of view (for example, where they develop close personal relationships with client personnel through long association with the client); and
- intimidation threat – exists when the auditor's conduct is influenced by fear or threats (for example, when they encounter an aggressive and dominating individual).

Prior to the provision of any non-audit services the engagement partner will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.
No principal threats to our independence have been identified:

Appendix B - Materiality

'Materiality' is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. It is reasonable for us to assume that users:

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

We will consider materiality whilst planning and performing our audit.

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

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We will include in our Audit Completion Report all unadjusted errors we have identified above those which are clearly trivial.

Appendix C – Required communication

ISA 260 'Communication with Those Charged with Governance' and ISA 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' require the auditor to communicate a number of matters with those charged with governance. These matters are set out below along with our proposed approach.

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Communication of the planned scope and timing of the audit. Matters communicated include: ▪ significant audit risks and how we will address them; ▪ our approach to internal control relevant to the audit; ▪ the application of the concept of materiality in the context of an audit; ▪ our use of the work of internal audit; ▪ your approach to internal control and how you oversee the effectiveness of internal control procedures; ▪ the attitude, awareness and action of those charged with governance concerning the detection or possibility of fraud; and ▪ your response to new accounting standards, corporate governance practices and related matters.	Included in this document. These matters were discussed at the planning meeting and responses incorporated into this document as appropriate.
Our views on significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures. When applicable, why we consider a significant accounting practice not to be appropriate to the entity.	We will communicate these in our Audit Completion Report, orally as they arise and at the Audit Committee. Depending on the extent of the issue, either orally at the Audit Committee, in our Audit Completion Report or immediately we become aware of the issue.

Appendix C – Required communication (continued)

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Form, timing and general content of communications.	We will issue our Audit Completion Report which will conclude upon our audit and the issues presented in this document. Should you require us to communicate in a different way please inform us of your preferred method.
Our evaluation of the adequacy of the communication process between ourselves and those charged with governance. This may include: • observations on appropriateness and timing of action taken by you in response to matters we have raised; • the openness of your communication with us • your willingness and capacity to meet with us without management being present; • your opportunity to fully comprehend matters we have raised • the extent to which you probe issues raised and our recommendations; • any communications we have had in establishing with you the form, timing and general content of communications; and • your awareness of how our discussions impact on your governance and management responsibilities and whether your communication with us meets legal and regulatory requirements.	Should we consider it necessary to raise any of these issues, we will consider the most appropriate method and the most appropriate person. The nature of our observation will determine the method and timing of our communication. We may consider that any inadequacy in the communication process is indicative of an unsatisfactory control environment and increase our assessment of audit risk. We will also consider whether we need to reassess our audit strategy. We will discuss with you any additional procedures we consider necessary as a result of these observations. If we consider the communication between you and us to be inadequate and we are unable to agree additional procedures which we consider necessary, we may modify our audit opinion, obtain legal advice, discuss with other third parties as we consider appropriate or may, if permitted under applicable law or regulation, withdraw from the engagement.

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Audit Committee

4 April 2013

Pension Fund Committee - Terms of Reference

Don McLure, Corporate Director Resources

Purpose of the Report

1 To inform Members of the operational terms of reference for the Pension Fund Committee.

Background

2 An Internal Audit report considering the Governance and Funding of the Pension Fund was presented to the Pension Fund Committee on 6 December 2011 by the Internal Auditor. This report was to provide assurance over the governance arrangements in place for the Pension Fund.

3 The report gave the committee only limited assurance.

4 The report recommended that a review should take place to clarify that the responsibilities of the Pension Fund Committee were clearly defined and understood.

5 The audit approach involved reviewing documentation provided by the Fund, as well as interviews with County Council officers and members of the Pension Fund Committee.

6 The establishment of clear Terms of Reference for the Committee was a recommendation of the report and this was considered to be necessary as a precursor to the other recommendations of the Internal Auditor's report being implemented.

Terms of Reference

7 The Pension Fund Committee has responsibility delegated from the Council to discharge the powers and duties arising from Section 7 of the Superannuation Act 1972 and Regulations made following from this, including:

- approval of applications from bodies seeking admission to the Local Government Pension Scheme;

- appointment of external investment managers and advisers.

8 No changes were suggested to be made to this delegation.

9 A draft 'Terms of Reference' was drawn up for the Committee to consider, but before formally agreeing to the Terms of Reference, a workshop was held on 6 February 2013 when the proposed Terms of Reference were discussed in detail by the Committee.

10 At this workshop the information requirements of members were considered and documented in the Terms of Reference to ensure that Members are able gain assurance that the functions of the committee are being addressed.

11 Following discussions at the workshop, amendments were made to the draft Terms of Reference presented to the Pension Fund Committee in December.

12 The revised Terms of Reference agreed by the Pension Fund Committee at its meeting on 7 March 2013 are attached at Appendix 2. The amendments made following the workshop have been shaded in the Appendix.

13 The Operational Terms of Reference attached provide clarity to the members of the Pension Fund Committee in a number of areas:

- High level objective of the Committee
- Authority of the Committee
- Composition of the Committee
- Detailed Terms of Reference to achieve the High Level Objective
- Meetings
- Programme of work
- Performance and Review

14 They will determine the future programme of work of the committee and following discussions, the frequency of reporting on the individual term of reference has been included.

15 It was agreed that the Terms of Reference are to be reviewed at least annually to ensure that they include any changes to items described in paragraph 13.

Impact on Audit Committee

16 The Pension Fund Accounts are included within the County Council's Statement of Accounts, the approval of which is the responsibility of the Audit Committee.

17 However, the Terms of Reference set out the responsibilities of the Pension Fund Committee to gain assurance that the governance

arrangements are in place to produce the Accounting Statements. These are as follows:

- To be responsible for governance arrangements including regulatory compliance and implementation of audit recommendations – Term of Reference (TOR) 5

- To agree an accounting policy for the Fund consistent with IFRS and relevant authoritative guidance in order to prepare and publish a Pension Fund Annual Report including an abstract of accounts – TOR 16

- To review the Annual Report and Accounts of the Pension Fund and report its findings to the Audit Committee, where the Accounts are approved – TOR 17

Conclusion

18 Members are asked to note the Terms of Reference of the Pension Fund Committee.

Background papers

(a) Pension Fund Committee – 6 December 2011 – Internal Audit Progress Report

(b) Pension Fund Committee – 4 December 2012 - Terms of Reference

(c) Pension Fund Committee – 7 March 2013 - Terms of Reference

Contact: Hilary Appleton Tel: 03000 266239

Appendix 1: Implications

Finance -

None.

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

Appendix 2: Pension Fund Committee – Terms of Reference

1. Objectives

1.1. The Pension Fund Committee's objective is to ensure effective stewardship of the Fund's affairs. The Pension Fund is governed by Local Government Pension Scheme Regulations and the Committee will ensure that the Pension Fund is run in accordance with the Regulations.

2. Authority

2.1 The Local Government Pension Scheme is a statutory scheme governed by Regulations. Durham County Council, acting as Administering Authority for the Pension Fund has determined to delegate all functions relating to the maintenance of the Pension Fund to the Pension Fund Committee for its governance, and for prudent and effective stewardship.

2.2 Members act as committee members and not as Trustees. There is no Trust Deed or Agreement as with Private Pension funds. Nonetheless, Members have fiduciary duties to participating employers and scheme members and take decisions with advice from Corporate Director Resources, officers and professional advisors, in accordance with the committee rules and voting procedures.

2.3 Under the terms of the County Council's Constitution, the Pension Fund Committee has been delegated the following terms of reference:

2.3.1. Powers and duties arising from Section 7 of the Superannuation Act 1972 and Regulations made thereunder including:

- approval of applications from bodies seeking admission to the Local Government Pension Scheme;

- appointment of external investment managers and advisers.

3. Composition

3.1. The Myners' first principle states that decisions should only be taken by persons or organisations with the skills, information and resources necessary to take them effectively. In order to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. The Fund holds training sessions in advance of decisions being taken, in particular when the investment strategy is considered, presentations on topical issues, related to possible choices of future investment. Further training in time for actuarial valuations is also undertaken.

3.2. The structure of the Pension Fund Committee is as follows:

Body/ category of bodies represented	Number of Committee Members
Durham County Council	11
Darlington Borough Council	2
Colleges	1
Other Statutory Bodies	1
Admitted Bodies	1
Member representatives	2
Total	**18**
plus non-voting union observers	*2*

3.3. The allocation of members to the Committee broadly reflects the number of active members, pensioners and deferred pensioners each of the larger employers has within the Fund. It has appropriate representation for the large employers within the Fund whilst maintaining a manageable governance framework for the size of the committee. The two trade union representatives are invited as observers.

3.4. The representatives from Durham County and Darlington Borough Councils are appointed by decisions of the respective councils. Representatives of the colleges, other statutory bodies, and admitted bodies are selected by the Committee from nominations made by the employers and are appointed for 4 years. The two scheme member representatives are selected by the Committee from applications received from the membership following advertisement in the newsletter: one from active scheme members and one from pensioner members.

3.5. All members of the Committee, union observers and independent advisers are given full access to papers and are allowed to participate in meetings.

3.6. All members appointed to the Committee have voting rights. Union observers and advisers do not have voting rights as they do not act as formal members of the Committee.

3.7. The Pension Fund Committee meets four times a year and occasionally holds special meetings when required.

3.8. The quorum for each regular meeting of the Committee is 5.

3.9. Minutes of the Committee are reported under the existing County Council Committee framework.

3.10. Detailed performance reports will remain confidential items on Committee agenda as will any other item deemed as such by the Chairman although the Committee will aim to operate as transparently as feasible.

4. Terms of Reference

Number	Term of Reference	Frequency of Reporting
	The Pension Fund Committee's objective is to ensure effective stewardship of the Fund's affairs. The Pension Fund is governed by Local Government Pension Scheme Regulations and the Committee will ensure that the Pension Fund is run in accordance with the Regulations.	
1	To prepare, monitor and undertake an annual review of policy documents including the: • Funding Strategy Statement • Statement of Investment Principles • Governance Policy • Communications Policy • Administration Strategy (discretionary)	Annually
2	To review policy on social, environmental and ethical matters and on the exercise of rights, including voting rights.	Annually
3	To appoint and terminate, within the procurement and contract rules,: • investment managers • custodian • actuary • independent external advisers • Additional Voluntary Contribution (AVC) providers, and • other contracts related to the management of the Pension Fund	In line with contractual requirements and as and when required
4	To consider the appropriateness of the committee structure to deliver the outcomes required by the Terms of Reference, e.g the establishment of an investment sub-committee.	Annually

Number	Term of Reference	Frequency of Reporting
5	To be responsible for governance arrangements including regulatory compliance and implementation of audit recommendations	Quarterly
6	To approve the annual internal audit plan and monitor progress on it's delivery.	Annually and quarterly monitoring
7	To review and monitor the Pension Fund Risk Register.	Annually
8	To determine the overall investment strategy and strategic asset allocation, ensuring that investments are sufficiently diversified, not over concentrated in any one type of investment and that the pension fund is invested in suitable types of investments;	Minimum of 2 yearly reviews
9	To obtain, and have due regard to, professional advice from the fund managers, investment advisers, officers and the fund actuary as appropriate;	Quarterly and as and when required
10	To monitor and review the investment managers' performance against established benchmarks and to be satisfied of the investment managers' expertise and the quality of their internal systems and controls;	Quarterly
11	To take appropriate and timely action in cases of unsatisfactory performance of the investment managers and independent external advisers;	Quarterly and as and when required
12	To monitor the cash flow forecasts of the fund;	Quarterly
13	To review the resources allocated to investment managers on a regular basis;	Quarterly
14	Ensure appropriate arrangements are in place for the administration of benefits and contributions.	Annually

Number	Term of Reference	Frequency of Reporting
15	To approve, apply and decide upon employers joining and leaving the Fund. To consider, and if appropriate, approve applications of employers to become admitted bodies to the fund.	As and when required
16	To agree an accounting policy for the Fund consistent with IFRS and relevant authoritative guidance in order to prepare and publish a Pension Fund Annual Report including an abstract of accounts.	Annually
17	To review the Annual Report and Accounts of the Pension Fund and report its findings to the Audit Committee, where the Accounts are approved.	Annually
18	To consider all other relevant matters to the investment and administration of the fund.	As and when required

5. Meetings

5.1. The Pension Fund Committee meets four times a year and occasionally holds special meetings when required. The Pension Fund Committee also holds an Annual General Meeting to which all employers are invited. This maintains a manageable governance framework in terms of the frequency of meetings.

6. Programme of Work

6.1. An annual programme of work, cross referenced to the terms of reference, will be agreed annually by the Pension Fund Committee showing expected documents and reports to be presented and any training requirements.

7. Performance and Review

7.1. The Pension Fund Committee will carry out an annual self-assessment, including a review of these terms of reference, to evaluate its own performance and determine any action required to improve its effectiveness.

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Audit Committee

4 April 2013

Action Plan for Corporate Governance Improvements

Report of Don McLure, Corporate Director Resources

Purpose of the Report

1. The purpose of this report is to update the Audit Committee on progress in implementing the agreed governance action plan, which highlights areas of improvement arising from the annual review of the effectiveness of corporate governance arrangements.

Background

2. 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'. The Annual Governance Statement (AGS) explains how the Council complies with this code and also meets the requirements of Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a Statement on Internal Control.

3. To inform the 2011/12 AGS, the annual review of the effectiveness of corporate governance arrangements was carried out. In support of this review, all Corporate Directors were asked to provide an assurance statement to ensure that there is understanding council wide of the Council's governance arrangements and that they are embedded within each operational area including project and partnership responsibilities.

4. From this review, a number of areas for improving corporate governance have been identified. These were reported in the 2011/12 AGS, and are documented in a governance action plan attached to this report in Appendix 2.

Recommendations and reasons

5. Audit Committee to confirm that this report provides assurance that action is being taken to address areas of improvement in corporate governance arrangements, as set out in the attached action plan in Appendix 2.

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 Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) guidance.

Risk – Delivery of the corporate governance action plan will strengthen the decision making and strategic and operational management of the Council's business.

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 – None directly, although 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 – Ensuring compliance with relevant laws and regulations, and ensuring that expenditure is lawful, is a key component of effective corporate governance

Appendix 2: Annual Governance Statement – Action Plan

The Lead Officer is the officer who will oversee and monitor the implementation of the action. However, for a number of actions, it is the responsibility of the Services, not the Lead Officer, to implement the actions

No.	Significant governance issue	Further Action Required	Lead Officer	Target Implementation Date	Status as at December 2012
1	Continue the positive direction of travel by implementing the planned control improvements to financial systems.	The actions to address the financial systems weaknesses will be incorporated into the Resources Service Improvement Plan. Progress on these improvement plans will be monitored by CMT throughout the year.	Don McLure	Throughout 2012/ 13	Positive direction continues. This progress is supported by comments from External Audit as part of the accounts closure process and reported to the Audit Committee.
2	Pay Harmonisation and Single Status.	Work is underway to fully implement the project, and resolve outstanding pay harmonisation and single status issues, with planned implementation from October 2012 subject to the outcome of trade union employee ballots.	Kim Jobson	December 2012	Complete The three recognised Trade Unions (GMB, Unison and Unite) and the Council have now all signed the Local Collective Agreement which details the revised pay and conditions package for the National Joint Council (Green Book) employees up to and including spinal column point 49 (£41,616). The agreement's effective date is 1 October 2012 Where employees have a reduction in basic pay as a result of this agreement, they will receive protection of basic contractual pay up to 30 September 2014.
3	Implement revised Financial Management Standards	The revised Financial Management Standards should be finalised and implemented as soon as possible on the basis that the original implementation date has been missed.	Jeff Garfoot	December 2012	The FMS have now been approved and signed-off, and the process of rolling out these standards will be complete by the end of March 2013.

No.	Significant governance issue	Further Action Required	Lead Officer	Target Implementation Date	Status as at December 2012
4	Business Continuity.	Develop a robust ICT architecture with as few potential single points of failure as possible and replication of key systems	Phil Jackman	March 2013	Significant amount of work undertaken to develop ICT architecture with minimal potential single points of failure. Member Officer Working Group has approved the capital for a backup site, which will be in partnership with Sunderland City Council. Work has commenced, and should be live by September 2013.
5	Changing Government Policy on the Ethical Framework.	Now that the Localism Bill has been enacted, we will review the ethical framework and implement a new compliant, fit for purpose and workable ethical structure for the Council, and provide advice and guidance to Members, Officers and other key stakeholders on the new ethical structure.	Colette Longbottom	October 2012	Complete. The council adopted a new code of conduct, delegations and assessment framework in summer and training was presented to members and to parish councils in Autumn.

Audit Committee

4 April 2013

Financial Management Standards

Don McLure, Corporate Director Resources

Purpose of the Report

1. The purpose of this report is to update the Audit Committee on the development and implementation of Financial Management Standards.

2. Financial Management Standard (FMS) 01, attached at Appendix 2, provides an introduction to what the Standards are, why they are important and lists the standards developed.

3. A link to the Standard's on the intranet can be found at: http://intranet/Pages/PoliciesandProceduresDetails.aspx?ItemId=2681

Background

4. Good, sound financial management is a key element of the Council's Corporate Governance Framework and aims to secure value for money, control spending , ensure due probity of transactions and allow decisions to be informed by accurate accounting information.

5. Financial Procedure Rules within the Council's Constitution provide the overall high level framework for managing the Council's financial affairs. These were developed for the unitary council in 2009 following local government reorganisation.

6. At the time Financial Procedure Rules were developed, the more detailed financial management framework was in many areas yet to be determined. This was largely due to the extent of change in systems, processes, procedures and staffing. It is only really in the last year with the unitisation of the finance function and the consolidation of key financial systems that a more detailed framework could be finalised.

7. Underpinning the FMS's are a number of detailed policies, procedures and documentation and where possible a link is provided within the Standards to individual policies and procedures on the intranet. More links will be established as more information is added to the intranet.

8. Responsibility for monitoring compliance with the Standards and ensuring that they and the Financial Procedure Rules are reviewed on a continuous basis is the responsibility of the Corporate Director Resources as the Council's Chief Financial Officer.

9. Corporate Directors and Heads of Service are ultimately responsible for ensuring the Standards are applied and observed and for reporting any known or suspected breaches of the Standards to the Chief Financial Officer.

Recommendations and reasons

10. The Committee note the report to gain further assurance on the adequacy and effectiveness of the Council's financial management control framework.

Contact:	**Avril Wallage**	**Tel:**	**03000 269645**

Appendix 1: Implications

Finance -

Financial Management Standard's are a key aspect of the Council's Financial Control Framework.

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

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FMS01 INTRODUCTION TO FINANCIAL MANAGEMENT STANDARDS

What are Financial Management Standards?

1. Financial Management Standards support the Council's Financial Procedure Rules set out in the Council's Constitution. Financial Procedure Rules provide the overall high level framework for managing the Council's financial affairs and Financial Management Standards set out in more detail how these procedures will be implemented to embed sound financial management across the Council.

Why are they important?

2. Good, sound financial management is a key element of the Council's Corporate Governance framework which helps to ensure that the Council is doing the right things in the right way for the right people in a timely, open and accountable manner.

3. All staff and members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

4. Financial Management Standards set out the key controls and roles and responsibilities for each area of financial activity identified in the Financial Procedure Rules and will be supplemented by more detailed documented businesses processes.

Key Controls

5. The key controls and control objectives for Financial Management Standards are:

    - the promotion of these standards throughout the Council;
    - a performance management system to review compliance with financial standards and regular comparisons of performance indicators and benchmark standards that are reported to Cabinet;
    - regular reviews of the Financial Procedure Rules and the Financial Management Standards to ensure they remain fit for purpose.

Responsibilities of the Chief Finance Officer (S151 Officer)

6. The Chief Finance Officer is responsible for:

- ensuring the proper administration of the financial affairs of the Council
- establishing the Financial Management Standards and monitoring compliance with them
- reviewing the Financial Management Standards regularly to ensure they remain fit for purpose
- ensuring that proper professional practices, standards, and ethics are adhered to

- advising on the key strategic controls necessary to secure sound financial management
- ensuring that financial staffing resources are adequate to maintain adherence to these standards
- establishing a framework of documented business processes that support these financial management standards and ensuring that they are reviewed regularly

Responsibilities of Chief Officers

7. To promote the financial management standards set by the Chief Finance Officer within their service area and to monitor adherence to those standards and practices, liaising as necessary with the Chief Finance Officer.

8. To promote sound financial practices in relation to the standards, performance and development of staff in their service area.

9. To support the Chief Finance Officer by promoting proper professional practices, standards, and ethics.

10. Ensuring that all staff are properly managed, developed, and trained and have adequate support to carry out their financial duties effectively.

Appendix 1

List of Financial Management Standards

1	Introduction to Financial Management Standards
2	Budget Preparation & Medium Term Financial Planning
3	Budget Monitoring and Reporting
4	Accounting Policies
5	Accounting Records and Returns
6	Preparation and Monitoring of the Capital Programme
7	Annual Statement of Accounts
9	Maintenance of Reserves
10	Risk Management
11	Audit Requirements
12	Internal Control
14	Insurance
15	Treasury Management
16	Banking
17	Income Collection
18	Debt recovery
20	Corporate Procurement Cards
21	Payroll and Personnel requirements
22	Taxation
24	Ordering and paying for works, goods & services
25	Partnerships
26	Grants and External Funding
29	Voluntary Funds and Trust Funds

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