Durham
County Council

Audit Committee

Date	**Thursday 29 September 2011**
Time	**10.00 am**
Venue	**Committee Room 1A - County Hall, Durham**

Business

Part A

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

1. Minutes of the meeting held on 28 July 2011 (Pages 1 - 6)

2. Declarations of interest, if any.

3. Final Accounts Update - Oral Report of Corporate Director, Resources

4. Asset Register - Report of Corporate Director, Regeneration and Economic Development (Pages 7 - 10)

5. County Durham and Darlington Community Risk Register (CRR) - Report Civil Contingencies Unit Manager (Pages 11 - 14)

6. Partnership Governance Framework- Report of Assistant Chief Executive (Pages 15 - 20)

7. Update on Duplicate Payments - Report of Corporate Director, Resources (Pages 21 - 24)

8. Annual Governance Statement for the year April 2010 - March 2011 - Report of Corporate Director, Resources (Pages 25 - 46)

9. Internal Audit Progress Report - Quarter ended 30 June 2011 - Report of Manager of Internal Audit and Risk (Pages 47 - 58)

10. Such other business as in the Chairman of the Meeting is of sufficient urgency to warrant consideration.

11. Any resolution relating to the exclusion of the public during the discussion of items containing exempt information.

Part B

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

12. Minutes of the meeting held on 28 July 2011 (Pages 59 - 60)

13. Internal Audit Progress Report - Quarter ended 30 June 2011 - Report of Manager of Internal Audit and Risk (Pages 61 - 94)

14. 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
21 September 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 and D J Southwell

Co-opted Members:

T Hoban and K Larkin-Bramley

Contact: Ros Layfield   **Tel: 0191 383 4205**

DURHAM COUNTY COUNCIL

AUDIT COMMITTEE

At a Meeting of the **Audit Committee** held at the County Hall, Durham on **Thursday 28 July 2011** at **10.00 a.m.**

Present:

Councillor E Bell in the Chair

Members of the Committee:

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

Co-opted Member

Mr T Hoban

Apologies for absence were received from Councillor B Harrison, and Ms K Larkin-Bramley.

1   Minutes

The Minutes of the meeting held on 30 June 2011 were agreed as a correct record and signed by the Chairman.

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

In relation to point 1 on the Action Plan concerning the payment of invoices, the Corporate Director, Resources advised that the project was on track with the results in quarter 1 being encouraging. Members noted this would be the last update on the position.

The Plan would be updated accordingly.

2   Declarations of Interest

Declarations of interest were provided by Members of the Committee. A generic declaration of interest would be recorded 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.

Specific declarations were provided by those members on the Pension Fund Committee in relation to item 3, and Councillor D J Southwell, as a Director of East Durham Homes, and Councillor B Myers, Director of Dale and Valley Homes in relation to item 4.

3 Statement of Accounts for the year ended 31 March 2011

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) which presented the Statement of Accounts for the year ended 31 March 2011.

The Corporate Director, Resources advised of the procedure for approval of the accounts, and in his absence his deputy financial officer had signed the accounts by 30 June.

He pointed out that there were two missing notes from the accounts which would be included shortly and these related to segmentation reporting, and agency expenditure. One element of the group financial accounts, Premier Waste, which had not been included by 30 June, were now included in the accounts presented to Committee.

External audit had undertaken an technical review of the accounts, and had flagged up some issues including the segmental reporting, a note on comprehensive income and expenditure, a note on movement statement, and revised entries for the change in council stock valuation. The Corporate Director explained the position of the council stock valuation and the effect this would have on the balance sheet.

Further explanation was requested for the large increase in Investment Management Fees in the pension fund accounts. More details would be provided in the notes to the Accounts at paragraph 12.

Resolved:

That the Statement of Accounts for the year ended 31 March 2011 be noted.

4 2010/11 Final Outturn for General Fund and Housing Revenue Account

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) with details of the Final Outturn for both the General Fund and the Housing Revenue Account (HRA) for 2010/11 including an Annual Treasury Management Report. The report considers both Revenue and Capital.

Clarification was provided on the distinction between Service Direct, Direct Services, and NEWCO, and the classification of a strategic reserve for early retirement/ voluntary costs.

Further clarification was requested on the purpose of the earmarked Planning Reserve, grants/loans made to Durham County Cricket Club and the reason for the high level of slippage on the capital programme within CYPS.
(A response to these queries was subsequently provided to all Committee Members 1st August 2011).

Resolved:

That the report be noted.

5   Draft Annual Report to Council 2010/11

The Committee considered a draft report of the Chair of the Audit Committee that set out the work of the Audit Committee for 2010/11 which would be presented to full Council on 21 September 2011 (for copy see file of Minutes). It set out how the committee had been successful in improving governance across the Council.

Resolved:

That the draft annual report be agreed.

6   The Work of Corporate Risk Management in the Quarter period April – June 2011

The Committee considered a report of the Corporate Director, Resources (for copy see file of Minutes) which highlighted the strategic risks facing the Council, including the status of the corporate strategic risks, and to give an insight into the work carried out by the Corporate Risk Manager and the Corporate Risk Management Group during the period April to June 2011.

The Corporate Director, Resources explained that he was confident of the assessment of the net impact and the net likelihood of the risk relating to 'slippage in delivery of the MTFP'. He advised members of a recent report to Cabinet on the delivery of the savings identified in the MTFP which would give members a level of assurance that this risk was being managed effectively.

Resolved:

The Committee confirmed that the report provided assurance that the strategic risks are effectively being managed within the risk management framework.

7 Bank Account Update

The Corporate Director, Resources provided members with an update on the position with the Authority's bank accounts following a report to the Committee in January that there were 27 different bank accounts in operation. The objective was that by 1 April 2011 the Authority would have 3 bank accounts- one for income, one for giros/ post office payments, and the other for payments. Timescales are however linked to the implementation of the new cash collection system and the housing and council tax benefit systems. There has been some slippage but good progress is being made. The review also highlighted the need to reduce the number of petty cash accounts in operation and the introduction of procurement cards.

Concerns were raised in relation to the implications of cash handling now the cashiering facilities at the former district offices have been removed. The Corporate Director advised he was aware of these risks and that proper policies and procedures had been put in place to address this.

Resolved:-

The Committee noted the update.

8 External Audit Progress Report

The Committee considered a report of the External Auditor (for copy see file of Minutes) that provided the committee with progress in delivering their responsibilities as external auditor.

An update was provided by Cameron Waddell on the current position regarding the completion of the draft financial statement, and advised that they were in the early stages of their audit of the accounts. As reported earlier in the meeting they had undertaken a technical assessment of the accounts and had provided feedback to the Corporate Director, and would continue with their audit.

Resolved:

That the report be received.

Action Plan- Work of Audit Committee- Part A- 29 September 2011

Ref No.	Date of Meeting	Item No.	Title of Report	Action Required	By Whom	Report to Committee (date)/ implemented
1.	6.1.11 28.7.11	8	Bank Account Reconciliation	Six monthly update reports be provided	Corporate Director, Resources	5.1.12
2.	6.1.11	6	Housing Benefit Inspection	Quarterly update reports on progress made in implementing recommendations Verbal Update provided on 26.5.11. Revs & Bens Manager presented on 28.7.11.	Revs & Bens Manager	10.11.11
3.	26.5.11	8	Final Accounts – Consolidated Action Plan Update	The establishment of a single asset register with asset valuations being carried out on a 12-month rolling basis. Quarterly update reports on progress made regarding single asset register and asset valuations. Gerald Derby be asked to attend future meeting	Gerald Darby	29.9.11
4.	30.6.11	3	Annual Internal Audit Report	Report about improvements made to reduce the risk of duplicate payments being made required at a future meeting.	Head of Finance	TBA
5.	30/6/11	13	Interim Governance Report - Response	Action plan to be completed with timescales and reported to Committee	Corporate Director Resources	TBA

This page is intentionally left blank

Audit Committee

29th September 2011

Asset Register

Report of Stuart Timmiss Head of Planning

Ian Thompson Corporate Director of Regeneration and Economic Development

Neil Foster Cabinet Portfolio Member for Regeneration and Economic Development

---

Purpose of the Report

1   The purpose of the report is to provide an update on the development of a Single Asset Register.

Background

2   The Asset Manager.Net has been used by Durham County Council for the purposes of managing DCC land and property information for Asset Management and Capital Accounting purposes for the past 7 years. The Asset Manager.Net is a system developed by the Chartered Institute of Public Finance and Accounting (CIPFA).

3   The Asset Manager.Net contains details of the type and use of Assets, asset valuations, property survey information including Condition Surveys, Suitability and Access Audits as well as benchmarking and performance management information and Capital Accounting information.

4   The existing DCC Asset Register contains land and properties formerly held by Durham County Council but exclude the former district properties (except where Condition Surveys have been conducted on former district buildings). DCC ownership information has continued to be maintained in the Asset Manager.Net system. A single Asset Management system requires the inclusion of all the former district assets into the DCC Asset Manager.Net.

5   As the Asset Manager.Net is both an Asset Management and Capital Accounting system and as such it was critical that Assets and Finance work together sharing the same goal of a Single Asset Register for Durham County Council.

6   The Asset Manager.Net is used by Finance for Capital Accounting and recording details of all land and property transactions including sales,

acquisitions, depreciation and impairments and for producing year end financial reports.

7   In December 2009 Corporate Estates were instructed by Stuart Crowe (former Director of Resources) to undertake a valuation exercise of all former district assets to establish information on all the assets in Durham County Council's ownership following Local Government Reorganisation. The aim was to use this information to create a Single Asset Register and provide detailed property information for Capital Accounting purposes.

8   CIPFA provided spreadsheets referred to as the "IPF spreadsheets" which could be used for the purposes of collating the property information and load into the Asset Manager.Net system. A separate spreadsheet was created for each of the former districts. These spreadsheets are primarily Capital Accounting spreadsheets and as such have formed the basis of year end accounting.

9   The Valuation exercise took longer than anticipated concluding in April 2010 and unfortunately before it was completed Finance required the IPF spreadsheets in order for them to complete the 2009/10 Year End Accounts in March 2010. The spreadsheets were not returned to Assets until October 2010 when work could commence again.

10   The end of the Financial Accounting required the "roll-over" into the next Financial Year (2010/11). This had to be done in both the DCC Asset Manager.Net and the IPF spreadsheets. Following "roll-over" the previous valuation exercise details were then entered into what was then the 2010/11 spreadsheets. Some additional records were also identified and valued and added to the 2010/11 spreadsheets. These additional records were identified through asset management work such as Condition Surveys and the Capital and Assets Pathfinder Project.

11   Finance had instructed Assets to enter all the valuations and transaction into 2010/11 spreadsheets by December 2010 for accounting purposes. In addition Assets had to use the brief window to cleanse the property information in terms of Property Names, addresses, reference numbers, use and service within the spreadsheet and the DCC Asset Register (which also needed to be maintained) before the December deadline.

12   In the spring of 2011 the transition to the International Financial Reporting Standards (IFRS) also impacted on the work that can be done by Assets on the spreadsheets with spreadsheets being passed between Finance and Assets in order to ensure the accounts would be IFRS compliant.

13   Once this was completed Assets had another brief window to work on the spreadsheets until April 2011 when once again Finance requested the spreadsheets in order for the completion of the Year End Accounts 2010/11.

14   It is understood they will not complete this process until the end of September 2011. Until that time there is limited work which can be undertaken on the spreadsheets as the definitive spreadsheets are with Finance not Assets.

15   Work is continuing within Assets to improve the quality of data in the existing DCC Asset Register and producing quality checks to prepare the spreadsheet data for loading into a Single Asset Register once the spreadsheets have been returned from Finance.

16   On the return of the spreadsheets from Finance, Assets will then have a brief window of opportunity to make any revisions to the property details, validate the data in preparation for data loading, upload the data, apply any property transactions to the data required since April 2010, roll-over the new DCC Asset Register into 2011-12 Financial year, apply any property valuations, transactions and changes since April 2011 and prepare the data for the next Capital Accounting deadline understood to be December 2011.

17   While Assets and Finance have attempted to work hand-in-hand and share the same goal of creating a Single Asset Register often the requirements of Finance have taken precedence and hindered the progress and ability of Assets to create a single register.

18   In other areas of work Assets have made excellent progress on mapping our Assets as part of the Capital and Assets Pathfinder. The mapping process will provide new links between the land terrier and the Single DCC Asset Register extending the Pathfinder Area from Durham City to encompass the whole of County Durham enabling place-based asset management.

Recommendations and reasons

7.   The report is for information purposes only.

Contact: Gerard Darby   Tel: 0191 3834528

This page is intentionally left blank

Audit Committee

29ᵗʰ September 2011

County Durham and Darlington
Community Risk Register (CRR)

Durham
County Council

Report of Anthony McDermott, Civil Contingencies Unit Manager

---

Purpose of the Report

1. The purpose of this report is to provide an update of Durham County Council's (DCC) contribution to the Durham & Darlington Local Resilience Forum's Community Risk Register (CRR).

Community Risk Register Update

2. Since the last RAWG meeting the CRR has undergone two version updates, with the current version being v2.5 (June 2011). Key changes are identified below:

   - Northumbrian Water has updated their risk assessments in relation to Generic Reservoirs, loss of water supplies and drought. In addition, Northumbrian Water have also devised a separate risk assessment to be included within the CRR covering Tunstall reservoir, which has been categorised by DEFRA as high risk due to its topographical risks.

   - The Highways Agency has prepared a new risk assessment around closure of the A66 due to severe weather, as this is a frequent occurrence each winter.

   - A number of risk assessments were recently assessed at the last RAWG meeting (7ᵗʰ July) around Chemical & Industrial sites. It was decided that a more localised flavour is needed within these risk assessment to incorporate the Top / Lower tier Control of Major Accident Hazard (COMAH) sites across Durham & Darlington.

   - The Olympics 2012 (competition & torch relay) has been included within the risk assessment 'Large Scale Domestic Events'. However, at each RAWG meeting an update will be given on the progress of Olympic work across Durham and Darlington.

   - Hartlepool Nuclear Power Station is a risk that is to be re-considered at the next meeting due to the recent Fukushima incident (2011), as previously this has been discounted on the basis that it is not within our area.

   - Cyber Security and Transit of Pathogens through Durham & Darlington are also to be considered at the next meeting, as Cyber Security is one the UK's top four risks according to the National Security Council's recent strategy.

Key CRR Risks

3. A full copy of the CRR is available in the Members Library. Currently, the top risks of the CRR are:

    i.   Flooding

    ii. Pandemic Influenza

    iii. Severe Weather

    iv. Fuel Shortages

4. Appendix 2 of this report highlights the key CRR risks for DCC as lead reviewer and risks where DCC have some involvement or may be impacted upon. The two specific DCC risks (H37/H52) are relatively new to the CRR process and their likelihood is rated at 2 on a maximum scale of 5.

Recommendations and Reasons

5. The Audit Committee to note this report

Contact: Anthony McDermott   Tel: 01388 824020

Appendix 1: Implications

Finance - Addressing business continuity and emergency planning appropriately reduces the risk of financial loss.

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

Risk – Not a key decision

Equality and Diversity/ Public Sector Equality Duty - None

Accommodation - None

Crime and disorder - None

Human rights - None

Consultation – The Community Risk Register is a multi-agency developed document.

Procurement – None.

Disability issues – None.

Legal Implications – The Local Resilience Forum is required to have a Community Risk Register under the Civil Contingencies Act 2004 .

Appendix 2: Risk Summary

Key CRR Risks – DCC as Lead Assessor			
Risk Ref	**Description**	**Risk Rating**	**CRR Page No**
H37	International Security Incident resulting in influx of British Nationals who are not normally residents in the UK	Medium	59
H52	Influx of British Nationals from abroad following an outbreak of an infectious disease	Medium	59
Key CRR Risks – DCC as Additional Involvement			
H23	Influenza type disease (pandemic)	Very High	47
HL19	Significant local fluvial flooding	Very High	36
HL20	Localised extremely hazardous flash flooding	High	37
H18	Low temperatures and Heavy Snow	High	38
H17	Storms & Gales	High	39
H48	Heat Wave	High	40
H31	Significant or perceived significant constraint on the supply of fuel at filling stations e.g. industrial action by contract drivers for fuel, or effective fuel blockades at key refineries/terminals by protesters, due to the price of fuel	High	55
H25	Non-zoonotic notifiable animal diseases	High	51
H26	Zoonotic notifiable animal diseases	High	53
H8 / H9	Very Large / Large Toxic Chemical Release	High	15/16
HL2 / HL3	Localised industrial accident involving large / small toxic release	High	10
LRF HL2	Large Scale Public Gathering or Event with the potential to impact on local infrastructure, resources & emergency services	Low	58

Audit Committee

29 September 2011

Partnership Governance Framework

_____

Report of Lorraine O'Donnell, Assistant Chief Executive

_____

Purpose of the Report

1.   To inform Audit Committee of the Partnership Governance Framework (PGF) and Durham County Council's (DCC's) involvement with partnerships and which partnerships will be included in the annual audit plan.

Background

2.   In March 2011 a report was presented to Audit Committee which detailed proposals for reviewing the arrangements for the Partnership Governance Framework. This new approach would

   - Simplify the existing system
   - Eliminate duplication between the PGF and other partnership audit arrangements
   - Provide a system which is more fit for purpose

3.   Officers from Partnerships and Community Engagement and Internal Audit worked together to develop a new Sharepoint based system to collect and store partnership information. The definition of partnership was clarified, to focus effort on those partnerships with a significant strategic or operational role. A training session was held with nominated officers from service groupings before the system was introduced.

Process

4.   Whilst all partnership registration and self assessments have been completed a number of issues arose during this process. The key ones are listed below.

   a.   Link service officers received Sharepoint training at the start of this process however other individuals were later identified as the most appropriate persons to complete the self assessments. These officers were therefore not familiar with the process which led to a delay in form completion.
   b.   Some information which was input to Sharepoint was not saved due to network issues and therefore had to be completed again
   c.   On closer examination of the completed forms some discrepancies were noted and rectified.

Key Findings

5. The Partnership landscape is changing with national policy changes meaning the statutory requirement for some partnerships has been removed as has the 'duty to prepare a sustainable community strategy (SCS)'. The County Durham Partnership (CDP) and DCC however remain strongly committed to the SCS and the CDP framework which includes the five thematic partnerships and the 14 Area Action Partnerships. The CDP is currently undergoing a review and recently held an Away Day to reflect on achievements across the partnership since Vesting Day and to discuss how the partnership can remain fit for purpose in an ever changing environment.

6. The key information gathered by the PGF self assessment exercise shows that DCC is currently involved with 47 partnerships (The agreed definition being 'A partnership exists where two or more independent bodies make an agreement to work collectively to achieve a shared objective, and collectively take decisions on significant financial, operational or strategic issues.') a reduction of eight from 2010, 14 of these are the AAPs and six make up the CDP framework. It was decided whilst reviewing the PGF process to look at the thematic partnership level but not their sub group networks at this stage. Each thematic partnership for example has a range of sub groups or task and finish groups that support the work of the parent partnership. If these groups were included in the PGF the number would double as it currently stands. The exception to this is the Safe Durham Partnership as it is statutory as are many of its sub groups. A full list of the 47 Partnerships is at Appendix one.

7. The table below shows which 'altogether' priority theme partnerships consider they make the most significant contribution towards (scoring 1 on a scale of 1-5, where 1 is most significant, please note that for some partnerships more than one priority theme scored 1 therefore the number shown comes to more than 47).

Priority theme	Number of partnerships
Altogether wealthier	3
Altogether better for children & young people	12
Altogether healthier	14
Altogether safer	16
Altogether greener	9
Altogether better council	5

    a. The table below details numbers of partnerships for each service grouping.

Service Grouping	Number of partnerships
Adults, Wellbeing and Health	23
Assistant Chief Executive (inc 14 AAPs)	16
Children and Young People	4
Neighbourhood Services	3
Regeneration and Economic Development	1

8. The financial support given to AAPs and thematic partnerships has reduced this year whilst the most significant financial commitment continues to partnerships under the Adults, Wellbeing and Health Service Grouping, those with Tees, Esk and Wear Valley NHS Foundation Trust which deliver services to people with learning disabilities and with mental health needs. This, along with the reductions in other partnerships, evidences the Council's commitment to protect frontline services and to look to management cost reductions in the first instance.

9. As partnership working is more and more part of everyone's day job it is not possible to quantify this in any meaningful way. 'Partnerships' are also difficult to define as partners across all sectors work together in a range of different ways.

10. Due to the changing landscape in which we work and the fact that the majority of the work we engage in as a Local Authority is done with a partnership approach, it is proposed to reduce the cost to the authority of resource attached to this process and maximise efficiencies by removing the separate PGF annual reporting to Audit Committee. Officers from PACE and Internal Audit will work together to continuously develop and improve the self assessment questions to ensure that the information gathered is robust and meaningful and focuses on governance arrangements; risk assessments and information sharing which will evidence the partnerships' effectiveness. This information will be used to formulate the Partnership element of the Annual Audit Plan and will be included in the Annual Governance Statement.

Audit Plan 2011/12

11. As previously reported to Audit Committee, the responses from the annual self-assessment exercise were to be analysed to help determine priorities for work to be carried out by Internal Audit as part of a provision made within the ACE service grouping section of the annual programme of work for partnership governance.

12. In preparation of the partnership section of the annual audit plan the responses to the Partnership Self-Assessment were reviewed across the themes of:
    - Rationale for the Partnership
    - Resources of the Partnership
    - Governance Arrangements
    - Serving the Public

13. Particular attention was paid to those responses of 'disagree' and 'don't know', to determine those areas where Internal Audit may be of assistance in the development of processes or current reviews to support the work of the partnerships.

14. Those partnerships where the response of 'agree' was consistently applied were identified to determine those areas where Internal Audit may be of assistance in identifying best practice which can be shared across the partnership base.

15. In consideration of these factors Internal Audit has proposed that the following specific reviews be included in the Internal Audit plan for 2011/12:

- Area Action Partnerships with specific reference to:
  i. Partnership Risk Register (including specific risks to Durham County Council)
  ii. Information Governance

- Local Resilience Forum with specific reference to a current review
- Safe Durham Partnership with specific reference to identifying areas of best practice

Recommendations

16. Audit Committee is requested to
   a. note the content of this report
   b. agree the proposed audit reviews to be undertaken as part of the 2011/12 Annual Audit Plan

Contact: Clare Marshall, Principal Partnerships and Local Councils Officer, Tel: 0191 383 4632

Name of Partnership	Lead Directorate
County Durham Partnership	ACE
Local Resilience Forum	ACE
4 Together Partnership	ACE
Bishop Auckland and Shildon Area Action Partnership	ACE
Chester-le-Street & District Area Action Partnership	ACE
Derwent Valley Partnership	ACE
Durham AAP	ACE
East Durham Area Action Partnership	ACE
East Durham Rural Corridor Area Action Partnership	ACE
Great Aycliffe & Middridge Partnership (GAMP)	ACE
Mid Durham Area Action Partnership	ACE
Spennymoor AAP	ACE
Teesdale Action Partnership	ACE
Three Towns Partnership	ACE
Weardale Action Partnership (WAP)	ACE
Stanley AAP	ACE
Alcohol Harm Reduction Group	AWH
CONTEST (Silver Group)	AWH
County Durham and Darlington NHS Foundation Trust	AWH
County Durham Partnership against Poverty	AWH
County Durham Tobacco Alliance	AWH
Domestic Abuse Form Executive Group	AWH
Durham County Council & Tees, Esk & Wear Valley NHS Foundation Trust Partnership (Mental Health)	AWH

Durham County Council and Tees, Esk & Wear Valley NHS Foundation Trust (Learning Disabilities)	AWH
Health and Wellbeing Partnership	AWH
Joint Strategic Commissioning for Carers	AWH
Joint Strategic Commissioning Group Intermediate Care	AWH
Joint Strategic Commissioning Group Learning Disabilities	AWH
Joint Strategic Commissioning Group Mental Health	AWH
Joint Strategic Commissioning Group Older People's Mental Health	AWH
Joint Strategic Commissioning Group Older People	AWH
LD Partnership Board	AWH
Partnership Board for Older Adults	AWH
Reducing Re-Offending	AWH
Regional Partnership for the DLI	AWH
Safe Durham Partnership	AWH
Safeguarding Adults Board	AWH
Vulnerability Group	AWH
Anti-Social Behaviour	AWH
County Durham Children's Trust	CYP
County Durham Youth Offending Service	CYP
Disability Joint Commissioning Group	CYP
Local Safeguarding Children Board	CYP
County Durham Environment Partnership	NS
County Durham Sport	NS
Fly tipping partnership	NS
County Durham Economic Partnership	RED

Audit Committee

29th September 2011

Update on Duplicate Payments

Durham County Council

Report of Don McLure, Director of Corporate Resources

Purpose of the Report

1. To inform Members of the actions being taken and plans to reduce the Authority's risk of making duplicate payments.

Background

2. In November 2008 Durham County Council implemented a new financial management system, Oracle; one module of which deals with the payments to suppliers. Post Local Government Review it was the intention to migrate from the former District Council legacy payment systems to Oracle, in order that Oracle would become the corporate single system in operation to pay suppliers.

3. This migration occurred gradually, between August 2010 and August 2011. There was therefore a period during which 8 payment systems were operating simultaneously. Managers were aware of the risks associated with operating all payment systems at the same time and therefore sought the assistance of Internal Audit in reporting upon the number of duplicate payments processed in all systems.

Audit Findings

4. Internal Audit reported that a large number of 'potential' duplicate payments were processed between 1st November 2008 and 31st March 2011.

5. During this period duplicate payments had been processed due to a number of reasons as follows:

   - Staff within Services failing to comply with the corporate Procure to Pay (P2P) policy. The P2P policy sets out how to raise a requisition for goods and services, how to proceed to the ordering stage, the requirement to receive goods within Oracle and ultimately how to process the invoice. Duplicate payments had been made due to non-compliance with the P2P policy as detailed below:

     - duplicate purchase orders had been created for the same goods

- purchase orders had been created following receipt of the invoices
- purchase orders had not been created for expected supplies and services
- different order numbers were quoted on copies of the same invoice passed for payment

- Checks and controls in services were not being performed to the standard expected, as copy invoices as well as the originals had been passed for payment

- Invoices had been manually input into Oracle incorrectly. Steps were immediately taken by the Accounts Payable Manager instructing his team on the required format for inputting invoice reference numbers into Oracle

- At the current time Oracle system controls are not capable of detecting all of the types of duplicate payments identified.

Progress to date in addressing duplicate payments

6. Analysing the data and carrying out investigations into the duplicate payments requires the commitment of considerable staffing resource.

7. Internal Audit staff examined their initial findings further to remove all invoices from their report which were definitely not duplicate payments.

8. Following Internal Audit's work, the Accounts Payable team has been tasked with identifying which payments are 'actual' duplicates and subsequently taking steps to recover any overpayments.

9. To date, all duplicate payments with values exceeding £1,000 have been examined and recovery action taken where necessary.

10. Of the invoices addressed so far, only 58 (or 0.53%) of the total number identified were actual duplicate payments. The value of these invoices totalled £107,202, of which £92,571 (or 86.35%) has already been recovered.

Work ongoing

11. An additional member of staff has recently been tasked with managing the potential duplicate payments in order to speed up the recovery process.

12. Accounts Payable staff will continue to examine the invoices identified with values under £1,000 plus any further duplicates as reported.

13. A P2P review is underway which, amongst other things, is addressing the weaknesses in the systems of control within the P2P process; this will inevitably mitigate the risk of making duplicate payments in future.

14. Resulting from the P2P review thus far, the steps taken to improve controls are as follows:

    - Instructions have been sent to all staff involved in requisitioning process to comply with the corporate policy and procedures
    - A variety of management reports are being produced to identify where process improvements should be targeted
    - Staff are working with suppliers for which a high volume of invoices are currently processed in order to consolidate invoices and streamline the invoicing and payment process

15. Letters will shortly be sent to suppliers reminding them of the Council's policy to only pay invoices quoting an official purchase order number and instructing that all invoices be sent directly to the Accounts Payable team for payment.

16. As the Authority encourages the use of procurement cards throughout the organisation the number of invoices being processed will reduce.

17. Work is already underway to scan as many invoices as possible into Oracle. It is anticipated that by the end of December 2011, all invoices received by the Accounts Payable team will be scanned. (Only invoices containing Oracle purchase order numbers are scanned in at present). This removes the need for manual input of data and the potential for mis-typing invoice details. It also optimises the use of electronic workflow within Oracle for querying invoices and minimises the handling of paper invoices.

Options for Improvement

18. There are a number of options currently under consideration:

    - make enquiries with other Local Authorities using Oracle Payables to discover which controls they have in place for the prevention/ detection of duplicate payments

    - commission an external company to investigate the potential duplicate payments and recover the overpayments on behalf of the Authority. This is in return for a fee equivalent to a specified percentage of the sums actively recovered

    - purchase software from a third party supplier for identifying potential duplicate payments prior to processing the payments

    - enter into dialogue with Oracle for a solution to the system controls to avoid duplicate payments

Recommendations

19.   Members are recommended to note:

- the progress made to date to recover the overpayments

- the work being undertaken by the P2P review team to encourage compliance with the corporate policy and address system control weaknesses

- the options being considered to prevent further duplicate payments

Contact:	**Beverley White**	**Tel no. 0191 3834327**

Audit Committee

29 September 2011

Annual Governance Statement for the year April 2010 – March 2011

Durham
County Council

Report of Don McLure, Corporate Director, Resources

Purpose of the Report

1. This report seeks approval of the Final Annual Governance Statement (AGS), attached in Appendix 2.

Background

2. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

3. The Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework – 'Delivering Good Governance in Local Government'. The AGS explains how the Council complies with this code and also meets the requirements of Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a Statement on Internal Control.

Presentation of the AGS

4. In order to prepare the AGS each year, the Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

5. In preparing the AGS, those charged with governance must seek adequate assurance that its corporate governance arrangements are effective and identify any significant areas of improvement. The Change Co-ordination Group (CCG) co-ordinates and oversees the Council's corporate assurance arrangements, and prepares the AGS to demonstrate how far the Council complies with the principles of good governance and recommending improvements, to be published in the Council's Annual Statement of Accounts.

6. In gathering the evidence to prepare the AGS, the following approach has been adopted:

6.1 Consideration of corporate sources of assurance

- Progress made on improvements identified as part of the previous years AGS;
- The identification of key documents, processes and procedures that support the governance framework, many of which may have been revised during the year. This information has been gathered from across the Council, and is recorded in detail;
- The work of those officers who have specific responsibility for the development and maintenance of the governance framework. Key officers confirmed any changes in the governance arrangements since the last review;
- External Audit Annual Report;
- The work of Internal Audit, including the annual opinion on the adequacy of internal control by the Manager of Internal Audit & Risk as set out in the Annual Internal Audit report;
- Current Service and Corporate Strategic risk registers;
- The review of the effectiveness of the system of Internal Audit;
- Partnership governance arrangements;
- Other work undertaken by the External Auditor, the Audit Commission and other review agencies.

6.2 Service assurance on the effectiveness of the governance framework

Corporate Directors and the Assistant Chief Executive were asked to complete an assurance statement, which noted any changes implemented during the 2010/ 11 year, and to identify any improvements required/ planned.

7. A draft AGS was approved by Audit Committee as its meeting on the 30th June 2011. Nothing has come to light since then requiring any amendment and consequently the final proposed AGS, attached at Appendix 2, is unchanged from that previously reported.

8. An action plan, outlining the proposed actions and target implementation dates, is attached in Appendix 3 for your information.

Recommendations and reasons

9. Audit Committee to approve the Annual Governance Statement for 2010/ 11 attached in Appendix 2.

Contact: David Marshall   Tel: 0191 3834311

Appendix 1: Implications

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

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

Risk – Not a key decision

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

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

Crime and Disorder – None.

Human Rights - None.

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

Procurement – None.

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

Legal Implications – Ensuring compliance with relevant laws and regulations, and ensuring that expenditure is lawful, is a key component of effective corporate governance

1.   SCOPE OF RESPONSIBILITY

Durham County Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved, adopted and published on its website, a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework – "Delivering Good Governance in Local Government". This statement explains how the Council has complied with the code and also meets the requirements of Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a Statement on Internal Control.

2.   THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises of the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services for the people of County Durham.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

This sets out the key documents and processes that determine the way the Council is directed and controlled to meet the six core principles of the CIPFA/ SOLACE Framework.   The key elements of the systems and processes that comprise the Council's governance arrangements include:

3.1 Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users

The County Durham Partnership (CDP) is the strategic partnership for the County. The Sustainable Community Strategy 2010-2030 (SCS) produced by the Council in conjunction with its partners on the CDP demonstrates its shared long-term vision for the future of County Durham. This vision for County Durham, namely 'Altogether Better Durham' outlines two areas of focus – **Altogether Better Place** and **Altogether Better for People** and five priority themes, which represent the major issues identified by residents in the Place Survey:
* Altogether wealthier;
* Altogether better for children and young people;
* Altogether healthier;
* Altogether greener;
* Altogether safer.

A comprehensive timetable of consultation was in place to develop the SCS and the accompanying three year action plan, and progress is monitored quarterly by the Cabinet and the CDP to ensure that the vision becomes a reality.   It is based on consideration of a broad range of information and evidence and consultation with a wide range of stakeholders. Since the abolition of the National Indicator set of performance measures due to changes in national policy, work has progressed on developing a locally led performance framework for the CDP to monitor progress. This will be the key framework for measuring performance following the abolition of the Local Area Agreement.

The Council Plan contains the Council's corporate priorities and the key actions to take in support of delivering the longer term goals in the SCS and the Council's own improvement agenda. The Council Plan is supported by a series of Service Plans at a Service Grouping level which details the planned actions to deliver the Council's vision. Priorities within the Council Plan are based on:

* The SCS;
* Current performance;
* External inspection findings including Annual Audit and Inspection Letter, Care Quality Commission annual performance assessment of social care for adults, and a number of countywide inspections carried out by the Audit Commission.

Other governance processes and procedures, such as the Asset Management Plan and Partnership Governance Framework, also make clear links to the Council priorities, to ensure that the impact on achieving them is considered when decisions are made.

3.2 Reviewing the Council's vision and its implications for the Council's governance arrangements

The CDP annually review the SCS to ensure that it remains informative and valuable, and renew it every three years to ensure that our plans remain realistic, achievable within our current resources and soundly based, taking account of national and international developments and other changes. Over 6,500 residents participated in the Countywide resident survey undertaken during the year and provided the Council with excellent feedback on their views on Council services.

The Council considers the governance implications of its actions, and annually reviews its Code of Corporate Governance to ensure that it remains consistent with the principles of the CIPFA/SOLACE Framework – "Delivering Good Governance in Local Government".

The Council has also implemented a system of Extended Management Team meetings consisting of Chief Executive, Directors and Heads of Service which included a programme of activity linked to the strategic management of the Council.

3.3 Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources.

The Council Plan, the SCS, Area Action Partnerships, and the Medium Term Financial Plan (MTFP) contribute into the corporate performance management arrangements, and the Council has a framework of quarterly reporting to Cabinet and Overview and Scrutiny on corporate performance. A Performance Management Report is produced quarterly by all Service Groupings and has been improved significantly during the year. It includes a summary of achievements and identifies areas with significant performance challenges where a more in depth analysis of performance and improvement work should be carried out.

Reports on the budgetary control statement are also considered quarterly by Cabinet. Supporting this, improvements to service delivery are identified and monitored through service improvement plans. The Improvement and Planning Group (IPG) meets fortnightly to discuss Council performance management issues. The Council continually reviews its performance management frameworks, both corporately and across service groupings, and reviews the corporate basket of indicators following the adoption of the Council Plan and Service Plans. It has adopted a new corporate basket of indicators which will present a balanced scorecard of performance across five types of indicator. Similarly, the Delivery & Improvement Group, which reports to the CDP has been transformed into two groups, namely a performance group that will meet quarterly to consider performance, and a strategic group made up of high level officers from the Council, Police, Fire and Health which meets monthly. This latter group considers how key public sector plans for change align, and where efficiencies and greater value for money can be achieved through strategic integration, shared services and joint commissioning.

Significant work has taken place in 2010/11 to update the Council's Medium Term Financial Plan 2011-15 (MTFP) to take account of the large reductions in government grant funding. Savings targets have been developed for each service grouping after taking account of grant reductions and other significant cost pressures. Savings of £66m need to be delivered in 2011/12 and a comprehensive schedule of reviews has been programmed which are designed to achieve the necessary savings to enable us to deliver a balanced budget and MTFP. Detailed and frequent monitoring of this programme is being undertaken by the Change Co-ordination Group, CMT and Cabinet.

All complaints are logged and recorded on the customer relationship management system. The Standards Committee review a quarterly report indicating the number and type of complaints (not relating to the members code of conduct), response times and outcomes. It also states how services have changed practices, procedures or policies as a result of complaints received. These reports can be found on the Council's intranet and website.

The Council's employee performance appraisal arrangements, which are designed around a series of competencies, are a key method of assessing the individual performance of officers, and addressing areas where performance can be improved There is a commitment to introduce 360° appraisals for senior management (Heads of Service and above).

To enable greater local participation in determining the priorities for service delivery, the Council has fourteen Area Action Partnerships (AAPs) covering the whole County. Working via a series of Task and Finish Groups, multi- agency AAPs are fully engaged with identifying and resolving local priorities, and utilise locality budgets allocated to each AAP to drive improvements to service quality. Progress on achieving these improvements is monitored by the AAP Boards.

A Single Equality Scheme has been implemented during the year, and actions from this plan are included in Service Plans.

The performance and quality of service delivery of the Community and Voluntary sectors is measured against a standard Service Level Agreement that they all work to.

3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The key document which clearly describes roles and responsibilities is the Council Constitution. This includes the individual roles and responsibilities of the:
- Leader of the Council;
- Deputy Leader of the Council;
- Executive Member;
- Executive Support Member;
- Chairman of the Council;
- Vice Chairman of the Council;
- Chairman of a Committee;
- Vice Chairman of a Committee;
- Opposition Group Leader;

- Frontline Councillor (Community Leadership and Corporate Roles);
- Corporate Parenting Panel Member;
- Non-Elected Members (for Audit Committee, Overview & Scrutiny Committee, Pensions Committee and the Standards Committee);
- Officers of the Council, including the Chief Executive and other statutory senior management appointments.

Together with the responsibilities for functions such as the:
- Responsibility for Council Functions (which sets out those matters specifically reserved for collective decision of the Council);
- Responsibilities for Executive Functions;
- Officer Scheme of Delegation;
- Joint Committee Arrangements;
- Overview and Scrutiny arrangements;
- The Standards Committee;
- Budget Framework procedures.

To provide clarity for new councillors regarding their role, responsibilities and how to perform their duties, a Councillor Compact is in place. Specifically it covers:
- The role of the Elected Member;
- Frontline Councillor Roles;
- Executive Roles;
- Non-Executive Roles;
- Membership of Regulatory Committees;
- Partnership Working.

The Corporate Management Framework sets out the collective role and management arrangements for the Corporate Management Team and Extended Management Team.

Members and Officers work together on the workload of the Cabinet which is managed through a system of Cabinet pre-agenda meetings. To support this, Corporate Directors hold regular briefing sessions with Cabinet Portfolio Members and their support Members, and there are clear principles of how media relations work with elected Members.

When working in partnership, the Council ensures that Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority. It also ensures that there is clarity about the legal status of the partnership and ensures that representatives of the organisations both understand and make clear to all other parties the extent of their authority to bind their organisation to partner decisions. Formal guidance is provided for Members when representing the Council on outside bodies and partnerships.

3.5   Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff

The key elements of the Council's approach are detailed in the Constitution and include:

- The Code of Conduct for Elected Members, Voting Co-opted Members and Independent Members of the Standards Committee;
- The Code of Conduct for Employees;
- The Code of Practice for Members and Officers dealing with planning matters;
- The Statutory Declaration of Acceptance of Office, which all Members are required to sign. This includes an undertaking to observe the requirements of the Code of Conduct in operation at the time. Similar arrangements exist for independent members of the Standards Committee and Voting Co-opted members of the Scrutiny Committee.

The Council's partnership governance framework also makes clear reference to Codes of Conduct applying to any partnership working.

Any breach of the employee code is investigated in accordance with the Council's disciplinary procedures and any breach of the Member code is dealt with under Standards Committee Procedures. All complaints under the Members code of conduct are maintained and monitored by the Monitoring Officer and her staff. Quarterly statistics containing information about the effectiveness of local standards arrangements are submitted to the Standards Committee by the Monitoring Officer, returns to Standards for England no longer being required.

The Register of Gifts, Interests and Hospitality for Members is available online. The Code of Conduct for Members requires Members (including Co-opted Members with voting rights):

- to register in the Authority's Register of Interests details of their personal interests;
- who become aware of any changes to his/her interests to provide details of that change to the Monitoring Officer within 28 days;
- to review their declarations of standing interests on an annual basis.

Gifts and hospitality and conflicts of interest are registered as and when required throughout the year. In terms of disclosure of gifts, hospitality and interests, Member declarations/ registrations are maintained and monitored by the Monitoring Officer and her staff.

The Monitoring Officer issues advice and guidance (usually on an annual basis) reminding Corporate Directors of their responsibilities under the Code in relation to gifts and hospitality. Staff declarations are maintained and monitored by their Head of Service.

The Council's Standards Committee has an independent Chair and has been given a deliberately broad remit, including all complaints handling and oversight of other relevant codes and protocols, so as to reinforce the Council's commitment to these issues. In accordance with the Standards Committee

(England) Regulations 2008, the role of the Committee has been extended to include the local assessment of Member Conduct complaints.

3.6 Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are effective, transparent and accountable to local people. The Constitution is reviewed and amended on an annual basis as required. A Committee Management System has been implemented to streamline the process of managing formal reporting.

The Officer Scheme of Delegation is also reviewed annually in line with the review of the Council's Constitution.

The Council operates a risk management approach that aids the achievement of its strategic objectives, supports its decision making processes, protects the Council's reputation and other assets and is compliant with statutory and regulatory obligations. The Council annually reviews its risk management strategy and policy, which outlines the formal approach to identifying and managing risk.

Policy Framework Rules are in place which ensure that policies are developed in line with the values of the Council.

3.7 Ensure the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

The Council has appointed the Corporate Director, Resources as Chief Financial Officer (CFO) and Section 151 Officer. The CFO, who is a member of the Corporate Management Team and reports directly to the Chief Executive, is professionally qualified, and has the skills, knowledge, experience and resources to perform effectively in both a financial and non-financial role. The CFO is also the designated lead officer for the Audit Committee, the Corporate Risk Management Group and External Audit. To support these roles, the finance function is adequately resourced to fulfil its duties, and a structure is in place which provides a line of professional accountability for finance staff throughout the Council.

Key CIPFA codes, such as the Code on a Prudential Framework for Local Authority Capital Finance, and the Treasury Management Code, are complied with. Reports on the budgetary control statement, and quarterly outturn reports, are regularly presented to Cabinet and Corporate Management Team.

The CFO is involved in all Corporate Management Team discussions, and reviews all reports to Cabinet which have financial implications. The CFO also provides an opinion under section 25 of the Local Government Act 2003 on the reserves for the County Council, which Members consider when setting the budget.

3.8 Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Council has an Audit Committee with responsibility for monitoring and reviewing the risk, control and governance processes and associated assurance processes, to ensure internal control systems are effective, and that policies and practices are in compliance with statutory and other regulations and guidance. This includes considering the work of External Audit, Internal Audit, Risk Management, Corporate Governance and making recommendations concerning relevant governance aspects of the Constitution.

3.9 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Constitution takes into account all relevant legislation including the Local Government Act 1972, the Local Government Act 2000, the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 and the Local Government and Public Involvement in Health Act 2007. The Constitution is reviewed annually by the Constitution Working Group (CWG). This group consists of the lead Members from each political party and is chaired by the Leader of the Council. It is supported by the Chief Executive and the Head of Legal and Democratic Services as the Council's monitoring officer, and other officers as required, and makes recommendations to full Council on changes required to the Constitution. Externally audited accounts are published in the Annual Statement of Accounts.

All reports written by officers include the financial and legal implications in the decisions they are asking Cabinet or Committees to make, and the Constitution states that the Chief Financial Officer can bring influence to bear on all material decisions.

The Constitution states that the Head of Legal and Democratic Services is the senior officer responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. This is supported by the independent assurance work of Internal Audit. Information is provided for senior officers to understand what they can or cannot do under the Scheme of Delegation.

3.10 Whistle-blowing and procedures for receiving and investigating complaints from the public

The Confidential Reporting Code (Whistle blowing policy) is part of the Council's Constitution. Together with the Council's complaints procedures, they provide mechanisms for the public to raise concerns about potential breaches of conduct. They are accessible on the Council's website, are communicated to all staff and Members, and have been brought to the attention of School Governing Bodies. These procedures also form part of the Council's approach to counter-fraud and are linked to the Councils' Counter Fraud and Corruption Strategy. An awareness campaign, "combating fraud through awareness" has been developed and encourages the public, staff, Members, contractors and the Council's partners to speak up and report any suspected irregularity.

The Standards Committee regularly monitors complaints handling by Services, including dip-sampling of completed investigations. It reports annually to the Full Council on its business which includes details of Member conduct complaints and Local Government Ombudsman investigations.

3.11 Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training

The Council has established systems and processes for identifying the development needs of Members and senior officers. It does this generally by:

- Operating robust recruitment and selection processes;
- Implementing a Member Development Strategy;
- Maintaining the Investor in People Standard;
- Consistent application of the People and Organisational Strategy;;
- Cascading regular information to Members and Staff;
- Investing in Member and Officer Leadership Training;
- Providing resources that support Member and Officer Development;
- Promoting schemes and supporting ongoing professional development;
- Personal Development Plans;
- Providing training to help Members understand their role on committees;
- Assessing personal development needs as part of the induction process for both Members and officers;
- Introducing an Employee Support Programme to support employees through the restructuring process associated with the MTFP outcomes

A Member Training and Development Strategy and Member Learning and Development Programme is in place. To support this, the Member Development Group has been established to oversee and co-ordinate Members training needs. This meets six times a year to discuss training and development initiatives for elected Members.

A training programme, based on needs analysis, has been developed, "Building Resilient Organisations Programme", for Corporate Management Team (CMT) and extended management team members, and other senior managers have the opportunity to undertake the North East Excellent Managers programme. Individual personal development of senior officers is addressed as part of the Council's employee performance appraisal arrangements developed with staff and is designed around a series of competencies. There is also a commitment to introduce 360° appraisals for senior management (Heads of Service and above).

3.12 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

A full programme of communication is in place involving presentations, press releases, articles in local magazines and partners publications. The Council itself publishes Durham County News, a community magazine which is provided to all households across the County four times per year. This is used to raise public awareness and promote consultation and engagement with the Community. To make information more accessible for people who have difficulty reading, the Council website is speech enabled via 'Browsealoud'.

As part of its commitment to greater transparency, the Council publishes details of specific expenditure on the Internet.

A climate of openness has been encouraged by holding regular Cabinet meetings at various locations throughout County Durham including former district council offices. The Council responds to the views of stakeholders and the community in a number of ways including:

- Publishing a forward plan of key decisions;
- During the MTFP process, more than 8,000 people either participated or responded to the consultation.
- Encouraging and supporting the public in submitting requests for aspects of the Council services to be scrutinised;
- Providing to the public the opportunity to ask questions or make representations at full Council and regulatory committees;
- Implementing a protocol for managing e-petitions.
- Undertaking a Countywide resident survey in which over 6,500 residents participated;
- Designing AAPs in consultation with the public to ensure that they are recognised as representing our natural communities. Each AAP has its own Plan, Board, budget and officer support structure, and are used to identify priorities for each area. They are consulted on the development of our MTFP to identify local priorities for action, test strategic priorities at a local level and seek innovative ideas from local people on how to realise efficiencies by working more closely with our partners. Community development officers attached to AAPs work closely with communities;
- Consulting effectively with children and young people, service users and carers and key client groups to help plan and be involved in the design, delivery and evaluation of local services;
- Consulting with staff and Trade Unions;
- Reviewing and improving 'Open Doors', a responsive staff engagement mechanism which captures and quickly responds to questions, compliments, suggestions and complaints raised by staff.
- The Engagement and Third Sector team, who support the Council's approach to community engagement and support Members in their community leadership role.

The CDP has developed a County Durham Partnership Community Engagement and Empowerment framework to shape and support a common vision and approach for community engagement by partners in County Durham, so that people feel able to influence decision making.

3.13 Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Council's overall governance arrangements

As the strategic partnership for the County, the CDP is the lead umbrella partnership for most other partnerships in County Durham, and the Leader of the Council is the chair of the CDP.

The Council has a strong commitment to working with partners to meet the needs of its communities, and involves partners when developing the council's own three year MTFP, working with key agencies to develop complementary proposals and consulting on a joint basis with the Police and County Durham & Darlington NHS Foundation Trust. The Council has developed a partnership governance framework (PGF) to enable partnerships to be identified, recorded and reported upon corporately and to provide a mechanism for their effectiveness to be assessed. The Council is establishing joint assurance functions with our partners to improve accountability and data quality. A report is presented bi-monthly to Cabinet on the work of the CDP, including input from each of the AAP's.

To strengthen community governance, the AAP boards comprise seven Members of the public selected through open recruitment; seven Members chosen from partner agencies working in the area and seven selected from local elected Members - including town and parish councillors - on a politically balanced basis for that area. They have a rotating chair, so that they are not indefinitely controlled by the Unitary administration.

The County Durham Compact provides a framework for partnership and engagement with the voluntary and community sector.

The Council's Codes of Conduct also apply to its partnership working.

4   REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the annual report of the Manager of Internal Audit and Risk, and also by comments made by the external auditors and other review agencies and inspectorates.

The process for maintaining and reviewing the effectiveness of the corporate governance framework is outlined below:

The Executive

The Council is responsible for appointing the Leader of the Council for the remainder of the term of the Council, and the Cabinet, who are appointed annually, which together are known as the Executive. As a group, the Executive is responsible for most decisions. Where a decision is identified as key, these are published in advance in the Executive's Forward Plan.

Chief Financial Officer

The principles outlined in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) are complied with by the Council.

Overview and Scrutiny Committee

The Council maintains an Overview and Scrutiny Management Board and six Scrutiny Committees that support the work of the Executive and the Council as a whole in the interests of achieving common aims and continuous improvement. In doing this, Overview and Scrutiny may make recommendations on policies, budget and service delivery and can call-in a decision of the Executive which has been made but not yet implemented.

Standards Committee

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

The Audit Committee

The Audit Committee contributes to this review by seeking assurance that the Council's governance arrangements are effective. It does this by:

- Reviewing the Annual Governance Statement and how it has been prepared;
- Reviewing the Council's Statements of Accounts and how they have been prepared;
- Monitoring progress made on improvements identified from the previous year's Annual Governance Statement;
- Reviewing the effectiveness of the system of internal audit;

- Reviewing regular risk management and internal audit progress reports;
- Reviewing the Annual Internal Audit Report and Risk Management Report;
- Reviewing reports from the external auditor;
- Maintaining an awareness of the key processes and policies in place, and how they are reviewed, that underpin the corporate governance framework.

Change Co-ordination Group

The Change Co-ordination Group (CCG) which is chaired by the Corporate Director, Resources, co-ordinates and oversees the Council's corporate assurance arrangements. It does this by:

- Preparing and maintaining the Council's Code of Corporate Governance as a formal framework for the Council's governance arrangements;
- Reviewing the systems, processes and documentation to determine whether they meet the requirements of this Code, reporting any breaches and recommending improvements;
- Preparing an Annual Governance Statement to demonstrate how far the Council complies with the principles of good governance and recommending improvements, to be published in the Council's Annual Statement of Accounts.

Internal and External Audit

Internal and External Audit provide independent assurance on the effectiveness of the corporate governance framework.

The review was also informed by a statement provided by each Corporate Director and the Assistant Chief Executive commenting on the effectiveness of the Council's governance arrangements generally and how they impacted on their service areas. These included consideration of the effectiveness of internal controls.

Significant issues arising from the review of the effectiveness, where improvements are needed, are outlined in section 5 below. These will be included in an action plan and will be regularly reviewed and monitored.

5   SIGNIFICANT GOVERNANCE ISSUES

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee. The Council is fully committed to the principles of corporate governance, and has made further progress during the past twelve months in developing its arrangements.

Following the production of the Annual Governance Statement (AGS) for 2009/10, an action plan, containing the following recommendations was produced. Progress made in implementing each recommendation, as outlined below, was confirmed by CCG and formed the starting point of the work to produce the 2010/11 AGS.

- **Continue the positive direction of travel by implementing the planned control improvements to financial systems.** In addition to improvements tracked through the Service Improvement Planning process, an Action Plan was developed which looked to address a range of issues identified during the annual external audit in relation to internal control, and this Action Plan is monitored via the Audit Committee. In identifying these issues, the extent of change following local government re-organisation across the Council in the last year should not be under estimated. It has been particularly challenging for the Council to maintain effective controls over financial systems in the period of migrating to a single financial system (Oracle) for the new Council. One disappointing outcome of this has been delays in consolidating financial information together to provide a single set of final accounts, which has resulted in the final Statement of Accounts being agreed later than the statutory deadline. A further programme of work and actions is ongoing in order to ensure continuous improvements are made in this area in order to ensure the Council meet all of our statutory responsibilities by the due dates for the closure of our 2010/11 Statement of Accounts.

- **Improve the Council's approach to tackling fraud.** The Counter Fraud and Corruption Strategy and Policy, and the Fraud Response Plan, were reviewed and approved by the Audit Committee in November 2010. Fraud awareness among Officers, Members and the wider community has been raised through a number of channels. Reporting arrangements have been improved, and will be further improved after the new Revenues and Benefits system is implemented in 2011.

- **Improve awareness of, and accessibility to, key policies and documents.** Policy information has been communicated throughout the year. However, as priority has focused on the development of the Council website, the target implementation dates for the remaining actions were revised and have been carried forward into the action plan for 2011/ 12.

- **Improve awareness of senior officers of the parts of the constitution relevant to their role, including the scheme of delegated powers, and the legal implications of their decisions.** Improvements to deal with gaps in the scheme of delegated powers that had come to light have been incorporated into the Council Constitution. Delegated decisions are now recorded on the new modern.gov system.

- **Implement policies for Records Management and Information Management and Governance.** During the year, a Records Management policy and a Data Protection policy have been implemented. As planned, further policies will be implemented in this area during 2011, following which the Council will develop a draft Information Management and Governance strategy by June 2012. This action has been carried forward into the action plan for 2011/ 12.

- **Implement a Single Equalities Scheme.** The Single Equalities Scheme was approved by Cabinet in July 2010, and actions from the Scheme have been built into relevant Service Plans and are monitored through corporate quarterly reporting.

- **Improve the management by the Services of their contract and supplier relationships.** The Contract Procedure Rules have undergone an internal review, and guidance has been issued from Corporate Procurement to service managers drawing attention to the County's procurement procedures. A draft Corporate Supplier Engagement Strategy, to be implemented in both service areas and the corporate centre, has been drafted, but will not be finalised until the impact of the Localism Bill and central government policy on social enterprises have been taken into account.

- **Implement revised Financial Management Standards.** Work has continued during the year to develop the standards. However, these remain in draft, and will not be finalised until the Unitisation structure of the Council's finance function is completed during 2011. This action has been carried forward into the action plan for 2011/ 12.

- **Further embed Officer and Member Codes of Conduct.** Awareness of the Officer Code of Conduct was raised through a number of channels, such as articles in the staff magazine. Member seminars were held in October 2010 to explain the Member Code of Conduct. However, further work is on hold until central government confirms what it intends to do with the Code in the future, and this will be addressed when the Council reviews the ethical framework in 2011/ 12.

Based on internal audit work undertaken during 2010/11, the Manager of Internal Audit and Risk has issued a moderate overall assurance opinion on the adequacy and effectiveness of internal control operating across the Council in 2010/11. This moderate opinion ranking provides assurance that there is basically a sound system of control in place, but there are weaknesses and evidence of non-compliance. Control objectives are often achieved.

CCG also sought assurance on the effectiveness of the Council's governance arrangements from each of the Council's Corporate Directors and the Assistant Chief Executive. As a result of this exercise, and the work of both Internal and External audit, a number of issues have been identified where improvement in the Council's governance arrangements are required. The most significant issues, agreed by the Corporate Management Team (CMT) at its meeting on 22 June 2011, and as reported to the Audit Committee on 30 June 2011, together with a summary of action taken or being taken to address each issue, are detailed below.

1. Continue the positive direction of travel by implementing the planned control improvements to financial systems.

A number of key actions to address the financial systems weaknesses have been incorporated into the Resources Service Improvement Plan or the Corporate Improvement Plan, and progress on these improvement plans will be monitored by Corporate Management Team throughout the year. This action has been carried forward from the 2010/ 11 Annual Governance Statement.

2. Pay Harmonisation and Single Status.

A project is in place to develop and implement a pay structure for the Council and resolve outstanding pay harmonisation and single status issues, which have been complex given the implications of TUPE following Local Government Reorganisation.

3. Implement an Information Management and Governance Strategy

The Council will develop a draft Information Management and Governance strategy by June 2012. This action has been carried forward from the 2010/ 11 Annual Governance Statement.

4. Implement revised Financial Management Standards.

The Council is developing Financial Management Standards to supplement the very high level roles and responsibilities defined in the financial procedures rules contained in the Constitution. Financial management standards set out in more detail how the procedure rules will be implemented to help embed sound financial management across the Council. This action has been carried forward from the 2010/ 11 Annual Governance Statement.

5. Business Continuity.

The Council will develop a robust ICT architecture without single points of failure, and with data stored securely by implementing a new backup strategy across two physically segregated server environments.

6. Changing Government Policy on the Ethical Framework.

Following the abolition of the current Standards regime, the Council will review the ethical framework and implement a new compliant, fit for purpose and workable ethical structure for the Council. Supporting this, advice and guidance will be provided to Members and Officers on the new ethical structure.

7. Improve accessibility to key policies.

The Council will develop a framework for ensuring that the latest versions of all key policies are accessible and are up-to-date. This action has been carried forward from the 2010/ 11 Annual Governance Statement.

8. Performance Management of Integrated Teams.

The Children's Trust intends to transform services for children and young people by developing services in local communities, for local communities. These services will be easy to access, effective and integrated where appropriate and will deliver improved outcomes for children and families in County Durham. To support this, a Performance Management Framework for Integrated teams will be implemented.

9. Succession Planning.

Following year one MTFP workforce changes, policies will need to be implemented to ensure effective succession planning in the future. This is a long-term goal, but after the completion of the Unitisation of Human Resources function, plans will be developed by April 2012 to take this forward.

We propose over the coming year to take steps to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.
………................………………………………………………………………………

Signed:

Simon Henig
Leader of Durham County Council

George Garlick
Chief Executive

Don McLure
Corporate Director, Resources

Appendix 3: Governance Action Plan – 2010-11 Annual Governance Statement

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

No.	Significant governance issue	Further Action Required	Lead Officer	Target Implementation Date
1	A number of significant weaknesses in the system of financial control.	The actions to address the financial systems weaknesses will be incorporated into the Resources Service Improvement Plan or the Corporate Improvement Plan. Progress on these improvement plans will be monitored by CMT throughout the year. This action has been carried forward from the 2010/ 11 Annual Governance Statement.	Don McLure	Throughout 2011/ 12
2	Pay Harmonisation and Single Status.	Implement the Pay and Conditions project	Kim Jobson	April 2012
3	Implement an Information Management and Governance Strategy	Implement an Information Management and Governance strategy. This action has been carried forward from the 2010/ 11 Annual Governance Statement.	Jenny Haworth	June 2012
4	Implement revised Financial Management Standards.	The revised Financial management standards should be finalised and implemented. This action has been carried forward from the 2010/ 11 Annual Governance Statement.	Jeff Garfoot	Dec 2011
5	Business Continuity	Develop a robust ICT architecture without single points of failure, and with data stored securely by implementing a new backup strategy across two physically segregated server environments.	Phil Jackman	March 2012
6	Changing Government Policy on the Ethical Framework.	Review the ethical framework and implement a new compliant, fit for purpose and workable ethical structure for the Council.	Colette Longbottom	March 2012
		Provide advice and guidance to Members and Officers on the new ethical structure.	Colette Longbottom	March 2012
7	Improve accessibility to key policies.	Improve accessibility to key policies and documents via the website/ search engines. This action has been carried forward from the 2010/ 11 Annual Governance Statement.	Roger Goodes	Aug 2012
		Scope and develop a database of policies and procedures as part of the Council's Intranet.	Roger Goodes	Aug 2012
8	Performance Management of Integrated Teams.	Implement a Performance Management Framework for Integrated Services	Carole Payne	Sep 2011
9	Succession Planning.	Plans will be developed by April 2012 outlining the implementation of the policies required to ensure effective succession planning in the future.	Kim Jobson	April 2012

This page is intentionally left blank

Audit Committee

29th September 2011

Internal Audit Progress Report
Quarter Ended 30th June 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 April to June 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 other types of audit work carried out such as grant certification or consultancy reviews where an assurance on the control environment may not be applicable

- Advise you of unplanned work carried out or to be carried out

- Track progress on the response to audit reports and the implementation of agreed audit recommendations

- Advise you of any changes to the audit process

- Provide an update on our performance indicators comparing actual performance against planned 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   To help improve the audit planning process, a revision to the annual audit planning cycle was approved by Audit Committee in February 2011. The audit planning year now covers the period July to June to allow audit plans to be developed following the approval of service plans and the MTFP.

5   As a consequence of this change, an interim audit plan covering the period April to June was approved by Audit Committee in March.

6   A 5 year strategic audit plan together with the annual plan for July to June 2012 was approved by Corporate Management Team (CMT) and Audit Committee on the 8th June and the 30th June 2011 respectively.

7   Proposed timings for audit work covering the period July to June 2012 have now been agreed with Corporate Directors.

8   The interim plan and work programmed for the first 3 quarters of the annual plan will determine the audit programme of work for the financial year 2011/12 for performance monitoring and reporting purposes to inform the annual audit opinion.

9   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. Details of how our assurance opinions are derived are given in Appendix 2.

10   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.

11   The method of audit follow up will vary according to the priority of recommendation.

12   Audit recommendations are allocated a priority ranking reflecting the significance of the audit findings to which they relate. Details of how we define the significance of audit findings are also given in Appendix 2.

PROGRESS AGAINST PLANNED WORK

13   A summary of progress made in delivering the 2011/12 plan is given below:

- 7 out of 11 planned counter fraud reviews are in progress.

- 23 reviews in progress at the 31st March 2011 have been carried over and added to the 2011/12 plan. 13 are complete, (draft or final report issued) of which 11 relate to planned assurance reviews.

- 5 out of the 114 planned assurance reviews from the current year are complete with a further 19 in progress.

- 1 out of 25 planned advice and consultancy type audits are complete and a further 11 are in progress.

- 28 unplanned reviews have been added to the plan to address new or emerging risks.

SIGNIFICANT ISSUES

RESPONSE TO AGREED AUDIT RECOMMENDATIONS

14   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 representative to assist management monitoring processes. Good progress continues to be made by managers in the implementation of recommendations since these revised procedures were introduced.

15   It should be noted that the audit process used to determine assurance opinions and the significance of audit findings, as set out in Appendix 2, has recently been revised to improve the risk based approach to internal audit work and improve the consistency of recommendation rankings from a corporate perspective, irrespective of the nature or scope of individual audits. This methodology will be applied to all draft reports issued from July 2011.

VALUE ADDED WORK

16   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.

17   Through our advice and consultancy work we are able to add value pro-actively and reactively.

18   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. This will enable Internal Audit to respond quickly to managers concerns and work in partnership with the Head of Service to develop innovative solutions and add value to the process. 4 consultancy type reviews were added to the plan this quarter. A further 2 audits were added to the plan to review controls in place following an irregularity investigation.

PERFORMANCE INDICATORS

19   A summary of our actual performance compared to agreed target performance indicators is given in Appendix 3.

20   As can be seen the % of planned assurance reviews complete is 13% compared with an annual target of 90%. The forecast complete rate for Q1

has been estimated at 15%, reflecting the fact during Q1 a lot of time is spent on planning, preparing and programming audits, year-end reporting and completing work in progress from the previous year. Audit days lost through overheads i.e. bank holidays, annual leave are also disproportionally higher in Q1. In addition, most of our grant certification work takes place in Q1. There have also been a number of unplanned and consultancy type reviews arising in Q1 that have taken priority over planned work. The forecast outturn for the year is still considered to be on target.

21   The results from the latest CIPFA benchmarking exercise are currently being analysed and will be reported to the Committee at its next meeting on the 10th November.

RECOMMENDATIONS

22   Members are asked to note the progress made on delivering the internal audit plan for 2011/12.

Contact: **Avril Wallage**   **Tel:**   **0191 383 3537**

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

This page is intentionally left blank

ASSURANCE OPINION METHODOLOGY

Findings

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

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

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

ASSURANCE OPINION METHODOLOGY

Overall Finding Rating

This grid is used to determine the overall finding rating.

LIKELIHOOD		
Probable	M	H	H
Possible	L	M	H
Unlikely	L	L	L
	Minor	Major	Critical
	IMPACT		

Priority of our recommendations

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

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

Overall Assurance Opinion

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

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

ASSURANCE OPINION METHODOLOGY

This page is intentionally left blank

Performance Indicators for 2011/12

Efficiency	Objective: To provide maximum assurance to inform the annual audit opinion		
KPI	**Measure of Assessment**	**Target & (Frequency of Measurement)**	**Q1 Actual**
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage as at 31st	90% (Quarterly)	13% Forecast outturn still on target
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		17 days on average
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response	95% (Quarterly)	100%
	Average time taken is also reported for information		3 days on average
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)	100%
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)	100%
Quality	**Objective: To ensure that the service is effective and adding value**		
KPI	**Measure of Assessment**	**Target & (Frequency of Measurement)**	
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Quarterly)	100%
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (4 out of 5) where 1 is poor and 5 is very good	100% (Quarterly)	100% Overall average score 4.50
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	60%
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)

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

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