



Audit Committee

Date Thursday 26 May 2011
Time 11.00 am
Venue The Canteen - Comeleon House, Tanfield Lea Industrial Estate North, Stanley, Co. Durham, DH9 9NX

Business

Part A

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

1. Minutes of the meeting held on 18 March 2011 (Pages 1 - 8)
2. Declarations of interest, if any.
3. The Work of Corporate Risk Management, April 2010 - March 2011 - Report of Corporate Director Resources (Pages 9 - 20)
4. The Work of Corporate Risk Management in the Quarter period January - March 2011 - Report of Corporate Director Resources (Pages 21 - 32)
5. Review of Strategic Risk Management - Report of Corporate Director Resources (Pages 33 - 38)
6. Internal Audit Progress Report Quarter Ended 31 March 2011 - Report of Manager of Internal Audit and Risk (Pages 39 - 46)
7. Quarterly Update on Payment of Invoices - Update by Corporate Director Resources
8. Final Accounts - Consolidated Action Plan Update - Report of Corporate Director Resources (Pages 47 - 64)
9. Housing Benefits Inspection - Update Report on Implementing Recommendations - Update by Corporate Director Resources
10. Update on Revenue and Benefits Project - Update by Corporate Director Resources
11. ISA620 Letter to 'Those Charged with Governance' - Report of Corporate Director Resources (Pages 65 - 74)
12. Audit Opinion Plan Durham County Council Pension Fund - Report of External Auditor (Pages 75 - 96)

13. Such other business as, in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration.
14. 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)

15. Internal Audit Progress Report Quarter Ended 31 March 2011 - Report of Manager of Internal Audit and Risk (Pages 97 - 126)
16. Such other business as, in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration.

Colette Longbottom
Head of Legal and Democratic Services

County Hall
Durham
18 May 2011

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, D J Southwell, T Hoban and K Larkin-Bramley

Contact: Ros Layfield

Email: ros.layfield@durham.gov.uk

DURHAM COUNTY COUNCIL

AUDIT COMMITTEE

At a Meeting of the **Audit Committee** held at the **County Hall** on **Friday 18 March 2011** at **10.00 a.m.**

Present:

Councillor E Bell in the Chair

Members of the Committee:

Councillors B Harrison, M Hodgson, L Marshall, D J Southwell, R Ord and O Temple.

Co-opted Members

Mt T Hoban and Ms K Larkin-Bramley

Apologies for absence were received from Councillors C Carr and D Morgan.

A1 Minutes

The Minutes of the meeting held on 10 February 2011 were agreed as a correct record and signed by the Chairman.

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

A2 Declarations of Interest

Declarations of interest were provided by Members of the Committee. A generic declaration of interest would be recorded as Members were school governors, members of various committees of the Council and of the former District Council's, and bodies such as the Probation Board, Fire Authority and Police Authority. Together with other declarations from Ms Larkin-Bramley, a declaration be provided that she is a lecturer at New College Durham.

A3 Partnership Governance Framework

The Committee noted a report of the Assistant Chief Executive (for copy see file of Minutes) that provided an update on progress being made to improve the assurance provided over the effectiveness of partnership governance arrangements.

Members referred to the recommendations in Appendix 2 of the report and requested that the external auditor be consulted on proposals.

Resolved:

That the report be noted

A4 External Audit Progress Report

The Committee considered a report of the External Auditor (for copy see file of Minutes) that provided an update on progress in delivering its' responsibilities as the Council's external auditor.

Resolved:

That the report be noted

A5 External Audit Opinion Plan 2010-11

The Committee considered a report of the External Auditor (for copy see file of Minutes) that detailed the work proposed to be undertaken for the audit of financial statements and the value for money conclusion for 2010/11.

The Committee sought assurances that the dates contained within the Plan would be met. The Auditor replied that most of the dates were on target, and undertook to report those which were not to the next meeting of the Committee.

Resolved:

That the report be noted.

A6 External Audit Grant Report

The Committee considered a report of the External Auditor (for copy see file of Minutes) that provided a summary from the certification of 2009/10 grant claims, including messages arising from the assessment of the Council's arrangements for preparing claims and information on claims that were amended or qualified.

In response to a query raised by the Committee regarding the references made under HRA Subsidy on page 64 the External Auditor explained that these were merely cell references.

The Committee referred to Appendix 1 of the report, in particular to there being no adequate control environment for the Housing and Council Tax Benefit Scheme for 2009/10 and asked whether there was one in place for 2010/11. The Manager of Internal Audit and Risk replied that Internal Audit was working closely with the Housing Revenue Benefit section to look at control implications. The Committee sought assurance that improvements required to establish an adequate control framework have been implemented.

The Committee requested further information in relation to the scale of the administration of housing benefits.

Resolved:

- (i) That the report be noted
- (ii) That the Action Plan be updated to include assurance on the adequacy of the control environment for the Housing and Council Tax Benefit Scheme
- (iii) That the Corporate Director Resources would provide summary details.

A7 Icelandic Banks - Update

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that provided an update on investments in Icelandic Banks.

Resolved:

That the report be noted.

A8 Interim Internal Audit Plan April to June 2011

The Committee considered a report of the Manager of Internal Audit and Risk (for copy see file of Minutes) that sought agreement to a programme of work to be carried out by Internal Audit during the period April to June 2011 (for copy see file of Minutes).

Resolved:

That the report be approved

A9 Pension Fund Assurance

The Committee considered a report of the Manager of Internal Audit and Risk (for copy see file of Minutes) that provided an update on action taken to improve internal audit assurance on the Pension Fund.

Resolved:

That the report be approved

A10 Proposed Changes to the Accounts and Audit Regulations

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that advised of a consultation exercise being undertaken by the Department of Communities and Local Government relating to the revision and consolidation of the Accounts and Audit Regulations 2003 (SI 2003 No 533), as amended, with effect from 31 March 2011.

Resolved:

That the report be approved

A11 Final Accounts

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that provided an update on the progress being made changing from reporting under UK Generally Accepted Accounting Principles to International Financial Reporting Standards.

Resolved:

That the report be noted

A12 Contract Procedure Rules Annual Review

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) that advised of proposed changes to Contract Procedure Rules following the annual review.

Councillor Temple expressed concern that the detailed reasoning for the changes to the Procedure Rules and potential consequences had not been provided to the Committee and suggested that the report be brought back to the next Audit Committee meeting with greater detail included. Following a debate the Committee agreed that the matter be deferred to the Chairman and Vice-Chairman to be provided with further details, so that the updated Contract Procedure Rules could be included in the updated Constitution to be taken to County Council in May 2011.

Resolved:

That the report be approved, subject to further information being provided to the Chairman and Vice-Chairman on the detailed reasoning for the changes to the Procedure Rules and potential consequences.

A13 Action Plan for Corporate Governance Improvements

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

Resolved:

That the report be noted.

A14 Exclusion of the Public

Resolved:

That under Section 100 A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the said Act.

B15 Minutes

The Minutes of the meeting held on 10 February 2011 were agreed as a correct record and signed by the Chairman.

This page is intentionally left blank

Action Plan- Work of Audit Committee- Part A- 26 May 2011

Ref No.	Date of Meeting	Item No.	Title of Report	Action Required	By Whom	Report to Committee (date)/ implemented
1.	4.3. 10	12B	Identification and consideration of all key sources of assurance	All potential sources of assurance to be identified and method of review agreed.	Manager of Internal Audit & Risk	30.6.11
2.	18.11.10 10.2.11	9	Payment of Invoices	An update on the position will be given to Members every two months. Update provided on 10.2.11	Corporate Director, Resources	26.5.11
3.	6.1.11 10.2.11	14	Oracle Update	Written report be provided at the next meeting, and the Project Leader be invited to attend. Further updates to be provided as required	Corporate Director, Resources	TBA
4.	6.1.11	7	Annual Audit Letter	Quarterly update reports on Consolidated Action Plan to be presented to the Cttee on issues raised.	Corporate Director, Resources	26.5.11
5.	6.1.11	8	Bank Account Reconciliation	Six monthly update reports be provided	Corporate Director, Resources	28.7.11
6.	6.1.11	6	Housing Benefit Inspection	Quarterly update reports on progress made in implementing recommendations	Corporate Director Resources	26.5.11
7.	18.3.11	6	External Audit Grant Report	The Committee sought assurance that improvements required to establish an adequate control framework have been implemented. A summary of the scale of the Administration of Housing Benefits would be sent to members (sent by Corporate Director, Resources via email 7 April) (attached to the plan)	Head of Internal Audit/Revs Bens Manager Corporate Director, Resources	TBA Sent 7.4.11

Action Point 7

Scale of the Administration of Housing Benefits

Set out below is a a short summary of helpful information in relation to housing benefit administration and processing for members to have a better understanding of the scale of the operation and how much money the Authority pays.

Number of households claiming council tax benefit	64638
Number of council tenants claiming Rent Rebate	13607
Number of Private tenants claiming Rent Rebate	13958
Number of Housing Association tenants claiming Rent Rebate	20543
	<hr/>
	112746
	<hr/>
	<hr/>

Amount paid out in Council Tax Benefit	£62m
Amount paid out to Council tenants	£34m
Amount paid out to Private tenants	£56m
Amount paid out to Housing Association tenants	£59m

Payments to council tenants are credited to their rent accounts and the tenants only pay the net rent which can be £nil for those tenants in receipt of very low incomes.

Housing Association tenants can choose who receives the money – can be paid to the tenant who would then pay the gross rent due to the housing association or to the housing association when the tenant would only pay the net amount of rent due.

Benefit payable to private tenants for their rent can also choose who gets the money – same position as Housing Associations.

Where benefit is paid to the tenant, there is a safeguard for the landlords in that we can pay direct to the landlord if the tenant is more that 8 weeks in arrears.

Audit Committee

26 May 2011

**The Work of Corporate Risk
Management April 2010 – March 2011**



Report of Corporate Management Team

Don McLure, Corporate Director, Resources

Purpose of the Report

1. The purpose of this report is to demonstrate the effectiveness of risk management across the Council during the year April 2010 to March 2011, focusing in particular on the management of risks by the Services, and the effectiveness of the Corporate Risk Management Group (CRMG) in supporting Services in their management of risk. It also provides evidence to support the Annual Governance Statement.

Background

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

Risk Management Strategy and Policy

4. CRMG have undertaken their annual review of the Council's Risk Management Strategy and Policy, and concluded that no revisions are required for 2011/ 12.

Changes in number of risks from April 2010

5. As at 31 March 2011, there were 79 corporate and service strategic risks, a decrease of 66 from the previous year end at 31 March 2010.

Summary of risk changes in 2010/11

6. These are covered in the appendices to this report:

- Appendix 3 highlights achievements made by Services during the year, which demonstrate how effective risk management is contributing to the Council's operations.
- Appendix 4 highlights improvements to the risk management framework in 2010/ 11.
- Appendix 5 highlights planned improvements to the risk management framework in 2011/ 12.
- Appendix 6 highlights the performance of risk management during the year.

Recommendation

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

Contact: David Marshall Tel: 0191 3834311

Appendix 1: Implications

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

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

Equality and Diversity - None

Accommodation - None

Crime and disorder - None

Human rights - None

Consultation - None

Procurement – None.

Disability Discrimination Act – None.

Legal Implications – None.

Appendix 2: Risk Management Framework

The Cabinet and the Corporate Management Team have designated the Deputy Leader of the Council and the Corporate Director, Resources as Member and Officer Risk Champions respectively.

Together they jointly take responsibility for embedding risk management throughout the Council, and are supported by the Manager of Internal Audit and Risk, the lead officer responsible for risk management, as well as the Risk and Governance Manager. Each Service Grouping also has a designated member of staff (the Service Risk Manager) to lead on risk management at a Service Grouping level, and act as a first point of contact for staff who may require any advice or guidance on risk management.

Collectively, the Risk Champions, Service Risk Managers and the Risk and Governance Manager meet together as the Council's Corporate Risk Management Group. This group monitors the progress of risk management across the Council, advises on corporate and strategic risk issues, identifies and monitors corporate cross-cutting risks, and agrees arrangements for reporting and awareness training.

One of the key roles of the Audit Committee is to monitor the effective development and operation of risk management and overall corporate governance in the Council.

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

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

Appendix 3: Achievements in 2010-11

Examples of risk management arrangements contributing to improved performance across the Council in 2010/ 11

Following the Comprehensive Spending Review (CSR) in October 2010, and confirmation of our financial settlement on 31 January 2011 on the level of central government settlement we will receive for 2011/12 and 2012/13, the challenges facing the Council should not be underestimated. The fact that we have experienced no significant crisis as well as responding to additional challenges such as the economic recession is a testament to the Council's effective management of the risks involved. Implementation of additional mitigation has enabled Service management to reduce or remove the following key risks and contribute to improved performance and decision-making across the Council:

- The significant amount of work completed during the year has enabled the risk that *'The Council may be liable to legal challenge if a single status agreement is not implemented in full'* to be successfully managed.
- The successful implementation of an events management team has reduced the likelihood of the risk *'Failure to effectively support events organised by the Council or taking place on Council land'* occurring.
- The likelihood of the risk *'Uncertain position regarding physical condition, Health and Safety and the Disability Discrimination Act requirements and management practices around Community Buildings'* has reduced, as the programme is now well underway.
- Engaging the public and media regarding reduced funding in deprived areas has enabled the risk of *'Inability to raise capital to complete area based renewal in priority areas'* to be successfully managed.
- As funding has been built into the 2011/12 budget to enable some inspections of contaminated land to take place, the likelihood of *'Failure to identify and regulate Contaminated Land'* has reduced. This has improved the safety of the public, and reduced the likelihood of the Council being fined.
- The Council provided a winter maintenance service for County Durham set against a backdrop of a national salt shortage. Assessment of the risks associated with reduced reserves of salt helped inform management to decide actions to reduce the impacts on isolated rural communities and prevented an increase in the number of accidents. Moreover, the measures undertaken to address the *'Damage to highway assets as a result of a severe weather event'* have reduced the likelihood of claims succeeding against the Council.

- As a significant amount of work has now been completed, the risk of *'Policies such as Equality and Diversity, and Sustainability not being harmonised within adequate timescale,'* is no longer considered a risk.
- *'Loss of external funding to Housing Solutions will have an adverse impact on the ability to deliver statutory services'.* This is no longer considered a risk as funding has been secured for Housing Solutions until 2015 and for the Family Intervention Project until 2012.
- *'Inability to deliver essential Telecare Services to vulnerable people due to lack of funding'.* This is no longer considered a risk as funding has been retained to enable delivery of this service until March 2012.
- The risk of *'Harmonisation of Care Connect service provision could lead to customer dissatisfaction'* will now be monitored at Service level, as the harmonisation of fees has now been completed and is going out to consultation with service users.
- The risk of *'Failure to achieve Waste Recycling/Waste Minimisation Targets'* is no longer considered a strategic risk as all mitigating actions have been completed, and management now consider existing controls to be adequate. This will demonstrate to the public and central government the Council's commitment to sustainability, and will keep any costs incurred under LATS to a minimum.
- The successful re-negotiation of the Independent Sector Residential Homes contract has reduced the likelihood of the *"Inability to manage markets for the delivery of Adult Social care"* risk.
- All Council properties known to Technical Services have been properly risk assessed for hazardous substances and where necessary treated to ensure compliance with Health and Safety legislation.
- A number of projects with proactive risk management arrangements have been successfully implemented.
- The Final Strategic Housing Inspection Report noted the Strategic Housing approach to risk and highlighted a number of examples which were positive in relation to our overall approach to risk management, concluding that risks were managed effectively.

Significant New or Increased Risks

- *'If the programme of savings is not successfully delivered, then the MTFP targets will not be achieved'.* This corporate strategic risk is underpinned by the assessment of the key risks associated with each efficiency proposal by Services.
- Other significant new risks identified include:

- *The 'Potential financial, operational and reputational risks arising from proposed NHS Reforms';*
 - *The 'Potential failure in the external care provider market resulting in the closure of residential care homes';*
 - *'If Disused mine workings of the Coal Authority on DCC land are not effectively managed, this could result in serious injury or financial claims against the Council';*
 - *'Insufficient number of adequately skilled staff to maintain the expected level of services'.*
- The Net impact and likelihood of the risk of *'The loss of ABG funding results in the County Durham Economic Partnership failing to narrow inequality and deprivation gaps'* has increased significantly due to the removal of ABG funds.
- The Net impact of the risk of *'Private housing stock condition worsens with adverse implications for the local economy, health and neighbourhood sustainability'* has increased.

Appendix 4: Improvements to the Risk Management Framework in 2010/ 11

The main improvements to the risk management framework in 2010/ 11 were:

- Implemented a framework to review the effectiveness and performance of risk management. This includes performance measures for risk management, which have been identified to help us demonstrate whether risk management is supporting the Council, and its partnerships, in delivering successful outcomes.
- Delivered training courses to Cabinet members and to Tier 4 officers.
- Reviewed content and style of reporting to the CRMG, CMT and the Audit Committee.
- Improved the level of support and advice on managing risk in significant projects.
- Provided support and advice to Parish Councils and the Durham Police Authority in their risk management arrangements.
- Developed and piloted a process for risk management of procurement contracts.

Appendix 5: Planned Improvements to the Risk Management Framework in 2011/ 12

Following the restructure of the Internal Audit and risk management section, the risk management team was reduced from three risk officers to two as at 31 March 2011.

Inevitably, this will mean that there will be less resource in the risk management team to provide support and advice to the Council and some partner organisations on risk management, and during the annual review of corporate governance arrangements.

The longer term aim has always been to embed risk management within Services to a degree where they identify and manage their own risks, and gain assurance over their governance arrangements, with minimal support from the corporate centre. Therefore, with reduced resources, the workload of corporate risk management will be refocused to provide less support to Services on their corporate and service strategic risks, and focus more on developing risk management arrangements in other parts of the Council's operations, such as projects, procurements, funding bids and supply chains, and narrowing the scope of our corporate governance work. Clearly, this will require a culture of service managers taking greater responsibility and accountability for managing risk and controls, and providing assurance, through the implementation of control risk self assessment (CRSA) at an operational level. Internal Audit staff will work with Service managers to develop CRSA through their annual programmes of assurance reviews.

With this in mind, the key improvements to risk management that we propose to implement in 2011/ 12 include:

- Develop processes that:
 - enable effective risk management of suppliers/ providers and bids for funding.
 - effectively highlight opportunities raised by managing risk.
 - enable effective reporting of incidents, failures and financial losses to the CRMG.
- Develop an external facing website for risk management.
- Support the Voluntary and Community sector and Schools to establish effective risk management arrangements.
- Improve risk management links into the budget setting cycle.
- Develop computer-based training of risk management.

Progress on implementing these improvements will be monitored by the CRMG.

Appendix 6: Performance of Risk Management during 2010/ 11

An independent review of our risk management arrangements, by Zurich Municipal, took place in January 2011, and the general conclusion of the review was that ‘the risk management approach and process used within the Council is mature and well established. Officers do gain benefit from the process and the support of the risk management team, and others, in managing their significant risks. Almost universally, and without prompting, the process and support received is described in positive terms’.

During 2010/11, CRMG implemented a framework to review the effectiveness and performance of risk management. This includes self-assessment, highlighting successful outcomes achieved from managing individual risks, and performance measures for risk management, which have been identified to help us demonstrate whether risk management is supporting the Council, and its partnerships, in delivering successful outcomes. These are an initial set of measures, which we will need to refine over time. As they have only recently been measured, the following table reports on performance for quarters 3 and 4. In future, we will report performance for the full year in the annual report.

Objective: To demonstrate that risks are being effectively managed				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Q3 Actual	Q4 Actual
All risks are reviewed on a continual cycle	Service Risk Review completed each quarter	100% (Quarterly)	100%	100%
Risk mitigation is being implemented as planned	Risk actions implemented within target date	75% (Quarterly)	100%	89%
Risks are being effectively managed	Number of risks where Net risk scores have reduced over the quarter	Target N/A (Quarterly)	11	5
To provide informed decision making	Key decisions reports with a risk assessment	100% (Quarterly)	100%	100%
The delivery of Council services via Significant partnerships is effectively risk managed	Significant partnerships with joint risk management arrangements in place within 6 months of being established	90% (Quarterly)	Partnership governance under review	
Objective: To ensure that Officers and Members are appropriately skilled in risk management				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Q3 Actual	Q4 Actual
Appropriate staff are adequately skilled in risk management	Tier 4 managers attending risk management training course within 6 months of commencing employment	75% (Quarterly)	Not achieved – training has been delivered to 45 officers in Quarter 4 - working with Officer and Member risk champions to address this	
Appropriate staff are adequately skilled in risk management	Tier 5 managers attending risk management training course within 6 months of commencing employment	50% (Quarterly)		
Members are adequately skilled in risk management	New Members attending risk management training course within 6 months of being elected (for co-opted members, within 6 months of being appointed)	75% (Quarterly)		

Objective: To ensure that the risk management service is effective and adding value				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Q3 Actual	Q4 Actual
Contributing to effective corporate governance	Meeting CIPFA governance principles and objectives on risk management	Confirmed in the annual review of the effectiveness of corporate governance	N/A for this quarter	N/A for this quarter
Planned improvements in risk management are being implemented	Tasks in Risk Management Improvement plan are achieved within target date	80% (Quarterly)	66%	70%

This page is intentionally left blank

Audit Committee

26 May 2011

**The Work of Corporate Risk
Management in the Quarter period
January – March 2011**



Report of Corporate Management Team

Don McLure, Corporate Director Resources

Purpose of the Report

1. The purpose of this report is to highlight the status of the key corporate and service strategic risks facing the Council, and to give an insight into the work carried out by the Corporate Risk Manager and the Corporate Risk Management Group during the period January - March 2011.

Background

2. Corporate strategic risks are the risks that either cut across Council Service Areas or where they will have a significant impact on the Council if they should materialise. They are agreed annually by Corporate Management Team (CMT) and Cabinet.
3. Service strategic risks are the risks which specifically affect the Service Grouping achieving its objectives.

Current status of the risks to the Council

4. As at 31 March 2011, there were 79 corporate and service strategic risks, a decrease of 34 from the previous period end at 31 December 2010. A summary of the key risks is included in Appendix 2.
5. Appendix 3 of this report lists all of the Council's corporate and service strategic risks as at 31 March 2011.
6. Management have identified and assessed these risks using a structured and systematic approach, and are taking proactive measures to mitigate these risks to a manageable level. This effective management of our risks is contributing to improved performance and decision-making across the Council.

Emerging Risks

7. The only item which emerged which may potentially raise a significant risk to the Council is changes to the default retirement age from April 2011, which may lead to insurance and benefits issues for employees.
8. New risks to reflect the potential failure in the external care provider market resulting in the closure of residential care homes and the potential impact of the

proposed NHS Reforms has also been added to the Council's Strategic Risk Register.

Recommendation

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

Contact: David Marshall Tel: 0191 3834311

Appendix 1: Implications

Finance - Addressing risk effectively reduces the risk of financial loss.

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

Equality and Diversity - None

Accommodation - None

Crime and disorder - None

Human rights - None

Consultation - None

Procurement – None.

Disability Discrimination Act – None.

Legal Implications – None.

Appendix 2: Overall Council Strategic Risk Register

Summary

Risks are assessed at two levels:

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

As at 31 March 2011, there were 79 corporate and service strategic risks, a decrease of 34 from the previous period end at 31 December 2010. The total number of risks are summarised in the following matrix, based on their Net risk assessment as at 31 March 2011. Where there have been changes to the number of risks from the last quarter period end, the risk total as at 31 December 2010 is highlighted in brackets.

Overall number of Corporate and Service Risks as at 31 March 2011

Impact					
Critical	1(1)	4(4)	1(5)		
Major	(1)	4(9)	6(9)	4(4)	(1)
Moderate	1 (1)	15(16)	28(33)	4(6)	(4)
Minor	(1)	3(7)	8(10)	(1)	
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

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

1. Implementation of additional mitigation has enabled Service management to **reduce** the Net likelihood of the following key risks and deliver beneficial outcomes for the Council:

- *“Failure to deliver the restructured BSF programme on time and with minimal service disruption”*. Wave 3 schools have been completed satisfactorily and the reduced degree of uncertainty surrounding the programme has reduced the likelihood of the risk occurring.

- “Loss of income from planning and building control fees” reduced due to the number of existing control measures now in place to help mitigate the likelihood of this risk occurring.
- The likelihood of the risks “Legal Services unable to meet requirements of Directorates for legal work” and “Commercial and complex litigation cases outside the capacity of Legal and Democratic Resources” occurring has reduced as additional resources have been allocated.
- “Increase in concessionary fares leading to budget deficit” reduced due to the number of existing control measures now in place to help mitigate the likelihood of this risk occurring.

2. Over thirty risks have been **removed** from the register in this quarter. This is due in part to greater challenge of the risk with the Services, but also through effective management of the risks by the Services as all mitigating actions have been completed to reduce them to a level where management now consider existing controls to be adequate.

Key Risks

Those risks in the unshaded area of the following matrix are considered the key risks to the Council and are reported in the following table. Where there have been changes to the risk assessment from the last quarter period end, these are highlighted in the column headed ‘Direction of Travel’. The target for when the risk will be at an acceptable level, or where further improvements in mitigation are not possible, is highlighted in the column headed ‘Anticipated date when risk will be at an acceptable level’.

Figure1

Impact					
Critical			Risks 1 and 5		
Major				Risks 2, 3, 4 and 6	
Moderate					
Minor					
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
1	Resources	Altogether Better Council	If the programme of savings is not successfully delivered, then the MTFP targets will not be achieved	Critical	Possible	The Delivery plan implementation will be monitored by CCG, CMT and Cabinet.		This will be a significant risk for at least the next 4 years. No further improvements in mitigation are planned at the current stage.
2	Resources	Altogether Better Council	The Council may be liable to legal challenge if a single status agreement is not implemented in full	Major	Probable	Develop the pay and reward project that considers all of the eight council arrangements and includes proposals for implementation		Target actions to bring this risk to an acceptable level should be completed by April 2012.
3	Resources	Altogether Better Council	Insufficient number of adequately skilled staff to maintain the expected level of services	Major	Probable	<ul style="list-style-type: none"> ➤ Funded training and development will be considered by Senior Service Management Teams in line with the protocol. ➤ ResourceLink PID & project plan to be developed to underpin reorganisation support project to ensure accurate & timely establishment control data. ➤ Organisation Development design principles to be reviewed. 		Target actions to bring this risk to an acceptable level should be completed by April 2011.
4	RED	Altogether Weather	The loss of Area Based Grant funding results in the CDEP failing to narrow inequality and deprivation	Major	Probable	Produce an Action Plan		The action plan will be in place by July 2011
5	NS	Altogether Greener	Failure to identify and effectively regulate Contaminated Land	Critical	Possible	Top 140 sites of potential concern have been identified for further assessment.		The Contaminated land strategy, which will bring this risk to an acceptable level, will not be in place until November 2011

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
6	AWH	Altogether Healthier	Potential failure in the external care provider market resulting in the closure of residential care homes	Major	Probable	<ul style="list-style-type: none"> ➤ Develop contingency plans for moving residents ➤ Carryout stakeholder analysis ➤ Develop communication strategy for stakeholders ➤ Focus safeguarding arrangements to required service users 	New Risk	Management are monitoring the situation and developing contingency plans.

Appendix 3: List of all Strategic Risks

Corporate Theme – Altogether Better Council

Ref	Service	Risk
1	RES	If the programme of savings is not successfully delivered, then the MTFP targets will not be achieved (Corporate Strategic Risk)
2	RES	The Council may be liable to legal challenge if a single status agreement is not implemented in full (Corporate Strategic Risk)
3	RES	Insufficient number of adequately skilled staff to maintain the expected level of services (Corporate Strategic Risk)
4	NS	Industrial Action arising from substantial change programme
5	RES	Lack of staff resource to deliver the HR function
6	NS	Limited knowledge of DEBS live system by some budget holders could adversely impact on service delivery and performance in NS
7	ACE	Unauthorised release of information into the public domain or to unauthorised persons (Corporate Strategic Risk)
8	RES	Loss of income from land charge fees
9	RES	If contractual relationships with Suppliers are not effectively managed by Services, then the Council will not achieve the optimum outcome from these relationships (Corporate Strategic Risk)
10	NS	Failure to improve the performance of building services to make them more competitive
11	NS	Failure to deliver an effective intervention regime, leading to adverse impact on public health
12	NS	Failure to effectively support events organised by the Council or taking place on Council land (Corporate Strategic Risk)
13	ACE	Data quality of performance information is not to the required standard across the Council and Co Durham Partnership
14	NS	Failure to deliver harmonised policies and action with regards to licensing and enforcement across all areas
15	RES	Failure to deliver efficiency savings and transformed Assets service delivery model
16	RES	Inability to maximise the capital receipts to underpin the Council's Capital Programme and support the delivery of the MTFP
17	RED	Loss of income from planning and building control fees
18	ACE	Lack of a shared understanding around community cohesion
19	RES	Major Interruption to IT Service Delivery
20	RES	Council Services will not be operating effectively due to inadequate level of IT service delivery to end users
21	RES	Due to the amount of change occurring across the Council, the potential for fraud and error is increasing (Corporate Strategic Risk)
22	RES	The New Revenues & Benefits & attendant Cash Management and Document flow systems will not be successfully implemented
23	ACE	Breach of legal requirements regarding management of data and information, resulting in the issue of an Enforcement Notice
24	RES	Legal Services unable to meet requirements of Directorates for legal work.
25	AWH	Work Related Stress - STAFF

Ref	Service	Risk
26	RES	The corporate approach to managing procurement across the Council is not consistently applied.
27	RES	Impact of delays in implementing the FMS Migration Project
28	ACE	Incompatibility / inconsistency of organisation's & partners' performance management frameworks
29	NS	Failure to embed health and safety policies, practices and procedures across the Neighbourhoods Service
30	ACE	Uncertain position regarding physical condition, H&S reqts, DDA reqts and management practices around Community Buildings
31	ACE	Failure to effectively deliver the Corporate Improvement Programme (Corporate Strategic Risk)
32	NS	Extreme weather conditions result in inability to treat priority networks 1 & 2
33	RES	Commercial and complex litigation cases outside the capacity of Legal and Democratic Resources
34	RES	Interruption to service delivery due to the unavailability of accommodation
35	RES	The Council's ICT will be inadequate due to poor integration between ICT services and the rest of the organisation
36	CYPS	Uncertain, large-scale financial demands (e.g. on Safeguarding and Specialist Services), leading to breached MTFP targets.
37	RED	Increase in concessionary Fares leading to budget deficit.
38	ACE	Failure of Area Action Partnerships to fulfill their remit to engage, empower, lead action & review performance in local areas.
39	ACE	Failure to meet organisational goals on Equality and Diversity within the Council, and across the County
40	RES	Failure to comply with legislation (Data Protection Act, Freedom of Information Act, Copyright Act, H&S, etc.)
41	RES	Existing accommodation does not meet the requirements of the Council
42	ACE	Failure to maintain strong working relationship with the 7 VCS infrastructure organisations
43	ACE	Failure to understand and respond appropriately to representations from the community
44	RES	Council loses challenges because of unlawful calling of meetings.

Corporate Theme – Altogether Wealthier

Ref	Service	Risk
45	RED	The loss of Area Based Grant funding results in the CDEP failing to narrow inequality and deprivation gaps
46	RED	Diminishing Capital Resources, continuing depressed land values and slow growth in the private sector will impact on the ability to deliver major projects and Town initiatives within proposed timescales.
47	RED	Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.
48	RED	Reduced future allocations of deprivation based grants to county resulting from changes to Council's new deprivation status.

Ref	Service	Risk
49	RED	East Durham Homes additional Government funding is not forthcoming due to Government cut backs.
50	RED	Government policy and the weakening regional governance arrangements could result in greater difficulty in promoting County Durham's economic interests.
51	RED	Constrained staff resources reduces the ability to identify investment opportunity.
52	RED	Inability to provide additional low cost affordable accommodation.

Corporate Theme – Altogether Better for Children and Young People

Ref	Service	Risk
53	CYPS	Children/families experience lack of interface between Adult/Children's Services as a result of failure to work closely together
54	CYPS	Failure to deliver integrated services (incl NHS) by Sept 2011, resulting in breach of grant condition and missed MTFP targets.
55	CYPS	Failure to deliver the restructured BSF programme on time and with minimal service disruption (Corporate Strategic Risk)
56	RED	Failure to adequately support young people into employment or training

Corporate Theme – Altogether Safer

Ref	Service	Risk
57	RES	Disused mine workings of the Coal Authority on DCC land resulting in serious injury or financial claims against the Council
58	CYPS	Failure to protect child from death or serious harm (where service failure is a factor or issue) - CYPS
59	AWH	A service failure of Safeguarding leads to death or serious harm to a service user.
60	ACE	Failure to meet our statutory duties to prepare for, respond to and recover from a major incident or interruption and continue to provide essential services both internally & to the public. (Corporate Strategic Risk)
61	AWH	Unauthorised encampment
62	AWH	Gypsy and Travellers Sites Health and Safety
63	AWH	Violence and Aggression Staff
64	AWH	Lone Working – Staff
65	AWH	Inadequate and ineffective emergency planning in AWH
66	RES	Increased risk of accidents occurring due to staff lack of awareness of H&S policies and procedures
67	RED	Serious injury or loss of life due to Safeguarding failure (Transport Service)
68	ACE	Darlington Borough Council terminates Civil Contingencies SLA

Corporate Theme – Altogether Healthier

Ref	Service	Risk
69	AWH	Potential financial, operational and reputational risks arising from proposed NHS Reforms
70	AWH	Inability to manage markets for the delivery of Adult Social Care Services
71	AWH	Potential failure in the external care provider market resulting in the closure of residential care homes
72	CYPS	Failure to meet escalating costs of external and high-cost placements effectively
73	AWH	Inability to transform social care infrastructure and support systems in line with personalisation/transformation requirements
74	AWH	Management and administration of service users medications

Corporate Theme – Altogether Greener

Ref	Service	Risk
75	NS	Failure to identify and effectively regulate Contaminated Land
76	NS	Failure to effectively develop the proposed Waste Management Solution (Corporate Strategic Risk)
77	RES	Failure to achieve targeted CO2 reductions
78	NS	Damage to Highways assets as a result of a severe weather event.
79	RES	Failure to deliver a carbon free/ neutral pilot school (Brandon or Esh)

This page is intentionally left blank

Audit Committee

26 May 2011

Review of Strategic Risk Management



Report of Corporate Management Team

Don McLure, Corporate Director, Resources

Purpose of the Report

1. The purpose of this report is to demonstrate the outcome of the review of the Council's strategic risk management framework by Zurich Municipal. It also provides evidence to support the Annual Governance Statement.

Background

2. Zurich Municipal was commissioned by the Council to undertake an independent review of the Council's approach to business risk management. The purpose was to establish the effectiveness of the current business risk management arrangements, make recommendations for improvement, and stimulate discussion within the Council about how best to take risk management forward.
3. Corporate governance, inspection and regulation criteria demand that robust and demonstrable risk management and internal control mechanisms are embedded at all levels of the organisation. The Council's current Risk Management framework, process and methodology have been evaluated against best practice and Zurich's extensive experience. The work was completed in January 2011 in two parts by Alan Ross, a Strategic Risk Management Consultant with Zurich Management Services Limited. The first was a review of current risk management documentation used and held by the Council. The second involved spending two days on site interviewing key managers and officers involved in the risk management process. This report is a summary of the output from the work. A number of recommendations have been made and Appendix 2 contains a list of these. A more detailed report is available if required.

Conclusion

4. Overall the Council's risk management arrangements are robust and effective, work well and are of benefit to the managers that use it. The recommendations in this report could be described as enhancements for further embedding risk management within the Council. In summary, the main conclusions of the review were:

- The Council is already working innovatively – taking opportunities – in a number of areas to deliver benefits for the people it serves.
 - There is buy in and active engagement at a senior level. Senior managers see value in the process and understand its importance in decision making and the general running of the organisation.
 - The risk management approach and process used within the Council is mature and well established. Officers do gain benefit from the process and the support of the risk management team, and others, in managing their significant risks.
 - There is strong support for Officers and Members from the risk team and service risk managers. There is also recognition that the process must add value and must change to remain relevant to the needs of managers.
 - Actions to manage the significant risks are identified and monitored to ensure they are carried out.
 - Almost universally, and without prompting, the process and support received is described in positive terms. This is probably down to three broad factors:
 - there is buy in and active engagement at a senior level.
 - the level of support from the risk team and service risk manager.
 - the desire to make the risk management process one that adds value to what the Council does, rather than act as a break.
5. In many ways the process used is fully effective but there are some improvements Officers would like to see, and during the interviews a number of themes emerged. These included:
- Maintaining a high profile for managing risks within the Council.
 - Enhanced challenge and scrutiny from officers and Members of the risk information they see.
 - Gaining greater confidence around how risks are managed in key programmes and projects.
 - Improving how risk management is done within other key business processes, such as procurements and partnerships.
6. However, risk management is not an end in itself. Risk management should be about building resilience within an organisation – the ability to withstand change and uncertainty; the ability to come through uncertainty stronger; and the ability to recover from problems if they do arise. This is the key challenge in any risk management system and it should be the basis for considering any changes to the current system.

Next Steps

7. There are 13 recommendations in total. These recommendations are highlighted in bold in Appendix 2, and will be discussed by the Corporate Risk Management Group, and an action plan agreed on how

best to respond to them. Any appropriate changes will then be made to the relevant risk management documentation.

8. The report is not intended to set out a prescriptive list of recommendations but to create debate and discussion about how the Council could better approach risk management in the future. Nor should this report take anything away from the good progress that has been made over the years in developing an effective and value adding system of risk management.
9. Following on from the Health Check it is recommended that the CRMG consider the recommendations made in this report, and how to implement them:-
 - If changes are made then the relevant documents should be updated as soon as reasonably possible to reflect any changes.
 - An action plan to implement any changes should be agreed and then reviewed periodically.

Recommendation

Audit Committee to note the contents of the report.

Contact: David Marshall Tel: 0191 3834311

Appendix 1: Implications

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

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

Equality and Diversity - None

Accommodation - None

Crime and disorder - None

Human rights - None

Consultation - None

Procurement – None.

Disability Discrimination Act – None.

Legal Implications – None.

Appendix 2: Observations and Recommendations

1. If managers do not find the risk management process of benefit it will lose momentum. **New ways of keeping risk management relevant to managers should be explored.** This might include using CRMG in a different way to look at current topics in a bit more depth, or by inviting in 'expert' speakers.
2. Often risk management can become internally focused. **Care should be taken to ensure that key strategic risks arising from external causes are considered as part of the risk management process.**
- 3a. Each risk is assessed for its 'Gross risk'. This can become a theoretical or academic exercise and may not add value to the overall process. **Consideration should be given – along side recommendation 3b – to dropping this requirement.**
- 3b. Where risks are to be managed it is important to managers to have a clear idea of what the target is: the level of risk that will be accepted by the Council. **Consideration should be given to adopting a target risk score.**
4. Senior managers need assurance that the risks being reported to them are being addressed adequately. **Risk actions should be reported to CMT and the Audit Committee.**
5. **If recommendation 3b is adopted then senior managers should have the target risk score reported to them.**
6. A recognised weakness is the time taken for risk information to get from a service level, through CRMG to CMT, and then onto Members. **CMT should consider if it is possible to streamline this process to ensure the information Members receive is not out of date.**
7. Risk management information, as far as possible, should be open to all in the organisation. **Consideration should be given to publishing the current risk register for each Service on the intranet.** This may be used to encourage involvement from those not directly involved in the process.
8. Risk management is not entirely about what can go wrong. Often opportunities arise from risks, or opportunities may arise in how the Council can respond to risks. It is important that these opportunities for improvement or innovation are not lost. **Consideration should be given as to how these opportunities can be recorded and followed up.**
9. Significant projects within the Council do have risk registers in place. However it is not clear how programme risks are managed. **Consideration should be given as to how best to ensure risks relating to programmes are identified and managed appropriately.**

10a. Member engagement in risk management is important. Members should feel confident in their ability and responsibility to effectively challenge and scrutinise risk management information. **A short briefing session outlining these responsibilities and how to do it could be beneficial.**

10b. **As part of this briefing it may be useful to give Members a short toolkit outlining the process, their responsibilities and the key questions they should be asking when presented with risk information.**

11. When risk information is presented to Members in Key Decision reports it often contains information about what could be done to manage the risks. These actions are not always carried over into an appropriate plan, risk register or other document. **Consideration should be given as to how to ensure these actions are carried out.**

12a. The Council's partnership governance framework document is currently under review. **Consideration should be given as to how risks can best be managed in the significant partnerships the Council is involved in.** The first step in this is identifying what is a significant partnership. These could be identified using a simple risk grading system.

12b. Partnerships, procurements and the supply chain will be increasingly important for the Council and the delivery of core services. These may also be areas of higher risk. **Consideration should be given to developing a short toolkit to help managers to identify and manage risks in these important areas.**

13. Risk management and performance management are closely aligned, although often the two can be seen as separate or done without reference to the other. **Consideration should be given as to how performance and risk can be better aligned.** This might be done through updating risk registers as part of the regular performance clinics the Council runs.

Audit Committee

26th May 2011

**Internal Audit Progress Report
Quarter Ended 31st March 2011**



Report of Manager of Internal Audit & Risk

PURPOSE OF THE REPORT

- 1 The purpose of this report is to inform members of work carried out by Internal Audit during the period January to March 2011.
- 2 The report aims to:
 - Provide a high level of assurance, or otherwise, on internal controls operated across the Council that have been subject to audit
 - Advise you of significant issues where controls need to improve to effectively manage risks
 - Advise you of any planned reviews carried over to 2011/12
 - Advise you of pro-active and reactive value added work carried out
 - Track progress on the response to audit reports and the implementation of agreed audit recommendations
 - Provide an update on our performance indicators comparing actual performance against planned where measurable at this stage

BACKGROUND

- 3 Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations.
- 4 The 2010/11 Internal Audit original plan was agreed at CMT and the Audit Committee on the 31st March 2010 and 20th May 2010 respectively.
- 5 Subsequent to the approval of the original plan a number of amendments have been agreed in consultation with Corporate Directors and reported to Committee throughout the year.
- 6 In accordance with our internal audit charter, we will give an assurance opinion on the effectiveness of internal controls each time we complete an assurance review.

7 We define our assurance opinions as follows:

Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives
Substantial Assurance	Whilst there is a sound system of control, there are some minor weaknesses, which may put some of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some significant / serious weaknesses, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key areas in the system of control, which put the system objectives at high risk.
No Assurance	Control is generally weak as controls in numerous key areas are ineffective leaving the system open to high risk of error or abuse

8 It is managers' responsibility to ensure that effective controls operate within their service areas. However, we undertake follow up work to provide independent assurance that agreed recommendations arising from audit reviews are implemented in a timely manner.

9 The method of audit follow up will vary according to the risk category of the recommendation.

10 We define the priority of our recommendations arising from each audit as follows:

High	Action that is considered imperative to ensure that the control system is not exposed to high risk from weaknesses in critical or key controls
Medium	Action required to ensure that the control system is not exposed to significant risk
Low	Action that is considered desirable to address minor weaknesses in control that should result in enhanced control or better value for money

PROGRESS AGAINST PLANNED WORK

11 Of *original* planned audit reviews:

- 138 Audits have been completed (draft report or final report issued)
- 27 Audits are in progress
- 29 audits are yet to start and have been carried over to 2011/12

- 58 Audits have been cancelled
- 12 Audits cancelled during the year have, wherever possible, been agreed in consultation with service managers. Any audits considered a priority for review in 2011/12 have been incorporated into the interim audit plan covering the period April – June approved by Committee at the last meeting. Other work cancelled, that is considered still relevant, is to be considered as part of the development of the annual audit plan for 2011/12.

SIGNIFICANT ISSUES

OUTSTANDING MANAGEMENT RESPONSES TO DRAFT REPORTS

- 13 Despite reminders having been issued, responses to two draft reports remain overdue. (More than 30 days since issue of draft report).
- 14 Until such time as draft reports are finalised and any recommendations made to address control weaknesses are agreed, target dates for implementation are inevitably delayed increasing the potential risk from the control weaknesses identified.

RESPONSE TO AGREED AUDIT RECOMMENDATIONS

- 15 All high risk recommendations arising from each audit review have been reassessed in terms of their impact on the authority’s overall control environment. This reassessment has been determined using the following definitions.

High	Major adverse impact on the achievement of the Authority’s objectives if risk not effectively managed
Medium	Significant adverse impact on the achievement of the Authorities objectives if risk not effectively managed
Low	Minimal adverse impact on the achievement of the Council’s objectives if risk not adequately managed

- 16 To provide assurance that any actions required to address risks defined through these High and Medium categories have been effectively addressed, details of all such recommendations that have not been implemented within the agreed target date are reported. It is pleasing to note that all recommendations previously reported, although not all yet fully implemented, are progressing and where necessary agreed targets dates for full implementation have been agreed and will continue to be monitored.
- 17 To provide independent assurance that adequate progress is made in the implementation of agreed recommendations at the appropriate service operational level, all high and medium recommendations contained within actions plans within individual audit reports are followed up by internal audit. In addition, listings of all recommendations outstanding at the end of each

month are produced and issued to a nominated directorate representative to assist in services' own internal monitoring processes.

VALUE ADDED WORK

- 18 All planned internal audit reviews are designed to add value as they provide independent assurance, through evaluation and challenge, on the adequacy and effectiveness of arrangements in place to manage risks thereby improving the organisation's operations. This evaluation and challenge supports the effective and efficient use of resources and VFM.
- 19 Through our advice and consultancy work we are able to add value proactively and reactively.
- 20 Reactive work involves responding to ad-hoc requests for advice and reviews added to the plan to address new or emerging risks. It also includes responding to potential fraud or irregularities. This work is normally delivered from the contingency provision within the plan.

PERFORMANCE INDICATORS

- 21 A summary of our actual performance compared to agreed target performance indicators is given in Appendix 2.
- 22 As can be seen the % of planned assurance reviews complete (55% original plan, 70% of revised plan), is well below the original target of 90%. If work in progress is considered the outturn position is 65% and 80% respectively.
- 23 This lower than expected outturn performance is due to:
 - Reduction in audit days available due to retirement, secondment and unusual high levels of long term sickness
 - Inadequate contingency provision to respond to new or emerging risks
 - Changing priorities within services leading to requests to defer work
 - Changing priorities due to new or emerging risks
 - Assurance being provided through other source so no added value
 - Inadequate provision for fraud and irregularity work
 - Inadequate provision for follow up work
 - Volume of other unplanned work
 - Some reviews no longer relevant due to external circumstances
 - Inadequate provision to complete work in progress carried forward from last year
 - Some reviews taking longer than originally expected
 - Over programming element to maintain flexibility over the timing of work

RECOMMENDATIONS

- 24 Members are asked to note the progress made on delivering the internal audit plan for 2010/11 together with that made by service managers in responding to the work of internal audit to gain assurance on the adequacy and effectiveness of the Council's internal control environment.

Contact: Avril Wallage Tel: 0191 383 3537

Appendix 1: Implications

Finance

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

Staffing

None

Risk

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

Equality and Diversity

None

Accommodation

None

Crime and disorder

None

Human rights

None

Consultation

None

Procurement

None

Disability Discrimination Act

None

Legal Implications

None

Appendix 2

Performance Indicators for 2010/11

Objective: To provide maximum assurance to inform the annual audit opinion			
Efficiency	Measure of Assessment	Target & (Frequency of Measurement)	Q4 Actual
KPI			
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage as at 31 st	90% (Quarterly)	55% (adjusted to 65% when work in progress considered 70% of revised approved plan (adjusted to 80% when work in progress considered)
Timeliness of Draft Reports	% of draft reports issued within 30 Calendar days of end of fieldwork/closure interview	90% (Quarterly)	91%
	Average time taken is also reported for information		12 days on average
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response	95% (Quarterly)	92%
	Average time taken is also reported for information		5 days on average
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)	96%
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)	97%
Quality	Objective: To ensure that the service is effective and adding value		
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Quarterly)	99%
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (4 out of 5) where 1 is poor and 5 is very good	100% (Quarterly)	87% Overall average score 4.49

Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	56%
Cost	Objective: To ensure that the service is cost effective		
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
Cost per chargeable audit day	CIPFA Benchmarking Club – Comparator Group (Unitary)	Lower than average (Annually)	Not yet available

Audit Committee

26 May 2011

**Final Accounts – Consolidated Action
Plan - Update**



Don McLure, Corporate Director Resources

Purpose of the Report

- 1 The purpose of the report is to update Members on the progress being made on the Action Plan to address the concerns raised by the Audit Commission in their Interim Governance Report for 2009/10 and the Annual Governance Reports.

Background

- 2 The reports presented to Audit Committee previously provided Members with the issues raised by the County Council's External Auditors, the Audit Commission, and an Action Plan to address weaknesses identified.
- 3 Appendix 2 details the original tasks identified for monitoring progress. It has been updated to show the current position on the tasks. The process of changing our Financial Reporting to be compliant with International Financial Reporting Standards (IFRS) is also included.
- 4 Appendix 3 provides members with an updated position in relation to key reconciliations that were originally identified.

Progress

Final Accounts Timetable

- 5 Since the last report, a final accounts timetable for closure of the 2010/11 Annual Accounts has been devised for the County Council and the Pension Fund. The timetables detail the tasks and the completion dates that will allow the Corporate Director to sign and date the Statement of Accounts and certify that it presents a true and fair view of the financial position of the County Council as at 31 March 2011 by 30 June 2011.

Reconciliations

- 6 The key reconciliations that have been, and are to be completed and reviewed are shown at Appendix 3. This shows the date up to which the key reconciliations are complete.

- 7 There remain a number of activities that have not been completed that will need to be cleared before the Accounts are closed. This work is on-going, and additional staff are being utilised to complete these tasks. It is envisaged that some of the reconciliation work will continue whilst the Statement is being completed. Any 'material errors' that may be identified that in turn could affect the accounts will be adjusted where need be.

Balance Sheet Control

- 8 As previously reported, during the year the Balance Sheet Control exercise has been undertaken. This is to verify each of the County Council's balance sheet accounting codes in order to ensure that there is control over the balance sheet and that items of current expenditure and income are not being omitted from budgetary control reports.
- 9 This is necessary due to the complexity of the organisation's finance system. It is important to establish accountability in respect of all elements included in the balance sheet.
- 10 The latest balance sheet control exercise was undertaken for the period ended 31 December 2010, however, the balances will all now be verified as part of the final accounts process.

Monitoring Meetings

- 11 Accountants from the central Strategic Finance team and Service areas meet on a weekly basis to share information and discuss issues that are being encountered in closing the accounts.
- 12 This forum is working well and is used to monitor progress against the timetable and draws attention to problems, allows early identification of problems or likely delays.

Capital Accounting

- 13 An ongoing risk to meet the Final Accounts deadline of 30 June is the work needing to be done within the Capital Accounting section of the accounts. This is due to a number of factors; the complexity of the task; the delay in the provision of information following the identification of additional assets and the re-categorisation of assets into their component parts.
- 14 Also, slippage in the production of a Single Asset Register has meant that the Capital Accounting entries need to be calculated using spreadsheets. This adds complexity and volume to the work that needs to be completed by the Capital Team.

- 15 Finally, the requirements of producing the Accounts under International Financial Reporting Standards (IFRS) is an additional pressure on the achievement of the final accounts timetable in this area in particular.

International Financial Reporting Standards (IFRS)

- 16 A report detailing the work plan for preparation of IFRS-compliant Statement of Accounts was presented to this Committee on 18 March 2011.
- 17 The move to IFRS represents a major change to financial reporting and the volume and complexity of IFRS is presenting a major challenge.
- 18 The present position in the move to IFRS-compliant Accounts is that the skeleton accounts have been forwarded to the Audit Commission, but as yet have not been populated with restated 2009/10 figures or 2010/11 figures. Although this is behind the original timetabled date, the work should be completed by 30 June 2011.

Recommendation

- 19 It is recommended that Members note the progress to date in the delivery of the Final Accounts Action Plan

Background papers

Audit Committee Report 18 November 2010 - Final Accounts – Consolidated Action Plan

Audit Committee Report 6 January 2011 - Bank Account Rationalisation

Audit Committee Report 10 February 2011 - Final Accounts – Consolidated Action Plan

Audit Committee Report 18 March 2011 - Final Accounts – International Financial Reporting Standards - Update

Contact: Hilary Appleton Tel: (0191) 383 3544

17 May 2011
p/r/ha02-11

Appendix 1: Implications

Finance -

This is a report that deals with the control of financial issues, and all considerations are dealt with in the body of the report.

Staffing -

None

Risk -

None

Equality and Diversity -

None

Accommodation -

None

Crime and Disorder -

None

Human Rights -

None

Consultation -

None

Procurement -

None

Disability -

None

Legal Implications -

None

Appendix 2: Action Plan

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Assets information	Improve supply of information	Creation of a Single Asset Register	Assets and Strategic Finance	Strategic Finance	Work on this task has stopped in Finance pending completion of the closedown of accounts. A single asset register was not produced in time to use to complete the Accounts. Spreadsheets will be used. Completed Ongoing and behind date in timetable Carried out for Statement of Accounts
		More timely completion of valuations	Assets		
		Provision of information	Assets		
		Review of leases	Assets, Service Finance, Procurement and Strategic Finance		

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Balance Sheet Review	Review of Balance Sheet balances	<p>Balance sheet control – identify the content and purpose of each balance</p> <p>Write-off of balances to revenue where there has been no movement in the balance in the past 12 months and where there is no evidence that the balance should be retained</p>	<p>Service Finance and Strategic Finance</p> <p>Strategic Finance</p>	Strategic Finance	<p>On-going. Will continue to be done during 2011/12</p> <p>Will be reviewed throughout the Final Accounts process – there is still work to do in this area.</p>
	Analytical Review	Review of the movement on all balance sheet codes, particularly debtor and creditor balances and inter authority coding	Service Finance and Strategic Finance	Strategic Finance	Part of Final Accounts process. Due to be completed by services in line with the Final Accounts timetable. Information is due by 27 May 2011.

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
	District Balance Sheet coding – AIM Translations	<p>Ensure that no revenue coding to former District Council balance sheet codes in Oracle</p> <p>Closure of all codes and transfer to services – with the exception of control accounts relating to legacy systems until the implementation of the Revenues and Benefits system.</p>	<p>Service Finance</p> <p>Service Finance and Strategic Finance</p>	Strategic Finance	<p>Revenue balances have been transferred to services and only minor items remain to be allocated to services by 20 May 2011.</p> <p>Codes will be closed as part of the Final Accounts process as account balances are cleared.</p>

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Reconciliations	Reconciliation of all key accounts and feeder systems and evidence of review	System balances - clearing accruals, balances on Projects, stock balances Compliance with Oracle procedures	Service Finance and Strategic Finance Service Finance and Strategic Finance	Strategic Finance	See Appendix 3. There has been some improvement; extra staff resource has been identified to assist in the completion of these tasks. Work will be on-going in this area to ensure that improvements continue to be made. Accruals are now reviewed regularly, and reconciled to 31 March 2011. On-going review.

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Bank Accounts	Review of Bank Accounts	<p>Rationalise the number of accounts</p> <p>Reconcile on a regular and timely basis</p> <p>Ensure the 'housekeeping' arrangements are in place e.g. cancellation of out of date cheques</p>	<p>Strategic Finance</p> <p>Strategic Finance</p> <p>Revenues and Benefits, Creditors and Strategic Finance</p>	Strategic Finance	<p>A separate report was presented to Audit Committee on 6 January 2011.</p> <p>See Appendix 3. All bank reconciliations, apart from Chester-le-Street and City of Durham are reconciled to 31 March 2011.</p> <p>Chester-le-Street and City of Durham are completed to 28 February 2011 and should be completed to 31 March 2011 by 20 May 2011.</p> <p>On-going review.</p>

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Internal charges	Review of internal charges – ‘double countings’	Enforcement of coding protocols Matching of internal debtors and creditors	Service Finance and Strategic Finance Service Finance	Strategic Finance	‘Double countings’ are to be identified by 20 May 2011 as part of the Final Accounts process, subject to final entries being input into the General Ledger.
	Review of Central recharges	A separate group has been established to review the methodology in this area.	Resources Finance	Strategic Finance	A report was considered by the Heads of Finance on 17 February 2011 and recommendations implemented for the Final Accounts. A further review is planned to be undertaken in August to consider the approach for the 2012/13 budget.

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Planning for completion by 30 th June	Planning to complete the Statement of Accounts by 30 th June	<p>Review of closedown timetable</p> <p>Working papers – - central repository</p> <p>- quality assurance</p> <p>Monitoring meetings - Early warning of problems - Sharing of information</p> <p>Review of closedown procedures</p> <p>Technical review of Statement of Accounts by Audit Commission</p>	<p>Strategic Finance</p> <p>Service Finance and Strategic Finance</p> <p>Service Finance and Strategic Finance</p> <p>Service Finance and Strategic Finance</p> <p>Service Finance and Strategic Finance</p> <p>Audit Commission</p>	Strategic Finance	<p>The Final Accounts timetable has been devised and is being delivered.</p> <p>A central repository has been set up for working papers Guidance from the Audit Commission is to be followed.</p> <p>Weekly monitoring meetings are being held with services to identify and resolve issues likely to delay the completion of the Statement of Accounts.</p> <p>To follow completion of the process.</p> <p>Statement of Accounts due to be sent for Technical Review on 15 June 2011.</p>

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Group Financial Statements	Group Accounts	<p>Contacts – for audited accounts e.g. Dale and Valley Homes, CDDC</p> <p>Gathering information</p> <p>Receipt of audited accounts by appropriate date.</p>	<p>Service Finance and Strategic Finance</p> <p>Strategic Finance</p> <p>Strategic Finance</p>	Strategic Finance	<p>Identified and contacted</p> <p>On-going with contacts</p> <p>Timetabled for 13 May 2011. Draft accounts received from East Durham Homes and Dale and Valley Homes. Information is awaited from Premier Waste.</p>
Related Party Transactions	Related Party Transactions	100% completion of returns	Democratic Services and Strategic Finance	Strategic Finance	82 forms have been received from Members. Reminders are to be sent to the remaining 44 Members with a return date of 25 May 2011.

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
GL Reporting	Review of GL Reports to assist Audit Commission	Review of available reports in Oracle Provision of information in the format required by the Audit Commission Link to the Oracle update report – a group is already in existence to consider GL reporting	Strategic Finance Service Finance and Strategic Finance Strategic Finance	Strategic Finance	All reports available in Oracle have been reviewed Discussions on-going with the Audit Commission to provide information analysing balances for our working papers. Outcomes from the Group's work are: <ul style="list-style-type: none"> • Faster production of reports • Real-time reports available to Strategic Finance
Reserves	Reserve accounting	Protocols in place Compliance with accounting procedures	Service Finance and Strategic Finance Service Finance and Strategic Finance	Strategic Finance	Completed for 2010/11 All transactions have been checked and the necessary amendments made.

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
Pension Fund	Review of reconciliations	Reconcile on a regular and timely basis - bank account - key interfaces between systems	Strategic Finance Strategic Finance Strategic Finance and Pensions Group	Strategic Finance	Key balance sheet account codes are to be reconciled monthly in 2011/12 Completed to 31 March 2011 Payroll to General Ledger – completed to 31 March 2011.
	Review of Investment Manager's information	Obtain and review SAS 70 reports from managers Review Managers and Custodian information	Strategic Finance Strategic Finance	Strategic Finance	Receiving reports from managers. On-going review to be implemented. Balancing Managers' reports to General Ledger monthly

Area of Review	Tasks	Components of Task	Responsibility for completion of task	Sign off as complete	Update on Progress
International Financial Reporting Standards (IFRS)	<p>IFRS compliant shadow financial statements</p> <p>IFRS compliant financial statements for 2010/11</p>	<p>Impact assessment and Project Plan</p> <p>Development of IFRS Skeleton accounts based on CIPFA standards</p> <p>Restate 2009/10</p> <p>Restate 2010/11</p>	Strategic Finance	Strategic Finance	<p>Completed</p> <p>Skeleton Accounts completed, to be populated</p> <p>On-going</p> <p>On-going</p> <p>It has been easier, in some cases, to complete the 2009/10 and 2010/11 restatements at the same time.</p>

Appendix 3: Control Sheet – Summary of Key Reconciliation – Update at 13 May 2011

Key Reconciliations	DCC	Chester-le Street	City of Durham	Derwentside	Easington	Sedgefield	Teesdale	Wear Valley
Completed up to								
DCC Bank Account	31-Mar-11	28-Feb-11	28-Feb-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11
Pension Fund Bank Account	31-Mar-11	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Accounts Payable	30-Apr-11	30-Sep-10	31-Mar-10	31-Mar-10	30-Sep-10	31-Dec-10	30-Sep-10	31-Dec-10
Accounts Receivable	30-Apr-11	30-Sep-10	31-Mar-10	31-Mar-10	30-Sep-10	31-Dec-10	30-Sep-10	31-Mar-11
Payroll	31-Mar-11	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Council Tax - Cash								
- IBS to Agresso	n/a	31-Oct-10	28-Feb-11	31-Jan-11	30-Nov-10	31-Jan-11	28-Feb-11	20-Dec-10
- Agresso to Oracle	n/a	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11
Council Tax - Refunds								
- IBS to Agresso	n/a	31-Oct-09	28-Feb-11	31-Mar-11	30-Nov-10	28-Feb-11	28-Feb-11	28-Feb-11
- Agresso to Oracle	n/a	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11
NINDR - Cash								
- IBS to Agresso	n/a	31-Oct-09	28-Feb-11	31-Jan-11	31-Dec-10	31-Jan-11	28-Feb-11	28-Feb-11
- Agresso to Oracle	n/a	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11
NINDR - Refunds								
- IBS to Agresso	n/a	31-Oct-09	28-Feb-11	31-Mar-11	30-Nov-10	31-Oct-10	28-Feb-11	28-Feb-11
- Agresso to Oracle	n/a	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11
Benefits								
- IBS to Agresso	n/a	30-Jun-10	30-Jun-10	30-Nov-10	30-Nov-10	30-Jan-11	30-Nov-10	28-Feb-11
- Agresso to Oracle	n/a	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11
VAT	31-Mar-11	n/a	n/a	n/a	n/a	n/a	n/a	n/a

This page is intentionally left blank

AUDIT COMMITTEE

26TH MAY 2011



ISA620 Letter to 'Those Charged with Governance

Report of the Manager of Internal Audit & Risk

Corporate Director Resources, Don McLure

Purpose of the Report

1. To inform Members of a request made by the Audit Commission, as part of the 2010/11 final accounts audit process, relating to the requirements under International Auditing Standards (UK and Ireland) in respect of preventing fraud and compliance with laws and regulations.
2. A copy of the response from the Chair and a copy of the response provided by the Corporate Director of Resources, in response to a similar request, are attached for information as Appendix 2.

Recommendation

3. Members are requested to note the response provided to the Audit Commission on behalf of the Audit Committee.

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

Appendix 1: Implications

Finance

No direct financial implications

Staffing

None

Equality and Diversity

None

Accommodation

None

Crime and disorder

None

Human Rights

None

Consultation

None

Procurement

None

Disability Discrimination

None

Legal Implications

None

Catherine Banks
Audit Manager
Audit Commission
2nd Floor, Suites B & C,
Nickalls House
Metro Centre
GATESHEAD
NE11 9NH

4th May 2011

Dear Catherine,

**Audit of Durham County Council's Financial Statements
(including Pension Fund Accounts) - Compliance with
International Auditing Standards**

I refer to your email dated 14th February 2011 regarding the above.

I am aware of the response that has already been provided by Don McLure as the Section 151 Officer but would add the following comments from the Audit Committee's perspective.

ISA + 240 - Management processes in place in relation to fraud

How does the Audit Committee exercise oversight of the management processes in relation to fraud?

The Audit Committee is responsible for considering proposed changes to the Council's Counter Fraud and Corruption Strategy and supporting Fraud Response Plan, prior to approval by Cabinet, and is therefore well aware of the management processes in place for identifying and responding to the risk of fraud.

In addition, the Audit Committee receives updates, twice a year, of Counter Fraud Activity and is aware of a number of actions being undertaken or planned to help embed a strong counter fraud culture.

The Audit Committee is advised of any fraud investigations carried out through Internal Audit Quarterly Progress.

The risk of fraud and corruption has also been recognised as a Corporate Strategic Risk and the Audit Committee is kept informed of how this risk is being managed as part of quarterly risk management update reports.

The Audit Committee undertakes an assessment of the risk that the financial statements may be materially misstated due to fraud by considering all the sources of assurances it has available to it on the effectiveness of the control environment. These sources include Internal

Audit, External Audit, management (throughout the Council), risk management, section 151 and monitoring officer and other external review bodies.

ISA+250 - Management processes in place in relation to compliance with relevant laws and regulations

How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?

The Audit Committee is responsible for the annual review of the Council's Local Code of Corporate Governance and approving the Annual Governance Statement and is therefore aware of management arrangements in place for identifying and responding to changes in laws and regulations and any significant governance issues arising as a result.

The Audit Committee gains independent assurance over the effectiveness of the arrangements in place through the work of Internal and External Audit and other external review bodies.

The Audit Committee is not aware of any instances where the Council has not complied with any laws or regulations.

A copy of this response and that provided by the Corporate Director Resources will be presented at the next meeting of the Audit Committee on the 26th May for information.

Yours sincerely

Edward Bell
Chair of Durham County Council Audit Committee

Corporate Director Resources
0191 383 3550
donmclure@durham.gov.uk

Catherine Banks
Audit Manager
Audit Commission
2nd Floor, Suites B & C,
Nickalls House
Metro Centre
GATESHEAD
NE11 9NH

4th May 2011

Dear Catherine,

Audit of Durham County Council's Financial Statements (including Pension Fund Accounts) - Compliance with International Auditing Standards

With reference to your letter dated 14th February 2011 I would like to make the following comments:

ISA + 240 - Management processes in place in relation to fraud

1. ***We seek an understanding of management's assessment of the risk that the financial statements may be misstated due to fraud.***

It is considered that this issue has been addressed through the following responses, and it is considered that adequate processes are in place to prevent a material misstatement in the accounts due to fraud.

2. ***Does management have knowledge of any actual or suspected fraud, and if so what action is management taking to address it?***

Management is aware of a number of proven and potential frauds. The majority of cases relate to housing benefit that have either been disclosed through data matching exercises (Audit Commission and the Housing Benefit Service) or through its own fraud and error investigative procedures. Action taken in response to proven housing benefit fraud is in accordance with the Council's Housing Benefit Sanction Policy. This involves recovery action through court prosecution, or the imposing of administrative penalties or cautions, as considered most appropriate in accordance with the sanction policy.

All other types of potential fraud must be reported to the Head of Internal Audit, in accordance with the Council's Counter Fraud and Corruption

Strategy and supporting Fraud Response Plan, who will then agree, with the appropriate officers, how the matter will be investigated.

The Council has a zero tolerance approach to fraud and proven cases will be dealt with under the appropriate disciplinary procedures and, if considered appropriate, a referral to the Police will be made. Wherever possible sums lost will be recovered through whatever means are available to the Council.

In accordance with the Council's Counter Fraud and Corruption Strategy, proven cases will be publicised to act as a deterrent.

The Head of Internal Audit is responsible for the development and effective implementation of the Council's Counter Fraud and Corruption Strategy and leads on a number of initiatives to help combat fraud through raising awareness of the risks, supported through a dedicated Counter Fraud Officer. Specific communications to staff are through newsletters, staff magazine and a dedicated counter fraud section of the intranet. External communications are through fraud leaflets in customer access points, the Durham County News and a dedicated fraud section on the internet. More work is planned in this area to help embed a strong counter fraud culture across the whole Council, including the development of online fraud awareness training and support for Schools and Governors in raising fraud awareness; and to improve the reporting to senior management. A number of actions identified yet to be implemented are included in various service improvements plans which are monitored on a regular basis.

The risk of fraud and corruption is recognised as a corporate strategic risk and is monitored through the Council's Risk Management processes.

Bi-annual reports are made to the Audit Committee on counter fraud activity and investigations carried out in relation to fraud by Service staff or by internal audit are reported through quarterly progress reports.

3. Does management have any suspicion that fraud may be occurring within the organisation?

Within any organisation of the size of Durham County Council there is the potential for fraud to be occurring. However, the policies, procedures and processes outlined above and the continual further development of raising fraud awareness seek to further embed a strong counter fraud culture.

4. Is management satisfied that internal controls, including segregation of duties, exist and work effectively?

Independent assurance on the effectiveness of the control environment is provided through the Head of Internal Audit's Annual Audit Opinion. This is yet to be finalised for 2010/1 but will be considered by CMT and the Audit Committee shortly.

Corporate Directors also consider other assurance sources and the effectiveness of internal controls operating within their service groupings when providing assurance statements in support of the Council's Annual

Governance Statement (AGS). This is the currently being prepared and will be reported in CMT and Audit Committee in June.

5. *Is management satisfied that staff are encouraged to report their concerns about fraud, and the types of concerns they are expected to report?*

The Council has a Confidential Reporting Code (Whistle Blowing Policy) that is effectively communicated through staff induction and is easily accessible. Work continues to be undertaken as part of the “Combating fraud through awareness”, campaign, reminding staff of their responsibilities to report any concerns, the types of concern they should report and how to do this. Information is available, internally through the intranet and also externally, for members of the public, through the internet, and details several methods of reporting suspected breaches, both to Durham County Council and external fraud agencies/hotlines.

6. *Is management aware of the posts which are considered to be high risk from a fraud and corruption perspective and what action has been taken to manage this risk?*

This is considered as part of the internal audit risk management processes and the overall corporate management practices, policies and procedures in place. The fidelity guarantee insurance provision provides additional redress for any financial loss or exposure. Training continues to be developed that will be rolled out to all employees and further training will be targeted to those staff working in higher risk areas. Internal Audit has also devised an annual counter fraud programme of work, agreed by Corporate Management Team and the Audit Committee as part of their annual audit plan, to provide independent assurance that internal controls are operating effectively in high risk areas.

The Council has an employee Code of Conduct in place that is effectively communicated to all employees through induction and is easily accessible. This outlines the ethical behaviour that is expected of all staff and the processes in place should any member of staff be suspected of breaching this code. Again, work undertaken, and in progress, to raise awareness of the Council’s Counter Fraud and Corruption Strategy will remind staff of their individual responsibility and relevant policies and procedure.

7. *Is management aware of any related party relationships or transactions that could give rise to instances of fraud?*

The Council has an employee Code of Conduct in place which clearly communicates the responsibilities of staff and requires officers to complete declarations of interest where appropriate. It is management’s responsibility to ensure compliance with this Code and to monitor the nature of any interests declared.

The Council has a member’s Code of Conduct in place which clearly communicates the responsibilities of members, during meetings, with regard to declarations of interests. Procedures are in place for the recording, maintaining and monitoring of such declarations.

A register of interests of members and co-opted members of the council, as required under section 81(1) of the Local Government Act 2000, is maintained which details the declaration of financial and other interests.

ISA+250 - Management processes in place in relation to compliance with relevant laws and regulations

8. *What arrangements are in place to ensure the Council complies with all relevant laws and regulations?*

The arrangements in place to ensure the Council complies with all relevant laws and regulations are outlined below.

The Council has a local Code of Corporate Governance developed in accordance with CIPFA/SOLACE guidance. This Code is part of the Council's Constitution and is communicated internally and externally. This is reviewed annually and corporate governance arrangements in place, including those relating to compliance with relevant laws and regulations, are regularly assessed by senior officers. The AGS must be approved by the Corporate Management Team and the Audit Committee.

The Council's Monitoring Officer, the Head of Legal and Democratic Services, is generally responsible for ensuring that all laws and regulations impacting on County Services are disseminated to appropriate service managers and will arrange to brief the Corporate Management Team and Cabinet as considered appropriate on legal issues. Service managers are responsible for ensuring that laws and regulations relevant to their service area are complied with and for ensuring that any legal implications are identified and considered when any reports requiring key decisions are presented to Cabinet.

The Council's Financial Procedure Rules, which are also part of the Council's Constitution, provide the framework for managing the Council's financial affairs. There is specific provision within these procedures for the Chief Financial Officer to report to full Council, and to the Council's external auditors, if the Council or one of its officers:

- Has made, or is about to make a decision which involves incurring expenditure which is unlawful
- Has taken or is about to take any unlawful action which has resulted in a loss or deficiency to the Council
- Is about to make an unlawful entry in the Council's accounts.

I am not aware of any such issue having being reported.

Assurance that risks around compliance with laws and regulations are being effectively managed is provided through the Council's risk management processes. Independent assurance that expected internal controls, devised to manage those risks, are operating effectively is provided through the work of Internal Audit. Some external assurance is also provided through external inspection and review bodies.

9. Are management aware of any instances where the Council has not complied with any laws or regulations?

I am not aware of any instances where the Council has not complied with any laws or regulations.

ISA+501 - Litigation and claims that would effect the financial statements


10. Are management aware of any litigation or claims involving the Council which may result in a material misstatement of the financial statements?

I am not aware of any litigation or claim involving the Council which may result in a material misstatement of the 2010/11 financial statements.

Yours sincerely

D. McLure
Corporate Director Resources

This page is intentionally left blank

Cover Report AUDIT COMMITTEE	
Date of meeting:	26 May 2011
Title of paper:	Pension Fund Audit Opinion Plan
Presented by:	Catherine Banks, Audit Manager - Audit Commission
Purpose:	<p>This paper is presented in line with the Committee's Terms of Reference and its duties under section :</p> <ul style="list-style-type: none"> • Control Environment <p>Our report is presented to allow the Audit Committee to agree the contents of the Pension fund audit plan for the 2010/11 audit, in line with the Audit Committee's Terms of Reference, section 4.1.21 'To review external audit reports and the annual audit letter and ensure that there are appropriate arrangements in place to address any areas of improvement identified and to inform the operation of Council's current or future audit requirements.'</p>
Executive Summary:	<p>The plan sets out the audit work we propose to undertake for the audit of the financial statements 2010/11 in accordance with International Standards on Auditing (UK&I).</p> <p>We have identified additional risks around the authorisation of journals and the valuation of unquoted investments - Distressed Property fund - with Alliance Bernstein.</p> <p>Early substantive testing is to be undertaken including bank reconciliations.</p> <p>Weekly progress meetings will take place during the audit between auditor and officers and planned outputs discussed and agreed with officers.</p> <p>The fee for the audit was agreed in June 2010 at £42,500.</p>
Committee Actions / Recommendations:	The Committee is asked to agree the contents of our audit opinion plan.
Legal Issues:	N/A
Author:	Catherine Banks, Audit Manager - Audit Commission
Date:	17 May 2011

This page is intentionally left blank

Audit opinion

plan

Durham County Council Pension Fund

Audit 2010/11

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Contents

Introduction	2
Responsibilities	3
Fee for the audit	4
Specific actions Durham County Council Pension Fund could take to reduce its audit fees.....	4
Auditors report on the financial statements	5
Materiality	5
Identifying opinion audit risks.....	5
Identification of specific risks	6
Testing strategy	7
Key milestones and deadlines	8
The audit team	9
Independence and objectivity	9
Meetings	9
Quality of service	10
Planned outputs.....	10
Appendix 1 Basis for fee	11
Appendix 2 Independence and objectivity	12
Appendix 3 Working together	14
Appendix 4 Glossary	15

Introduction

This plan sets out the audit work that I propose to undertake for the audit of financial statements 2010/11.

1 The plan is based on the Audit Commission's risk-based approach to audit planning, which assesses:

- current national risks relevant to your local circumstances; and
- your local risks.

2 I will discuss and agree this plan, and any reports arising from the audit, with the Audit Committee.

Responsibilities

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

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

4 I comply with the statutory requirements governing our audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice.

5 Specifically, the work of auditors on pension fund accounts is defined by the Auditing Practices Board practice note 15 on the audit of pension fund accounts.

Fee for the audit

The indicative fee for the audit is £42,500.

6 The fee for the audit is £42,500, as indicated in my letter of 28 June 2010.

7 In setting the fee, I have assumed that:

- the level of risk in relation to the audit of accounts is consistent with that for 2009/10; and
- good quality, accurate working papers are available at the start of the financial statements audit, including working papers to support the restatement of 2009/10 balances to comply with International Financial Reporting Standards (IFRS).

8 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee. Where this is the case, I will discuss this first with the Corporate Director Resources and I will issue supplements to the plan to record any revisions to the risk and the impact on the fee.

9 Further information on the basis for the fee is set out in appendix 1.

Specific actions Durham County Council Pension Fund could take to reduce its audit fees

10 The Audit Commission requires its auditors to inform audited bodies of specific actions it could take to reduce its audit fees. As in previous years, I will work with staff to identify any specific actions that the Pension Fund could take and to provide ongoing audit support.

Auditors report on the financial statements

I will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).

11 I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view of the financial position of the Pension Fund as at 31 March 2011.

12 I am also required to review the pension fund annual report as per the LGPS regulations 1997.

Materiality

13 I will apply the concept of materiality in both planning and performing the audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying opinion audit risks

14 I need to understand fully the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. I do this by:

- identifying the business risks facing the Pension Fund, including assessing your own risk management arrangements;
- considering the financial performance of the Pension Fund;
- assessing internal control - including reviewing the control environment, the IT control environment and Internal Audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Pension Fund information systems.

Identification of specific risks

I have considered the additional risks that are appropriate to the current opinion audit and have set these out below.

Table 1: **Specific risks**

Specific opinion risks identified

Risk area	Audit response
<p>A number of journal risks have been identified.</p> <ul style="list-style-type: none">■ Not all journals are authorised.■ Supporting documentation not required for all journals. <p>The associated risk is that inaccurate or inappropriate journals could be posted.</p>	<p>We will substantively test all material journals.</p>
<p>Valuation of unquoted investments with Alliance Bernstein.</p> <p>As at 31 March 2010 the value of unquoted investments held in the Distressed property Fund managed by Alliance Bernstein was £15 million (value at 31 December 2010 - £26 million).</p> <p>In 2009/10, the Council were not able to reconcile the value of the Distressed Property Fund, resulting in a £5 million uncertainty on the value of the Fund.</p> <p>The risk for 2010/11 is that officers do not obtain adequate assurance on the value of the distressed property fund, and that there may be a material uncertainty in the Pension Fund accounts.</p>	<p>Additional substantive testing to be undertaken.</p>

Testing strategy

On the basis of risks identified above I will produce a testing strategy which will consist of testing key controls and/or substantive tests of transaction streams and material account balances at year end.

15 I can carry out the testing both before and after the draft financial statements have been produced (pre- and post-statement testing).

16 Wherever possible, I will complete some substantive testing earlier in the year before the financial statements are available for audit. I have identified the following areas where substantive testing could be carried out early.

- Review of accounting policies.
- Review of opening balances.
- Bank reconciliation.
- Timeliness of contributions receivable.
- Membership numbers.
- Year-end feeder system reconciliations.

Where I identify other possible early testing, I will discuss it with officers.

17 I will also seek to rely on the work of other auditors and experts, as appropriate, to meet my responsibilities. For 2010/11, I plan to rely on the work of experts in the following areas.

- Hewitt Associates Limited for the actuarial valuation of Durham County Pension Fund and related entries and disclosure notes.
- Price Waterhouse Coopers for an assessment of actuarial assumptions.

Key milestones and deadlines

The Pension Fund is required to prepare the financial statements by 30 June 2011. I am required to complete the audit and issue the opinion and value for money conclusion by 30 September 2011.

18 The key stages in producing and auditing the financial statements are in Table 2.

19 I will agree with you a schedule of working papers required to support the entries in the financial statements. The agreed fee is dependent on the timely receipt of accurate working papers.

20 Every week, during the audit, the audit team will meet with the key contact and review the status of all queries. I can arrange meetings at a different frequency depending on the need and the number of issues arising.

Table 2: **Proposed timetable**

Activity	Date
Control and early substantive testing	February - June 2011
Receipt of accounts	By 30 June 2011
Sending audit working papers to the auditor	By 30 June 2011
Start of detailed testing	July 2011
Progress meetings	Weekly
Present report to those charged with governance at the audit committee	29 September 2011
Issue opinion	By 30 September 2011

The audit team

Table 3 shows the key members of the audit team for the 2010/11 audit.

Table 3: **Audit team**

Name	Contact details	Responsibilities
Cameron Waddell District Auditor	c-waddell@audit-commission.gov.uk 0844 798 1636	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive.
Catherine Banks Audit Manager	c-banks@audit-commission.gov.uk 0844 798	Manages and coordinates the different elements of the audit work. Key point of contact for the Director Corporate Resources.
Sharon Liddle Team Leader	s-liddle@audit-commission.gov.uk 0844 798 1635	Team Leader. Key point of contact for the Head of Strategic Finance.

Independence and objectivity

21 I am not aware of any relationships that may affect the independence and objectivity of the District Auditor and the audit staff, which I am required by auditing and ethical standards to communicate to you.

22 I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised in appendix 2.

Meetings

23 The audit team will ensure we have knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Our proposals are set out in appendix 3.

Quality of service

24 I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

25 If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Planned outputs

26 My team will discuss and agree reports with the right officers before issuing them to the Audit Committee.

Table 4: **Planned outputs**

Planned output	Indicative date
External Audit Plan	March 2011
Annual governance report	September 2011
Auditor's report giving an opinion on the financial statements	September 2011
Final accounts memorandum	November 2011
Annual audit letter	November 2011

Appendix 1 Basis for fee

The Audit Commission is committed to targeting its work where it will have the greatest effect, based upon assessments of risk and performance. This means planning work to address areas of risk relevant to our audit responsibilities and reflecting this in the audit fees.

The risk assessment process starts with the identification of the significant financial and operational risks applying to the [Pension Fund] with reference to:

- my cumulative knowledge of the Pension Fund;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and ongoing audit work;
- interviews with Pension Fund officers; and
- liaison with Internal Audit.

Assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2009/10;
- you will inform me of significant developments impacting on the audit;
- Internal Audit meets the appropriate professional standards;
- you provide:
 - good quality working papers and records to support the financial statements by agreed date;
 - information asked for within agreed timescales;
 - prompt responses to draft reports; and
- there is no allowance for extra work needed to address questions or objections raised by local government electors.

Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee.

Appendix 2 Independence and objectivity

Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).

The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.

International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:

- discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
- confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.

The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the [Council] on matters which are considered to be of sufficient importance.

The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

The Standing Guidance for Auditors includes a number of specific rules.

The key rules relevant to this audit appointment are as follows.

- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.
- Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
- The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional safeguards in the last two years.
- The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.

The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

Appendix 3 Working together

Meetings

The audit team will ensure we have knowledge of your issues to inform our risk-based audit through regular liaison with key officers.

My proposal for the meetings is as follows.

Table 5: **Proposed meetings with officers**

Council officers	Audit Commission staff	Timing	Purpose
Chief Executive	District Auditor (DA)	Quarterly or as required.	General update
Corporate Director Resources	DA and Audit Manager (AM)	Quarterly or as required	General update plus: <ul style="list-style-type: none"> ■ March - audit plan; ■ July - accounts progress; and ■ September - annual governance report.
Principal Finance Officer - Strategic Finance	AM / Team Leader (TL)	Weekly/Quarterly	Update on audit issues as appropriate
Head of Internal Audit	AM	Quarterly or as required.	General update Sharing relevant work.
Audit Committee	DA and AM, with TL as appropriate	Quarterly	Formal reporting of: <ul style="list-style-type: none"> ■ Audit Plan; ■ Annual governance report; and ■ other issues as appropriate.

Sustainability

The Audit Commission is committed to promoting sustainability in our working practices and I will actively consider opportunities to reduce our impact on the environment. This will include:

- reducing paper flow by encouraging you to submit documentation and working papers electronically;
- use of video and telephone conferencing for meetings as appropriate; and
- reducing travel.

Appendix 4 Glossary

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by auditors in accordance with the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor, comprising both the members of the body and its management (the senior officers of the body). Those charged with governance are the members of the audited body. (See also 'Members' and 'Those charged with governance'.)

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and other guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB, which contain basic principles and essential procedures with which auditors are required to comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles that apply to the conduct of audits and with which auditors are required to comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts or accounting statements that audited bodies are required to prepare, which summarise the accounts of the audited body, in accordance with regulations and proper practices in relation to accounts.

Internal control

The whole system of controls, financial and otherwise, that is established in order to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality (and significance)

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

Those charged with governance

Those charged with governance are defined in auditing standards as ‘those persons entrusted with the supervision, control and direction of an entity’.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2011.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131
Fax: 0844 798 2945
Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk

May 2011

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank