



Audit Committee

Date **Thursday 28 November 2013**
Time **9.30 am**
Venue **Committee Room 1A, County Hall, Durham**

Business

Part A

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

1. Apologies for absence
2. Minutes of the meeting held on 31 October 2013 (Pages 1 - 8)
3. Declarations of interest, if any
4. Outline of Council's Performance Management Framework -
Presentation by the Head of Planning and Performance
5. Local Code of Corporate Governance - Report of the Corporate
Director, Resources (Pages 9 - 26)
6. Strategic Risk Management Progress Report for the Quarter period
July to September 2013 - Report of the Corporate Director, Resources
(Pages 27 - 38)
7. Annual Audit Letter - Report of the External Auditor (Pages 39 - 52)
8. Report to Council on the Work of the Audit Committee - Report of the
Chair of the Audit Committee (Pages 53 - 64)
9. Internal Audit Progress Report Quarter Ended 30 September 2013 -
Report of the Manager of Internal Audit & Risk (Pages 65 - 98)
10. Such other business as in the opinion of the Chairman of the meeting
is of sufficient urgency to warrant consideration
11. Any resolution relating to the exclusion of the public during the
discussion of items containing exempt information

Part B

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

12. Internal Audit Progress Report Quarter Ended 30 September 2013 - Report of the Manager of Internal Audit & Risk (Pages 99 - 108)
13. Overdue Audit Recommendations - Report of Manager of Internal Audit & Risk (Pages 109 - 114)
14. Internal Audit Report - Grants - Report of Manager of Internal Audit & Risk (Pages 115 - 148)
15. Fraud Update Report 2013/14 - Report of the Manager of Internal Audit & Risk (Pages 149 - 168)
16. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration

Colette Longbottom
Head of Legal and Democratic Services

County Hall
Durham
20 November 2013

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

Councillor E Bell (Chairman)
Councillor J Rowlandson (Vice-Chairman)

Councillors L Armstrong, C Carr, S Forster, J Hillary, O Temple,
T Smith and W Stelling

Co-opted Members:

K Larkin-Bramley and T Hoban

Contact: Jackie Graham

Tel: 03000269704

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Monday 30 September 2013 at 9.30 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

Councillors J Rowlandson (Vice-Chairman), L Armstrong, C Carr, S Forster and J Hillary

Co-opted Members:

Mr T Hoban

1 Apologies for Absence

Apologies for absence were received from Councillor O Temple, T Smith and W Stelling and Ms K Larkin-Bramley.

2 Minutes of the meeting held on 29 July 2013

The minutes of the meeting held on 29 July 2013 were agreed and signed by the Chairman as a correct record.

Consideration was given to all current items on the Committee's Action Plan (for copy of action plan see file of Minutes) with dates set when these would be reported back to Committee. The Plan would be updated accordingly.

3 Declarations of interest, if any

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

4 Authorised Signatories

The Committee considered a report of the Payroll and Pensions Manager about the approach taken in response to the External Auditor's recommendation regarding the risk of fraudulent timesheets (for copy see file of Minutes).

The Payroll and Pensions Manager said that the External Auditor's recommendation to introduce a list of authorised signatories was not a practical

solution, however an alternative solution was agreed for implementation by September 2014.

He gave assurances that the current processes in place were adequate as managers are aware of budget expenditure and any suspicious claims could be dealt with. Plus timesheets are received in the same way each month so it would be difficult to present a fraudulent timesheet.

Members were advised that the way forward is to adopt a similar approach to that used for mileage and expenses claims, through MyView, where a form is submitted after being approved by a manager.

Mr Waddell, Mazars, explained that the opinion given was to highlight the controls in the system but that the risk of material error was non-existent. He agreed that the online approach, through MyView, was sensible but there would be a weakness if no audit trail was kept. The Payroll and Pensions Manager advised that electronic data would be retained, as is the practice with mileage and expenses claims.

Members were assured that some periodic verification is carried by Internal Audit.. Members were also concerned about the timeframe for implementing the improvements and asked if the deadline could be brought forward to the beginning of the next financial year.

The Head of Corporate Finance said that there was a major programme underway to drive efficiency through the better use of IT system development. The need to achieve efficiencies was driving the priority of IT system development.

The Head of Corporate Finance explained that budget managers will check their budgets for any anomalies and that the new budget intelligence module of Oracle will improve the information available to managers to monitor their budget more effectively.

The Chairman suggested that members are given training on the Oracle system so that they have a better understanding and could gain assurance from the processes used. The Head of Corporate Finance suggested that information could be brought back to a future meeting providing the background on what has been developed and utilised to date.

Resolved:

That the report be noted.

5 Annual Governance Statement for the year April 2012 - March 2013

The Committee considered a report of the Corporate Director, Resources that sought approval of the final Annual Governance Statement to be published as part

of the Council's audited Statement of Accounts 2012/13 (for copy see file of Minutes).

Resolved:

That the final Annual Governance Statement be approved as part of the Council's audited Statement of Accounts 2012/13.

6 Statement of Accounts for the year ended 31 March 2013

The Committee considered a report of the Corporate Director, Resources which presented the Statement of Accounts for the year ended 31 March 2013 (for copy see file of Minutes).

The Head of Corporate Finance thanked the External Auditors at Mazars, the Finance team and Internal Audit for having a good working relationship to be able to deliver the accounts on time.

The Chairman also added the thanks of the Committee as a lot of progress had been made since LGR to make sure that the accounts were delivered on time.

Resolved:

That the statement of accounts for the County Council for the financial year ended 31 March 2013 be approved.

7 Audit Completion Report 2012/13 - Durham County Council

The Committee considered the Audit Completion Report of the External Auditor relating to Durham County Council for the year ended 31 March 2013 (for copy see file of Minutes).

Mr Waddell, Mazars, advised that he would issue an unqualified opinion on the accounts together with an unqualified Value for Money conclusion. He advised that overall the accounts produced were an improvement to the previous year in terms of the quality of the accounts and had been received on time. Assurances had been given on the significant audit risks identified in their audit plan previously reported to Committee. Valuations had been covered in greater detail and were drawn to the Committees attention.

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

Thanks were given to the Strategic Finance Manager and her team in the preparation of the Accounts.

Resolved:

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

2. That the letter of representation be approved.

8 Audit Completion Report 2012/13 - Pension Fund

The Committee considered the Audit Completion Report of the External Auditor relating to Durham County Council Pension Fund for the year ended 31 March 2013 (for copy see file of Minutes).

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

He advised that overall the accounts produced were significantly improved to the previous year and were produced on time.

Resolved:

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

9 An outline of the budget and MTFP setting process

The Committee received a detailed presentation from the Head of Finance (Corporate Finance) outlining the budget and MTFP setting process (for copy of presentation see file of Minutes).

He highlighted the following to Members of the Committee:-

- Budget Procedures Rules – overall framework and requirement of the Full Council
- Finance Procedure Rules – how the budget process should be developed/ controlled
- Financial Management Standards – how the FMS support the Finance Procedure Rules
- 2014/15 Budget and 2014/15 – 2016/17 Medium Term Financial Plan – details of the actual process followed which is driven / controlled by the Procedure Rules

The Chairman thanked the Head of Corporate Finance for a very informative presentation.

10 Internal Audit Progress Report Quarter Ended 30 June 2013

The Committee considered a report of the Manager of Internal Audit and Risk which informed members of the work carried out by Internal Audit during the period April to June 2013 (for copy see file of Minutes).

The Manager of Internal Audit and Risk advised that 61 of the 115 planned audits had been completed. One unplanned review for catering had been added to the

plan and one outstanding management response remains overdue regarding the records management draft report.

Members were informed that there had been significant improvement made in the number of overdue actions with 6% outstanding. If revised target dates were considered only 2% of actions were overdue.

Resolved:

1. The amendments made to the 2012/13 Annual Audit Plan be noted.
2. Work undertaken by Internal Audit during the quarter ended June 2013 be noted.
3. Progress made by service managers in responding to the work of Internal Audit be noted.

11 Exclusion of the public

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

12 Internal Audit Progress Report Quarter Ended 30 June 2013

The Committee considered Appendices 7 and 8 of the report of the Manager of Internal Audit and Risk which informed Members of audits issued in the quarter resulting in a limited assurance opinion and detailed the actions agreed by managers in response to internal audit recommendations that were overdue (for copy see file of Minutes).

Members raised some concerns about the length of time it took for some actions to be implemented and suggested that a limit on how many times a revised target date could be given is implemented. It was suggested that if more than one target date is exceeded, the action owner should be called to account to the Committee for the delay.

The Chairman advised that he would meet with the Manager of Internal Audit and Risk and agree which officers should be asked to attend Committee at the next meeting to provide an explanation for the delay.

Resolved:

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

13 CIPFA Internal Audit Benchmarking Results

The Committee considered a report of the Manager of Internal Audit and Risk that presented results from the CIPFA 2013 Internal Audit Benchmarking Club exercise for 2012/13 actual and 2013/14 estimates (for copy see file of Minutes).

Resolved:

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

Action Plan - Work of Audit Committee - Part A – 28 November 2013

Ref No.	Date of Meeting	Item No.	Title of Report	Action Required	By Whom	Report to Committee (date)/ implemented
1	27.6.13	4	Update on Disposal of Land and Buildings by Head of Planning and Asset Management	Internal Audit to review effectiveness of new procedures as part of next year's audit plan (approximately 6 months' time) and outcomes to be reported back to Committee when complete	Manager of Internal Audit and Risk	28 February 2014
2	27.6.13	12,13	Direct Payments	Internal Audit to carry out follow up audit to review effectiveness of revised controls as part of next year's audit plan (approximately 6 months' time) and outcomes to be reported back to Committee when complete	Manager of Internal Audit and Risk	28 February 2014
3	27.6.13	N/A	Verbal update on review of guidance re Members role on Partner bodies when representing DCC	Outcomes of findings from Head of Legal & Democratic Services be reported back to Committee	Head of Legal and Democratic Services	Update 28 Nov 2013
4	4.4.13	15	Grants and Loans Paid to Third Parties	The outcomes of planned internal audit work in this area to be reported to committee on completion	Manager of Internal Audit and Risk	28 Nov 2013 – Agenda Item 11
5	30/9/13	4	Authorised Signatories	Update on development and utilisation of Oracle	Head of Corporate Finance	28 Feb 2014

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Audit Committee

28 November 2013

Local Code of Corporate Governance



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

Purpose of the Report

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

Background

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

Recommendations and Reasons

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

Contact: David Marshall Tel: 03000 269648

Appendix 1: Implications

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

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

Risk - Not a key decision.

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

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

Crime and Disorder - None.

Human Rights - None.

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

Procurement - None.

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

Legal Implications - None.

DURHAM COUNTY COUNCIL

LOCAL CODE OF CORPORATE GOVERNANCE

Introduction

- 1.1. Corporate governance is a term used to describe how organisations direct and control what they do. As well as systems and processes, this includes cultures and values. For local authorities this also includes how a council relates to the communities that it serves.
- 1.2. Good corporate governance requires local authorities to carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity, impartiality and inclusivity. Corporate governance is also the structure through which strategic objectives are set and performance monitored. Best practice principles in that regard flow from the three core components of the Turnbull report, namely: the assessment of corporate risk; effective management systems and the enabling of the organisational culture.
- 1.3. Durham County Council is committed to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively. This Code is a public statement that sets out the way the Council will meet that commitment. As such it represents a key component of the Council's governance arrangements, and is included in the Constitution.
- 1.4. The Code has been developed in accordance with and is consistent with the CIPFA / SOLACE Delivering Good Governance in Local Government Framework and is based upon the following six core principles:
 - **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**
 - **Members and officers working together to achieve a common purpose with clearly defined functions and roles**
 - **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**
 - **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**
 - **Developing the capacity and capability of members and officers to be effective**
 - **Engaging with local people and other stakeholders to ensure robust public accountability**
- 1.5. The Code details how the Council will follow these core principles and the supporting principles that underpin them. To complement this, the Code also highlights the key documents and functions which contribute to the Council's good governance arrangements.
- 1.6. The Code also aims to ensure that the corporate governance arrangements help the Council to appropriately respond to sustained pressures from a variety of sources.
- 1.7. The mechanisms for monitoring and reviewing the Council's corporate governance arrangements are set out in the Code.

2. The Six Principles of Good Governance

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

2.1. The key governance documents supporting this principle are the Constitution and:

- Sustainable Community Strategy 2010 - 2030 (SCS),
- County Durham Plan
- Regeneration Statement 2012 - 2022
- Children, Young People and Families Plan 2012 - 2016
- Joint Health and Wellbeing Strategy 2013 – 2017 (JHWS)
- Safe Durham Partnership Plan 2011 - 2014
- Council Plan, Service Plans, Medium Term Financial Plan (MTFP), and
- Various reports on subjects including Financial Management, Performance Management, Scrutiny, Risk Management and Internal Audit.

2.2. The Council exercises strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users. This is achieved by:

- Promoting the authority's purpose and vision through the Sustainable Community Strategy 2010 - 2030 (SCS), with our partners on the County Durham Partnership (CDP), and through the strategies and plans listed in paragraph 2.1, above.
- Identifying priorities and actions to support the delivery of the vision in the Council Plan and Service Plans and the Medium Term Financial Plan (MTFP).
- Reviewing the Council Plan and the MTFP annually, and the SCS every three years (it was last reviewed in September 2013).
- Setting out in the Constitution the purposes for which the Executive may enter into partnerships or joint arrangements.
- Ensuring, through the partnership governance framework, that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners, and recorded in the Council's Partnership Register.
- Publishing various reports on a timely basis to communicate the authority's activities and achievements, its financial position and performance.

2.3. The Council ensures that users receive a high quality of service whether directly, or in partnership, or by commissioning, by:

- Maintaining a range of performance management frameworks, internally and through the CDP performance management framework and other partnerships.
- Measuring service quality against locally-led performance indicators and independently-verified performance information.
- Ensuring that the information needed to review service quality effectively and regularly is available.
- Providing a Quarterly Performance Management Report to Cabinet, ensuring that effective arrangements are put in place to deal with failure in service delivery.

2.4. The Council ensures that the authority makes best use of resources and that tax payers and service users receive excellent value for money by:

- Driving value for money improvements in the provision of local services, informed by a variety of benchmarking data and networks. These are delivered through the Council Plan and the Medium Term Financial Plan, which is subject to detailed and frequent monitoring undertaken by Corporate Management Team and Cabinet.
- Publishing externally audited Annual Statements of Account.
- Closely monitoring, through CMT and Cabinet, the delivery of the MTFP and the associated efficiency programme.

Principle 2: Members and Officers working together to achieve a common purpose with clearly defined functions and roles

2.5. The key governance documents supporting this principle are contained in the Constitution. These arrangements are further strengthened by a number of formal member and officer working groups.

2.6. The Council ensures effective leadership throughout the authority and is clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function. This is achieved by setting out, in the Constitution:

- Clear statements of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice.
- Clear statements of the respective roles and responsibilities of other authority members, members generally and senior officers. These statements are promptly updated following organisational restructures and the creation of major posts.
- The arrangements and rules of procedure for the Overview and Scrutiny function.
- Who is responsible for the various functions of the Council.

2.7. The Council ensures that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard. This is achieved by:

- Reviewing the Constitution through the Constitution Working Group, which consists of the lead Members from each political party, chaired by the Leader of the Council.
- Electing a Leader of the Council, nominating a Cabinet made up of members with defined executive responsibilities, and annually appointing Committees to discharge the Council's Regulatory and Scrutiny responsibilities.
- A scheme of delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensuring that it is monitored and updated when required.
- Setting out in the Constitution clear guidance to members and employees of the Council on their relations with one another.
- Making the Chief Executive, as Head of Paid Service, responsible and accountable to the authority for all aspects of operational management.
- Making the Corporate Director, Resources (the section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
- Making the Head of Legal and Democratic Services (the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.
- Recognising in the Constitution the statutory roles of the Corporate Director, Children and Adults Services, and the Director of Public Health.
- Holding regular meetings between senior members and officers.

2.8. The Council ensures relationships between the authority, its partners and the public are clear so that each knows what to expect of the other by:

- Ensuring effective communication between members and officers in their respective roles through the Protocol on Member/Officer Relations.
- Setting out in the Constitution the terms and conditions for remuneration of members and officers, overseen by the remuneration panel.
- A Health and Wellbeing Board overseeing the public health responsibilities transferred to the Council in April 2013.
- Ensuring, through regular reporting internally and to the County Durham Partnership, that effective mechanisms exist to monitor service delivery.
- Consulting with partners when developing the council's own three year MTFP, working with key agencies to develop complementary proposals and consulting on a joint basis with the Police and NHS County Durham and Darlington.
- Consulting Area Action Partnerships, the public and other stakeholders on the development and implementation 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.
- When working in partnership ensuring, through the partnership governance framework, that:
 - members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority;
 - there is clarity about the legal status of the partnership;
 - representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.

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

2.9. The key governance documents supporting this principle are the Constitution, the Council Plan and the Register of Gifts and Hospitality.

2.10. The Council ensures that authority members and officers exercise leadership, and behave in ways that exemplify high standards of conduct and effective governance, by:

- Establishing and keeping under review the Council's own values on leadership as enshrined in the Council Plan and evidenced in Codes of Conduct that sets a standard for behaviour.
- Ensuring that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.
- Having systems in place for reporting and dealing with incidences of fraud and corruption.
- Setting, out in the Constitution, a protocol for the Chairman and Vice-Chairman of the Council that includes an expectation of political neutrality and acting as the conscience of the Council.
- Putting in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These arrangements include a Register of Interests, Declarations of Gifts and Hospitality, and the Statutory Declaration of Acceptance of Office, which all Members are required to sign.

2.11. The Council fosters a culture of behaviour based on shared values, high ethical principles and good conduct by:

- Maintaining an effective Standards Committee.
- Investigating any suspected breaches of the Council's codes of conduct.
- A Single Equality Scheme which includes 'protected characteristics' covered by the Equality Act.
- Promoting its Counter Fraud and Corruption Strategy externally, as well as internally, with any party who may have any dealings with the Council.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

2.12. The key governance documents supporting this principle are the Constitution; the Corporate Complaints Policy and Procedure; the Risk Management Strategy and Policy; the Counter Fraud and Corruption Strategy; and the Confidential Reporting Code.

2.13. The Council is rigorous and transparent about how decisions are taken and listens and acts on the outcome of constructive scrutiny. This is achieved by:

- Ensuring that all decisions are made in public, recording those decisions and relevant information, and making them available publicly (except where that information is exempt under the provisions of the Freedom of Information Act or determined as being confidential by Government or otherwise exempt by the Council).
- Publishing an Executive Forward Plan of decisions for next four months;
- Effective scrutiny functions that encourage constructive challenge and enhance performance through the Overview and Scrutiny Committee, and the Police and Crime Panel.
- Putting in place arrangements to safeguard members and employees against conflicts of interest, and appropriate processes to ensure that they continue to operate in practice.
- An effective Audit Committee that is independent of the executive and scrutiny functions, with responsibility for monitoring and reviewing the risk control and governance processes; and associated assurance processes.
- Ensuring through the Council's Complaints Procedure that effective, transparent and accessible arrangements are in place for dealing with complaints.
- A Freedom of Information publication scheme.

2.14. The Council maintains good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants or needs. This is achieved by:

- Implementing a Data Quality Policy, corporate data protection training and signing up to the Information Commissioner's Office's information promise.
- Applying the principles of decision making, as set out in the Constitution, so that those making decisions, whether for the authority or the partnership, are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical and financial issues and their implications.
- Ensuring that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.

2.15. The Council maintains an effective risk management system by:

- Ensuring, through the Risk Management Strategy and Policy, that risk management is embedded into the culture of the authority, and that members and managers at all levels recognise that risk management is part of their jobs.
- Ensuring, through the Confidential Reporting Code and the School Financial Value Standard, that effective arrangements for whistleblowing are in place to which officers, staff and all those appointed by the authority have access.

2.16. The Council ensures that its legal powers are used to the full benefit of the citizens and communities in County Durham by:

- Utilising its' powers to the full benefit of communities but within the limits of lawful activity, for example, the 'ultra vires' doctrine.
- Recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.
- Observing legislative requirements placed upon the Council, as well as the requirements of general law, and integrating the key principles of good administrative law – rationality, legality and natural justice – into its' procedures and decision-making processes.

Principle 5: Developing the capacity and capability of Members and Officers to be effective

2.17. The key governance documents supporting this principle are the Constitution; the Member Learning and Development Strategy; People and Organisational Development Strategy; and the Recruitment and Selection Policy.

2.18. The Council ensures that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles by:

- Ensuring, through Personal Development Plans, that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.
- Maintaining the Investor in People Standard.
- Evaluating the effectiveness of Member development planning and evaluation via the Member Development Group which is chaired by a Member.
- Managing the performance and development of employees through an annual appraisal process.

2.19. The Council develops the capability of people with governance responsibilities and evaluates their performance, as individuals and as a group, by:

- Assessing the skills required by members and officers through personal development plans, and making a commitment to develop those skills to enable roles to be carried out effectively.
- Developing skills on a continuing basis, through implementation of the Member Development Strategy, to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.

2.20. The Council encourages new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal. This is achieved by:

- Ensuring, through the Recruitment and Selection Policy that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.
- Taking a strategic approach to workforce planning.

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

2.21. The key governance documents supporting this principle are the Constitution (Parts 2 and 4); the Consultation and Engagement Strategy; and the County Durham Partnership Community Engagement and Empowerment Framework.

2.22. The Council exercises leadership through a robust scrutiny function, which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships. This is achieved by:

- Making clear to members, officers, staff and the community, to whom we are accountable and for what.
- Considering those institutional stakeholders to whom the authority is accountable and assessing the effectiveness of the relationships and any changes required.
- Producing an annual report on the activity of the scrutiny function.
- The County Durham Partnership Community Engagement and Empowerment framework, developed by the CDP, to shape and support a common vision and approach for community engagement by partners in County Durham, so that people feel able to influence decision making.
- Encouraging and supporting the public in submitting requests for aspects of the Council's Service to be scrutinised.
- Providing an appeals mechanism to ensure that the Council has a robust procedure in place for Petitions, and that petitioners have an opportunity to challenge Council inaction regarding a particular petition issue.

2.23. The Council takes an active and planned approach to dialogue with, and accountability to, the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning. This is achieved by:

- Ensuring that clear channels of communication are in place with all sections of the community and other stakeholders, and ensuring that they operate effectively.
- Ensuring, through multi-agency Area Action Partnerships, that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements recognise that different sections of the community have different priorities and establish processes for dealing with these competing demands.
- Establishing a clear policy on the types of issue on which the authority will meaningfully consult on or engage with the public and service users. This includes a feedback mechanism for those consultees to demonstrate what has changed as a result.
- Publishing an annual performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.
- Issuing Durham County News to every household in the County.
- Ensuring that the Council is open and accessible to the community, service users and—staff and ensuring that it has made a commitment to openness and transparency in all its dealings, including partnerships. This includes holding regular Cabinet meetings and staff briefings at various locations throughout the County and, is subject only to the need for confidentiality in those circumstances where it is proper and appropriate to do so.

- Drawing upon the locality arrangements of other public service providers such as the Police, the County Durham and Darlington NHS Foundation Trust and the Tees, Esk and Wear Valley NHS Foundation Trust through its partnership arrangements.
- Establishing the Voluntary and Community Sector Working Group to support front line Third Sector organisations in County Durham.
- Establishing a Local Councils Working Group to build closer working relationships around new and developing areas of work.

2.24. The Council makes best use of human resources by taking an active and planned approach to meet responsibilities to staff. This is achieved by having a clear policy on how staff and their representatives are consulted and involved in decision making.

3. Monitoring and Review

- 3.1. The Council has two Committees that are responsible for monitoring and reviewing the various aspects of the Council's Corporate Governance arrangements.
- 3.2. The Audit Committee is responsible for the Council's arrangements relating to:
 - Monitoring and reviewing the risk, control and governance processes, and associated assurance processes to ensure internal control systems are effective and that policies and practices are in compliance with statutory and other regulations and guidance;
 - Approving the Council's Accounts prior to approval by the County Council;
 - Reviewing a draft of this Code of Corporate Governance and recommending any amendments required before it is considered for approval by the Constitution Working Group and Full Council;
 - External audit and internal audit;
 - Risk Management;
 - Making recommendations concerning relevant governance aspects of the Constitution;
 - Reviewing the effectiveness of Internal Audit.
- 3.3. Each year the Council is required to publish a Governance Statement. This process is managed by the Resources Management Team and overseen by the Audit Committee who is responsible for approving it. The Annual Governance Statement provides an overall assessment of the Council's corporate governance arrangements and an appraisal of the key controls in place to manage the Council's principal governance risks, together with proposed improvements that will be made. This governance review process helps inform any amendments required to this Code of Corporate Governance.
- 3.4. The Annual Governance Statement will be published as part of the Council's Annual Statement of Accounts and will be reviewed by our External Auditors as part of their annual audit process.
- 3.5. The Standards Committee is responsible for promoting high ethical standards across the Council, overview of the Member and Officer codes and other relevant protocols.
- 3.6. These two Committees will ensure that the Council's governance arrangements are kept under continual review through;
 - Reports prepared by officers with responsibility for aspects of this Code;
 - The work of Internal Audit;
 - External Audit opinion;
 - Other review agencies and Inspectorates;
 - Opinion from the Council's Statutory Officers.

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

3.8. In general, they will:

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

CORPORATE GOVERNANCE FRAMEWORK

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

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



Key Documents which support the achievement of the core principles		Contributory Processes/Regulatory Monitoring
<ul style="list-style-type: none"> • Acquisition and Disposal Strategy • Annual Governance Statement • Annual Statement of Accounts • Area Action Partnership Profiles • Asset Management Plans • Asset Register • Benefits Fraud Sanctions Policy • Business Contingency Plans • Buzz Magazine (employee) • Cabinet and Committee Reports • Capital Strategy for Assets • Codes of Conduct • Complaints Policy and Procedures • Confidential Reporting Code • Constitution • Consultation and Engagement Strategy • Contract Procedure Rules • Contracts Register • Corporate Management Framework • Council Plan • Councillor Compact • Counter Fraud and Corruption Strategy • County Durham Compact • County Durham Trade Union Partnership Agreement • Countywide Resident Survey • Data Protection Policy • Data Quality Policy • Durham County News Magazine • Emergency Plan • External Audit Reports • Financial Management Standards • Financial Procedure Rules • Forward Plan of Decisions • Freedom of Information Policy • Health and Safety Policy, Procedures and Handbook • Human Resources Policies/Procedures • ICT Strategy 	<ul style="list-style-type: none"> • Information Security Policy and Manual • Inspection Reports • Internal Audit Plan • Internal Audit Reports • Joint Health and Wellbeing Strategy • Key Performance Indicators • Local Code of Corporate Governance • Local Member Consultative charter • Media Relations Strategy/Protocol • Medium Term Financial Plan • Member Handbook • Member Personal Development Plans • Members Allowance Scheme and Procedures • Members Learning and Development Strategy • Minutes of meetings • Officer & Member Declaration of Interest Register and Policies • Officer and Member Gifts & Hospitality Register and Procedures • Overview and Scrutiny Annual Report • Partnership Governance Framework • People and Organisational Development Strategy • Performance Management Reports • Policy Framework Procedure Rules • Procurement Strategy • Records Management Policy • Risk Management Strategy and Policy • Scheme of Delegation • Service Plans • Single Equality Scheme • Strategic Risk Registers • Sustainable Community Strategy • Town and Parish Council Charter • Transparency Webpage • Treasury Management Policy and Strategy 	<ul style="list-style-type: none"> • Audit Committee • Budget Process Cabinet • Constitution Working Group • Consultation Framework • Corporate Management Team • Corporate Consultation Group • Corporate Health and Safety Group • Corporate Risk Management Group • Democratic Engagement • Development Improvement Group • Equality and Diversity Steering Group • External Audit • External Inspection and Review Agencies • ICT Prioritisation Process Improvement and Planning Group • Information Governance Group • Internal Audit • Member Briefings • Member Development Group • Member Officer Working Group for capital • Monitoring Officer • Overview and Scrutiny Committee • Partnerships • Planning and Performance Group • Project Management Methodology • Resources Management Team • Service Management Teams • Standards Committee • Strategic Procurement Network

Audit Committee

28 November 2013

**Strategic Risk Management
Progress Report for the Quarter period
July to September 2013**



Report of Corporate Management Team

Don McLure, Corporate Director Resources

Purpose of the Report

1. The purpose of this report is to highlight the strategic risks facing the Council and to give an insight into the work carried out by the Corporate Risk Management Group during the period July to September 2013.

Background

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

Current status of the risks to the Council

4. As at 30 September 2013, there were 37 strategic risks, one less than the number as at 30 June 2013. In summary, the key risks to the Council are:
 - Government ongoing funding cuts which now extend to at least 2017/18 will continue to have an increasing major impact on all Council services.
 - If there was to be slippage in delivery of the agreed MTFP savings projects this will require further savings to be made from other areas, which may result in further service reductions and job losses.
 - If we are unable to identify and effectively regulate Contaminated Land, this may impact on both public health and environmental sustainability across the County.

- If we were to fail to comply with Central Government's Public Services Network Code of Connection criteria, this would put some of our core business processes at risk, for example, Revenues and Benefits.
- If Local Authority Schools and other Local Authority services choose not to take Council Services, together with the loss of community buildings both Technical and Building Services could see a loss of business.
- Should the online payment collection system not be in place in time to meet demand for payment of garden waste recycling charges ahead of implementation in 2014/15, this would cause delays.
- New funding reforms implementation may result in Council having a major funding shortfall for Post 16 High Needs Placements.
- Potential restitution of search fee income going back to 2005.
- School funding reforms and potential Local Authority Central Spend Equivalent Grant (LACSEG) reductions in 2014/15 threaten viability of some centrally managed services for children and young people.

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

5. Appendix 4 of this report lists all of the Council's strategic risks as at 30 September 2013.
6. Management has identified and assessed these risks using a structured and systematic approach, and is taking proactive measures to mitigate these risks to a manageable level. This effective management of our risks is contributing to improved performance, decision-making and governance across the Council.

Recommendations and reasons

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

Contact: David Marshall Tel: 03000 269648

Appendix 1: Implications

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

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

Risk – Not a key decision

Equality and Diversity/Public Sector Equality Duty - None

Accommodation - None

Crime and disorder - None

Human rights - None

Consultation - None

Procurement – None.

Disability issues – None.

Legal Implications – None.

Appendix 2: Background

The Cabinet and the Corporate Management Team have designated the Cabinet Portfolio Holder for Corporate Services and the Corporate Director, Resources as Member and Officer Risk Champions respectively.

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

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

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

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

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

Appendix 3: Strategic Risks

Risks are assessed at two levels:

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

As at 30 September 2013, there were 37 strategic risks, one less than the number as at 30 June 2013.

The following matrix summarises the total number of strategic risks based on their Net risk assessment as at 30 September 2013. Where there have been changes to the number of risks from the last quarter period end, the risk total as at 30 June 2013 is highlighted in brackets.

Overall number of Strategic Risks as at 30 September 2013

Impact					
Critical	2 (2)	1 (2)	3 (2)		
Major		3 (3)	3 (3)	2 (1)	1 (1)
Moderate		1 (2)	10 (11)	6 (5)	3 (3)
Minor			0 (1)	2 (2)	
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

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

1 Significant New and Increased Risks

Four new risks have been identified this quarter:

- *'If we were to fail to comply with Central Government's Public Services Network Code of Connection criteria, this would put some of our core business processes at risk'*, for example, Revenues and Benefits. Failure to be compliant can result in the authority being disconnected from the PSN, resulting in loss of access to key systems and services. Should this happen, the PSN Authority have plans to enable another local authority to take over the provision of these services until the failing authority becomes compliant. The resulting financial and reputational impact of being cut off from PSN would be significant. In May 2013, an ICT Health Check was carried out and a number of recommendations were made to bring DCC to a position of compliance. **(RES)**

- *'Should the online payment collection system not be in place in time to meet demand for payment of garden waste recycling charges ahead of implementation in 2014/15, this would cause delays'*. From April 2014, charges will be introduced for garden waste recycling. If the four corporate ICT systems are not integrated by then, there will be no system for receipting and accounting for payments. An implementation plan will be drafted. **(NS)**
- *'The Council will not be able to maintain its non-educational and non-housing buildings to current repairs standards'*. The condition of stock is expected to deteriorate as a result of increasingly demanding compliance requirements, aging stock and a reducing budget. A policy and strategy will be developed to effectively communicate what the Service will be able to offer. **(NS)**
- *'Serious breach of Health and Safety Legislation'*. This brings together a number of health and safety risks that were previously documented on the risk register. **(RES)**

One significant risk which has increased during the quarter is:

- *"If Local Authority Schools and other Local Authority services choose not to take Council Services, together with the loss of community buildings both Technical and Building Services could see a loss of business"*. The net impact increased from Moderate to Major as Council Services are putting Capital Programme work out to tender instead of passing the business to Technical and Building Services. Officers are actively engaging with clients to promote Council services. **(NS)**

2 Removed and Reduced Risks

Due to effective management by the Services, and the completion of all mitigating actions to reduce them to a level where management now consider existing controls to be adequate, the following risks have been removed from the register:

- *"Potential claw-back from MMI (former insurers) under the Scheme of Arrangement (SOA)"*. **(RES)** This is no longer considered a significant risk as the 15% annual contribution has been agreed with the Scheme Administrators. Management will continue to monitor the situation in case the levy increases in future years.
- *"Failure to meet escalating costs of external and high-cost placements effectively where highly-specialised provision is required"*. **(CAS)**
- *"Industrial Action will adversely impact service delivery"*. **(RES)**

3 Key Risks

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

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

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
1	RES Risk Owner: Don McLure	Altogether Better Council	Government ongoing funding cuts which now extend to at least 2017/18 will continue to have an increasing major impact on all Council services.	Major	Highly Probable	Sound financial forecasting is in place based on thorough examination of the Government's "red book" plans. A further report on the spending round will be made to Cabinet in October 2013.	Net likelihood increased from Probable to Highly Probable	This will be a significant risk for at least the next four years
2	RES Risk Owner: Don McLure	Altogether Better Council	If there was to be slippage in delivery of the agreed MTFP savings projects, this will require further savings to be made from other areas, which may result in further service reductions and job losses.	Critical	Possible	The Delivery plan implementation will be monitored by CMT and Cabinet.		This will be a significant risk for at least the next 4 years. No further mitigation is planned at the current stage.
3	NS Risk Owner: Joanne Waller	Altogether Greener	If we are unable to identify and effectively regulate Contaminated Land, this may impact on both public health and environmental sustainability across the County.	Critical	Possible	All sites have been inspected and budget allocated to fund 2013/14 inspection programme.		December 2013
4	RES Risk Owner: Phil Jackman	Altogether Better Council	If we were to fail to comply with Central Government's Public Services Network Code of Connection criteria, this would put some of our core business processes at risk.	Critical	Possible	Servers that cannot be made compliant or effectively relocated will be switched off.	New risk	March 2014
5	NS Risk Owner: Oliver Sherratt	Altogether Better Council	If Local Authority Schools and other LA services choose not to take Council Services, together with the loss of community buildings both Technical and Building Services could see a loss of business.	Major	Probable	A draft booklet will be produced to promote Building Services ready for distribution throughout Council Services by the end of 2013.	Net impact increased from Moderate to Major	

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
6	NS Risk Owner: Terry Collins	Altogether Greener	Should the online payment collection system not be in place in time to meet demand for payment of garden waste recycling charges ahead of implementation in 2014/15, this would cause delays.	Major	Probable	The exact ICT requirements and timescale to integrate the systems will be established by October 2013.	New risk	January 2014
7	CAS Risk Owner: Caroline O'Neill	Altogether Better for Children and Young People	New funding reforms implementation may result in Council having a major funding shortfall for Post 16 High Needs Placements.	Moderate	Highly Probable	The Education Funding Agency (EFA) has agreed some additional funding.		The situation is being monitored and reported periodically to CAS MT.
8	RES Risk Owner: Colette Longbottom	Altogether Better Council	Potential restitution of search fee income going back to 2005.	Moderate	Highly Probable	The Council has signed up to a class action defence by LGA appointed solicitors		Dependent upon the outcome of the negotiations/ litigation currently being defended by lawyers instructed in group litigation
9	CAS Risk Owner: Caroline O'Neill	Altogether Better for Children and Young People	School funding reforms and potential Local Authority Central Spend Equivalent Grant (LACSEG) reductions in 2014/15 threaten viability of some centrally managed services for children and young people.	Moderate	Highly Probable	Management continue to monitor this risk on an ongoing basis, and at this stage, no further actions are planned		

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

Based on the **Net** risk assessment as at 30 September 2013, the following tables highlight the risks for each Corporate Theme.

Corporate Theme – Altogether Better Council

Ref	Service	Risk
1	RES	Government ongoing funding cuts which now extend to at least 2017/18 will continue to have an increasing major impact on all Council services
2	RES	If there was to be slippage in delivery of the agreed MTFP savings projects this will require further savings to be made from other areas, which may result in further service reductions and job losses
3	NS	If Local Authority Schools and other LA services choose not to take Council Services, together with the loss of community buildings both Technical and Building Services could see a loss of business
4	RES	Potential restitution of search fee income going back to 2005
5	RES	If we were to fail to comply with Central Government's Public Services Network Code of Connection criteria, this would put some of our core business processes at risk
6	RED	Increased demand for Housing Solution Service beyond current staffing capacity due to changes in Government Welfare legislation.
7	RED	Adverse impact on Durham City Homes revenue, capacity and resources and tenants due to changes in Government legislation.
8	NS	The Council will not be able to maintain its non-educational and non-housing buildings to current repairs standards.
9	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to Information Commissioner's Office
10	NS	Contamination of material collected from kerbside from Alternate Weekly Collection scheme is having a negative impact on income (MTFP implications) and may reduce availability of recycling outlets
11	RES	National Non-Domestic Rates and Council Tax collection rates do not reach target set for 2013/ 14
12	RES	Inconsistent approach to managing funding bids by Services could expose the Council to financial losses and reputational damage.
13	RES	Major Interruption to IT Service Delivery
14	RES	Serious breach of Health and Safety Legislation

Ref	Service	Risk
15	ACE	Risk that the Council does not respond to the Government's changes to Welfare Reform
16	ACE	Failure to substantially deliver the Community Buildings Strategy by March 2014, leading to continuation of current issues
17	RES	Due to the amount of change occurring across the Council, the potential for fraud and error is increasing.
18	ACE	Failure to consult with communities on major service and policy changes leading to legal challenge & delays in implementation
19	ACE	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation
20	RES	Medium Term Financial Plan forecasts relating to the impact of the Local Council Tax Support Scheme and the Business Rate Retention on the Council's budget prove to be detrimentally inaccurate

Altogether Better for Children and Young People

	Service	Risk
21	CAS	New funding reforms implementation may result in Council having a major funding shortfall for Post 16 High Needs Placements
22	CAS	School funding reforms and potential Local Authority Central Spend Equivalent Grant (LACSEG) reductions in 2014/15 threaten viability of some centrally managed services for children and young people
23	CAS	Children and families experience a lack of interface between services for children and adults as a result of failure to work together
24	RED	Employment Services for young people (18-24 year olds) are under resourced and uncoordinated between service groups.

Altogether Safer

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

Altogether Wealthier

	Service	Risk
33	RED	Diminishing Capital Resources, continuing depressed land values and slow growth in the private sector will impact on the ability to deliver major projects and Town initiatives within proposed timescales
34	RED	Private housing stock condition worsens with adverse implications for local economy, health and neighbourhood sustainability.
35	NS	Coastal erosion and improved environment may be adversely impacted if a programme of repairs to Seaham North Pier is not undertaken

Altogether Greener

	Service	Risk
36	NS	Should the online payment collection system not be in place in time to meet demand for payment of garden waste recycling charges ahead of implementation in 2014/15, this would cause delays.
37	NS	If we are unable to identify and effectively regulate Contaminated Land, this may impact on both public health and environmental sustainability across the County.

Altogether Healthier

There are no strategic risks to achieving the objectives of the Altogether Healthier corporate theme.

Annual Audit Letter 2012/13

Durham County Council and Durham County Council Pension Fund

Contents

- 01 Key messages
- 02 Financial statements
- 03 Value for money
- 04 Added value
- 05 Fees and closing remarks

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

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01

Key messages

This letter summarises the findings from our 2012/13 audit of Durham County Council, including the Pension Fund which it administers.

Key messages

Our 2012/13 audit of the Durham County Council ('the Council') and the Durham County Council Pension Fund ('the Pension Fund') was made up of three elements:

- the audit of the Council's financial statements;
- the audit of the Pension Fund financial statements (including review of the Annual Report); and
- our assessment of the Council's arrangements for achieving value for money in its use of resources.

We summarise below the key conclusions for each element.

The Council's financial statements

We issued an audit report including an unqualified opinion on the Council's financial statements on 30 September 2013. Section two of this letter sets out the detailed findings in relation to our audit of the Council's financial statements.

The Pension Fund's financial statements

We issued an audit report including an unqualified opinion on the pension fund financial statements on 30 September 2013. Section two of this letter sets out the detailed findings in relation to our audit of the Pension Fund financial statements.

Value for money

We undertook work on the specified criteria and in line with guidance issued by the Audit Commission. We concluded that the Council had proper arrangements to ensure economy, efficiency and effectiveness in the use of its resources. Section three of this letter details the findings in relation to value for money.

We issued our certificate, closing the 2012/13 audit, on 4 October 2013 following completion of our Whole of Government Accounts work.

Forward look

This letter represents the completion of our first year as your appointed auditor. We look forward to continuing the effective working arrangements we have developed with you. We recognise the challenges you face which include:

- the financial outlook for the Council, which continues to be extremely challenging with savings targets for the period 2014/15 to 2016/17 of £108.2 million;
- pressure on services, including demographic changes, inflation and legislative changes;
- uncertainty from recent budget and CSR announcements;
- New Business rate reduction regime;
- single pension implementation and impact upon NI contributions; and
- 1% public sector pay cap and review of incremental progression.

We focus our audit on the risks that these challenges present to the Council's financial statements and its ability to maintain proper arrangements for securing value for money. We will continue to share with the Council relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

02

Financial statements

We issued unqualified opinions allowing the Council to publish its audited accounts before the statutory deadline. The Council recognises that scope remains to improve year end accounts preparation processes.

Financial statements

Financial statements of the Council

The financial statements are an important way for the Council to communicate how it has used public money as well as to demonstrate its financial performance and financial position.

We issued our audit report, including an unqualified opinion on the financial statements, on 30 September 2013.

We are grateful to officers in the finance team for their input into the audit process which ensured deadlines were met. Nevertheless, officers agree that scope remains to improve the closedown process. We will continue to work with the Council to improve processes and the quality of financial reporting in future years.

Audit findings

We reported the detailed findings from the audit in our Audit Completion Report and subsequent update letter to the Audit Committee on 30 September 2013. In summary:

- We identified three significant deficiencies in internal control during the course of the audit. These related to the failure to save 19 of 107 accounts payable reports included in the schools Information management system (SIMS) reconciliation, the lack of detailed information to support the entries in the fixed asset register for a number of older infrastructure assets and the failure to keep on file seven out of 28 employee payroll contracts. In each case officers have agreed to review the Council's approach for 2013/14.
- We identified two matters to report to those charged with governance in respect of one of the significant risks we identified and reported to you in our Audit Strategy Memorandum in February 2013 (the valuation of assets risk). These related to the revaluation of entire classes of assets and the assessment of enhancement expenditure in year on council dwellings for impairment. Officers have agreed actions to address these matters for 2013/14.
- In addition to the two issues noted above we identified a third issue in relation to the financial statements that we were required to report to those charged with governance. The Council's insurance claim provision is currently set at 100 per cent of claim value. The Council has commissioned a review to provide more accurate estimates of likely future insurance claims success based on claims history. Officers have agreed to use this information as a basis for the provision made in 2013/14.

Our audit identified one material misstatement which the Council corrected for, several non-material misstatements and a number of presentation and disclosure errors. None of these errors impacted on the reported level of usable reserves.

The Council corrected the majority of errors and misstatements in the published accounts, helping to improve the accuracy of information provided to stakeholders. Management decided not to make adjustments for three misstatements on the grounds that the errors did not have a material impact on the financial statements.

For future years we recommend that the Council increases its focus on the following areas to improve the quality of its published financial statements (and reduce the number of audit queries):

- Develop internal quality assurance processes to continue to improve the quality of the draft statement of accounts presented for audit. This should include more comprehensive analytical review procedures to identify, and explain, areas of significant movement;
- Ensure that entire classes of property, plant and equipment are revalued in the same financial year to reduce the likelihood of material misstatement in future years; and
- Review total capital expenditure in year to inform how much enhances the value of property, plant and equipment in year and how much does not.

Financial statements of the Pension Fund

We reported the detailed findings from our audit in the Audit Completion Report and subsequent update letter to the Council at the Audit Committee on 30 September 2013. We did not identify any significant deficiencies in internal controls during the course of the audit and there were no matters to report to those charged with governance in respect of the significant risks we identified and reported to you in our Audit Strategy Memorandum in April 2013. We did not identify any issues with the qualitative elements of the financial statements that we were required to report to those charged with governance.

Our audit identified a few non-material misstatements and a small number of material errors relating to the presentation and disclosure of amounts shown. There were no significant unadjusted misstatements (either cumulative or individually).

To secure improvement in future years, reduce amendments and audit queries, we recommend the Council improves internal quality assurance processes to continue to improve the quality of the draft statement of accounts. This should include more comprehensive analytical review procedures to identify, and explain, areas of significant movement.

Whole of Government Accounts (WGA)

The Whole of Government Accounts return (WGA) was amended for a small number of errors noted during our audit and in addition we noted two inconsistencies which could not be amended and were reported in our WGA Assurance Statement for the Council. Our work also identified a small number of non material errors in the financial statements which were reported to members in our Audit Completion report as unadjusted. Council officers should consider next year using the work done in preparing the WGA as a check on the accuracy and quality of the financial statements.

03

Value for money

Our work shows that the Council maintained proper arrangements for financial resilience, economy, efficiency and effectiveness during 2012/13 despite increasing pressure on resources.

Value for money

Arrangements to secure value for money

We are required to consider the Council's arrangements to secure value for money in its use of resources. We do this by considering whether the Council has proper arrangements:

- in place for securing financial resilience; and
- for challenging how it secures economy, efficiency and effectiveness.

We consider whether the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. In addition we consider whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We are pleased to note that, despite the significant funding restrictions and the demand on scarce resources it faces, the Council has risen to the challenge well despite staff restructures and on going retirements and has continued to maintain proper arrangements for securing value for money in its use of resources during 2012/13.

In particular we found that:

- the forward planning which has underpinned the medium term financial plan (MTFP) process has been extremely effective and has helped the Council maintain its financial strength whilst investing in key front line services and priorities;
- the Council's track record in delivering the savings required in recent years has been successful. Plans to achieve the estimated additional savings of £108.2m for the period 2014/15 to 2016/17 are well underway; and
- the Council regularly reviews its level of reserves and management is satisfied that the level of usable reserves is sufficient to meet current plans as well as potential contingencies.

For the future, the Council has recognised the need for continued work on the strategic plan for the achievement of the savings required for 2014/15 to 2015/16 and beyond. Members have agreed that for the next phase of the MTFP process, a full reassessment of priorities will be required and a comprehensive consultation process is being carried out this autumn to determine those services which are seen to be a key priority to the public to assist in determining the future approach to meeting the savings targets.

Key areas for focus will be consistent and clear reporting to members of the cumulative financial position (revenue and capital) and progress in achieving savings throughout the year.

04

Added value

We have continued to seek ways to add value to the Council as its external auditors.

Added value

As a major firm of accountants and advisors with a strong commitment to maintaining and, where required, improving the quality of public services we are well placed to support the Council as it faces its challenges in future years.

We do this within a framework of ethical standards applicable to external auditors and with the agreement of the Council.

Additional services

Aside from our work on the Decent Homes grant claim, which was outside the Audit Commission regime and for which additional fee billed, we have not provided the Council with any other additional fee-based services since our appointment as your auditor. However, we attend all Audit Committee meetings, present regular progress reports to the Committee and meet key officers on a regular basis, providing written feedback where appropriate. We also attend all Pension Fund Committee meetings.

As part of our commitment to the sector as a whole and to you as our client, we provide Members and officers with relevant, practical insights from our extensive knowledge of local government and experience of other public and private sector organisations.

In 2012/13 these insights have included:

- the developments in the National Fraud Initiative; and
- the publication by CIPFA of new guidance on local government finance.

In February 2013 members of your finance team attended a workshop aimed at supporting our clients to prepare their 2012/13 financial statements and to provide an early insight into future developments in financial reporting that may be relevant to the local government sector. We plan on holding similar events in early 2014.

05

Fees and closing remarks

Effective working with the Council has ensured our fees are in line with those agreed with you at the start of this year's audit.

Fees and closing remarks

Our audit fees for the year are in line with those communicated to you in our Audit Strategy Memoranda for the Council and Pension Fund in April 2013, being £333,180 (plus VAT) and £25,919 (plus VAT) respectively. This represents a reduction in external audit fees of 40 per cent from 2011/12. We still have two grant claims left to certify, but we anticipate at this stage that our fees for certification work will be within the £53,200 stated in the Audit Strategy Memorandum. In addition, as outlined in section four of this letter, we audited the Decent Homes grant claim submission (£2,500 plus VAT).

We have discussed this letter with the Council's Corporate Director Resources and we will provide copies to all Members. Further detailed findings and conclusions in the areas covered by our audit are included in the reports issued to the Council during the year.

Report	Date issued (for both the Council and the Fund where applicable)
2012/13 Fee Letter	December 2012
Audit Strategy Memorandum	April 2013
Audit Completion Report	September 2013
Auditor's report on the financial statements and value for money	30 September 2013
Certificate and Closure of the Audit	4 October 2013
Annual Audit Letter	October 2013

The Council has taken a positive and constructive approach to our audit for 2012/13 and we wish to thank Members and officers for their support and co-operation.

Cameron Waddell
Director

October 2013

Audit Committee

28 November 2013

**Report to Council on the Work of the Audit
Committee**



**Report of Councillor Edward Bell, Chairman of the Audit
Committee**

Purpose of the Report

1. The purpose of this report is to present the proposed report summarising the work of the Audit Committee, during the period May 2013 to September 2013, to be presented to Council at its meeting on the 8 January 2014.

Recommendations and reasons

2. Members are asked to approve the report attached at Appendix 2.

Contact: Avril Wallage Tel: 03000 269645

Appendix 1: Implications

Finance -

None

Staffing -

None

Risk -

None

Equality and Diversity / Public Sector Equality Duty -

None

Accommodation -

None

Crime and Disorder -

None

Human Rights -

None

Consultation -

None

Procurement -

None

Disability Issues -

None

Legal Implications -

None

Appendix 2

County Council



8 JANUARY 2014

Report of the Audit Committee for the Period May 2013 to September 2013

Councillor Edward Bell, Chairman of the Audit Committee

Purpose of the Report

1. To inform the Council of the work of the Audit Committee during the period May 2013 to September 2013 and how the committee continues to provide for good governance across the Council.

Background

2. The role, membership and terms of reference of the Audit Committee are set out within the Constitution and approved by Council.
3. Good corporate governance requires independent and effective assurance processes to be in place to ensure effective financial management and reporting in order to achieve the Council's corporate and service objectives. It is the responsibility of the Audit Committee to undertake these aspects of governance on behalf of the Council.
4. The specific objectives of the Audit Committee set out in the Council's Constitution are to provide independent assurance to Cabinet and Full Council over the:
 - Adequacy and effectiveness of the Council's governance arrangements, including the effectiveness of the risk management framework and the associated control environment.
 - Financial Reporting of the Council's Statement of Accounts ensuring that any issues arising from the process of finalising, auditing and certifying the Council accounts are dealt with properly.
5. The membership of the Committee during the period May 2013 to September 2013 was refreshed following the May County Council elections and is now as follows:

Chairman:	Cllr Edward Bell
Vice Chairman:	Cllr James Rowlandson
Members	Cllr Lawson Armstrong Cllr Colin Carr Cllr Sonia Forster Cllr Jed Hillary Cllr Tracie Smith Cllr Watts Stelling Cllr Owen Temple
Co-optees:	Ms Katherine Larkin-Bramley Mr Thomas Hoban

6. Induction training for new elected members of the Committee was provided on the 30 May 2013 and each member of committee was provided with an induction handbook of key documents and background information to assist them with their new role.

Summary of meetings

7. A summary of committee business considered at the meetings held during the period is provided at Appendix 2.

How the Audit Committee has made a difference during the first 6 months of 2013/14.

8. The Committee believe they have made a significant difference to the Council's governance, control and risk framework during the period May 2013 to September 2013 by :
 - Striving to help support the Council deliver its objectives and priorities by being both a proactive and reactive body encouraging the early reporting of any risk and control issues to ensure that appropriate and timely action is taken to address them
 - Continuing to raise the profile of the Internal Audit and Risk Management Service through the Service's reports to Audit Committee
 - Independent questioning and contributing to the development and control of internal audit plans
 - Seeking assurance on the effectiveness of corporate risk management arrangements
 - Seeking assurance on the effectiveness of the Council's corporate governance arrangements from a number of different assurance sources
 - Improving the accountability of service managers to respond to outstanding internal audit reports and the implementation of agreed internal audit recommendations thereby helping to drive improvement in controls to manage risks effectively

- Continuing to provide regular challenge and demanding accountability on the effectiveness of the implementation and operation of key financial systems
- Challenging the level of internal audit resources and their work to ensure that the service is effective and a reliable assurance opinion on the Council's controls framework is provided
- Challenging how the Annual Governance Statement has been determined and reviewing the assurance framework in place to ensure that the Council's corporate governance arrangements are effective

Recommendations and reasons

9. Members note the report and the work undertaken by the Audit Committee during the period May 2013 to September 2013.

Contact: Avril Wallage, Manager of Internal Audit & Risk, Tel 03000 269645

Appendix 1: Implications

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

Staffing - None.

Risk – Not a key decision

Equality and Diversity/ Public Sector Equality Duty - None

Accommodation - None

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

Human rights - None

Consultation - None

Procurement – None.

Disability issues – None.

Legal Implications – None.

Summary of Meetings

31 May 2013

The Committee considered:

- (i) The Bi-Annual Report of the Audit Committee which covered the period November 2012 – April 2013 and would be presented to the County Council at its next meeting in accordance with best practice guidelines.
- (ii) A report of the Chair that provided a response, sent on behalf of the Audit Committee, to a letter from the external auditors, relating to compliance with International Auditing Standards. This was a requirement of the final accounts audit process, and a response from the Corporate Director, Resources in relation a similar request from management's perspective was also considered for information.
- (iii) An update from the Corporate Director of Resources on the progress to date on the implementation of agreed actions to address control weaknesses incorporated in the External Auditor's 2011/12 Interim and Final Governance Reports. Members were pleased to note that the majority of action required had now been implementation with only 2 actions outstanding. Further assurance that the outstanding issues were being addressed on a timely basis was requested.
- (iv) An update from the Corporate Director, Resources, giving assurance to Members that deadlines would be met for the draft accounts to be submitted to Mazars by the end of June and for final approval in September 2013.
- (v) A report of the External Auditor, Mazars that set out progress on the 2012/13 audit. It was pleasing to note, that the external auditor has found no need to issue an interim governance report this year, due to a much improved control environment form previous years. However, significant deficiencies in internal control relating to bank reconciliations and journals were highlighted. The Committee sought assurance from the Corporate Director, Resources that these control weaknesses had now been addressed appropriately. Members were pleased to note that reconciliations at the financial year end were now fully complete and that robust systems were in place for regular and timely on going robust bank reconciliations.
- (vi) A report of the Corporate Director, Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during January to March 2013. Members were informed of new risks, those that had been removed and the status of all current key risks.

- (vii) A report of the Manager of Internal Audit and Risk that advised Members of known arrangements in place that could provide assurance on the adequacy and effectiveness of the Council's partnership governance arrangements. The report also advised the Committee of the current guidance available to elected members when serving on outside bodies or partnership.
- (viii) A report of the Corporate Director, Resources that provided information on occasions when grant paid to the Council has had to be repaid as grant conditions had not been complied with. It was noted that independent assurance on the adequacy and effectiveness of arrangements in place, to reduce the risk of further claw back, was planned to be provided by Internal Audit as part of the current annual audit plan. The outcomes of this review are expected to be reported to the November meeting of the Committee.
- (ix) A report of the Manager of Internal Audit and Risk which informed members of the work carried out by Internal Audit during the period July 2012 to March 2013 and the assurance on the control environment provided.

27 June 2013

The Committee considered:

- (i) A report from the Head of Planning and Assets giving an update on the disposal of assets procedure. This update had been requested by the Committee following consideration of an internal audit report at the meeting of the Committee in February 2013 on the sale of Windlestone Hall. Assurance was provided that tight internal control procedures are in place and how these will be monitored. The Committee was reminded that independent assurance on the effectiveness of the new processes and procedures is planned to be carried out by Internal Audit within the following few months at the Committee's request, with the outcomes being reported back to Committee on completion.
- (ii) A report of the Corporate Director, Resources which presented the draft Annual Governance Statement for approval. The Committee raised concerns that impact of austerity measures and strategic risk of not delivering the MTFP had not been given enough emphasis. The Committee requested the statement be amended accordingly, prior to it being reported to Full Council for information in July.
- (iii) A report of the Corporate Director, Resources which presented the Annual Internal Audit Report for 2012/13 which provided a 'moderate' opinion on the adequacy and effectiveness of Council's control environment for 2012/13. The Committee were informed that the overall opinion given for the 2012/13 was that of a moderate assurance, which had been the same as given in the previous year. The Committee, although disappointed with the overall opinion,

acknowledged that a lot of improvements had been made during the year and others had been agreed but were yet to be implemented.

- (iv) A report of the Corporate Director, Resources regarding the outcomes of the annual review of the effectiveness of Internal Audit. This annual review is a statutory requirement and is important as provides assurance on the reliability of the annual audit opinion on the Council's control environment. Members expressed strong concerns about the poor response from senior management to a feedback questionnaire issued as part of this year's review as only 15 of 28 questionnaires were returned. However, in consideration of all the evidence presented, the Committee was able to conclude that the internal audit service was effective during 2012/13.
- (v) A report of the Corporate Director, Resources which outlined the proposed programme of work to be carried out by Internal Audit in the period July 2013 to June 2014. The resultant annual audit plan was approved. Progress on delivering the plan will be regularly monitored by the Committee.
- (vi) A report of the Corporate Director, Resources that presented a forward plan of Audit Committee business for the next 12 months.
- (vii) 2 reports relating to Direct Care Payments; an internal audit report resulting in limited assurance, and the service response in relation to audit findings. The Head of Commissioning provided an update on the social care and direct payments arrangements in place and improvements made and planned in response to audit findings. A follow up audit was requested by the Committee to provide independent assurance, in this high fraud risk area, that revised policies and procedures are effective and operate as expected.
- (viii) The 2012/13 Annual Fraud and Irregularity Report of the Manager of Internal Audit and Risk. This provided information on the effectiveness of the Council's Counter Fraud and Corruption Strategy. This included an update on fraud preventative work, detective work and investigations of potential cases.

29 July 2013

The Committee considered:

- (i) A report of the Corporate Director, Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during April to June 2013. Members were informed of new risks, those that had been removed and the status of current key risks to gain assurance that strategic risks were being effectively managed.

- (ii) A report of the Corporate Director, Resources which provided details of the final outturn for both the General Fund and the Housing Revenue Account for 2012/13 including the Annual Treasury Management Review.
- (iii) A report of the Corporate Director, Resources which presented the draft un-audited Statement of Accounts for the year ended 31 March 2013. The Corporate Director, Resources confirmed that the draft accounts had been certified and provided to external audit within the statutory deadline of 30 June 2013
- (iv) A report of the External Auditor, Mazars, detailing progress on the 2012/13 audit and highlighted the quality assurance arrangements in place at Mazars to assure the committee on the quality of the external audit service to be provided. It was pleasing to note that no areas of concern were raised relating to the audit and that no problems were envisaged with the audited accounts being available for publication within the statutory deadline of the 30 September.

30 September 2013

The Committee considered:

- (i) A report of the Payroll and Pensions Manager about the approach taken in response to the outstanding internal control recommendation made by the External Auditor, as part of the 2011/12 audit, relating to authorised signatories. Assurance was provided that an electronic authorisation process was planned to be developed and implemented by September 2014. In the interim, the Committee were assured that adequate alternative controls were in place to mitigate the risk of significant fraud or error. Independence assurance that these controls are effective in practice is to be provided by Internal Audit.
- (ii) A report of the Corporate Director, Resources that sought approval of the final Annual Governance Statement to be published as part of the Council's audited Statement of Accounts 2012/13.
- (iii) A report of the Corporate Director, Resources which presented the Statement of Accounts for the year ended 31 March 2013 for approval. The Head of Corporate Finance thanked the External Auditors at Mazars, the finance team and Internal Audit for working well together to ensure the accounts were prepared and audited by the statutory deadline of the 30 September. The overall improvement in the account preparation and reporting process was acknowledged by the Committee who thanked all those involved.
- (iv) The Audit Completion Reports of the External Auditor relating to the audit of both Durham County Council's 2012/13 Statement of Accounts and those for the Pension Fund. The Committee were pleased to note the comments made by the External Auditor in relation to the significant

improvements made in both the quality and timing of the accounts. The Committee were advised of the final review and closure procedures and noted the intension of the External Auditor to issue an unqualified opinion on both the accounts and the VFM conclusion.

- (v) A detailed presentation from the Head of Finance (Corporate Finance) outlining the budget and MTFP setting process to gain assurance on the management of risks associated with this key governance area.
- (vi) The Committee considered a report of the Manager of Internal Audit and Risk which informed members of the work carried out by Internal Audit during the period April to June 2013. The report also provided an update on progress made by management on the implementation of actions required to address audit findings. The Committee were pleased to note the overall significant improvement made by management on the implementation of audit recommendations, but raised concerns about the length of time some actions, reported as overdue, had been outstanding. It was agreed that the committee would “call in” actions owners where more than one revised target was reported to gain assurance that there was a reasonable explanation for the delay.
- (vii) The Committee considered a report of the Manager of Internal Audit and Risk that presented results from the CIPFA 2013 Internal Audit Benchmarking Club exercise for 2012/13 actual and 2013/14 estimates. This provided further assurance to the Committee that the service was effective and is achieving VFM.

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Audit Committee

28 November 2013

**Internal Audit Progress Report
Quarter Ended 30 September 2013**



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 July to Sept 2013.
- 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 opinion on the control environment may not be applicable
 - Advise you of amendments to planned work
 - Advise you of unplanned work carried out or to be carried out
 - Track progress on the response to audit reports and the implementation of agreed audit recommendations
 - Advise you of any changes to the audit process
 - Provide an update on our performance indicators comparing actual performance against planned
- 3 Appendices attached to this report are summarised below. Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3.)

Appendix 1	Report implications
Appendix 2	Audit methodology
Appendix 3	Progress on plan
Appendix 4	Final reports issued this quarter
Appendix 5	Progress on the implementation of audit recommendations
Appendix 6	*Overdue actions
Appendix 7	*Limited Assurance Audit Opinions
Appendix 8	Performance Indicators

BACKGROUND

- 4 Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations.
- 5 The audit strategy and annual audit plan covering the period July 2013 to June 2014 was approved by Audit Committee at its meeting on 27 June 2013.
- 6 The audit methodology used to determine the risk priority for addressing audit findings and how we arrive at our assurance opinion on each review is given in Appendix 2.

PROGRESS AGAINST PLANNED WORK

- 7 A summary of the approved annual plan for each service grouping, updated to reflect work in progress and/or brought forward from last year's plan, is attached at Appendix 3. The status of each audit as at 30 September is indicated.
- 8 The status of each type of planned audit, including work in progress carried forward from the 2012/13 plan and as shown in Appendix 3, is summarised below:

Status	Assurance	Advice & Consultancy	Counter Fraud
Not started	46	10	7
Planning & Preparation	16	2	
TOR agreed	3		3
Fieldwork in progress	13	12	5
Complete (draft or final report stage)	19	2	4
Agreed Defer/Cancelled	0	1	0
Total	97	27	19

- 9 Where work is finalised the resultant assurance opinion, if applicable, is also shown in Appendix 3.
- 10 A summary of final audit reports issued this quarter is given in Appendix 4.

SIGNIFICANT ISSUES ARISING THIS QUARTER

Amendments to the approved 2013/14 Audit Plan

- 11 The following amendment to the approved plan have been agreed with Corporate Directors this quarter:

Service Grouping	Audit	Audit Type	Type of Amendment	Reason
CAS	Gypsies & Travellers Un- authorised Encampments	Service Request - Advice & Consultancy	Cancelled	Agreed with Head of Service that intended work would be progressed within the service as part of development plans in this area.

- 12 37 unplanned reviews have been added to the plan this quarter. Of these 30 relate to potential fraud or irregularity investigations. Details of the progress on all investigations are included in the 6 monthly fraud and irregularity update report to be considered by the Committee as a separate agenda item.
- 13 The 7 non-investigative reviews, which are to be resourced from the contingency provision within the plan, are detailed below:

Service Grouping	Audit	Audit Type	Reason
CAS	Direct Payments	Assurance	Follow up to previous review at the request of the Audit Committee
CAS	Out of Hours Safeguarding arrangements in Secure Services	Assurance	Service request from former Head of Children's Care
NS	Mobile Box Office	Advice & Consultancy	Service request - grant arrangements in respect to the Mobile Box Office at the Gala Theatre
NS	Events Management	Assurance	Service request – Safety Advisory Group Communication.
RES	ICT merger	Advice & Consultancy.	Request from the Head of ICT to consider the arrangements for the potential merger of Durham's and Sunderland's ICT Services
RES	Cost of transactions	Advice & Consultancy	Request from the Head of Financial Services to provide some advice & consultancy work around the cost of income transactions for each method of payment available.
Corporate	Employees paid via Accounts Payable	Counter Fraud	A review to identify employees who are being paid via Creditors rather than payroll.

Draft reports issued yet to be finalised

- 14 Final responses required to enable the following draft reports to be finalised remain overdue at the time of writing.

Service Grouping	Audit	Date Issued	Key Contact	Assurance Opinion
NS	Service and Planned Maintenance Programme	04/09/2013 Response 16/10/2013	Paul Burr – awaiting final sign off	Moderate
NS	Advice & Guidance: Quality Management System and Procedures	04/09/2013 Response 16/10/2013	Paul Burr awaiting final sign off	N/A
NS	Neighbourhood Wardens – Education and Enforcement	27/09/2013 Response	Ian Hoult awaiting final sign off	Moderate

Response to audit findings and recommendations

- 15 Details of the numbers of High and Medium priority ranking recommendations raised and overdue, by Service Grouping and Audit Year, are given in Appendix 5.
- 16 Those actions where either original target dates or revised target dates are overdue are highlighted in bold. Those actions reported as overdue last quarter are highlighted with an *.
- 17 A summary of progress on actions due by the 30 Sept 2013 is given below:

Service	*Actions Due by 30/09/13	Overdue Actions by Original Target Dates		Overdue Actions where revised date agreed		Revised overdue actions	
		No	%	No	%	No	%
ACE	4	0	0	0	0	0	0
CAS	74	5	7	2	60	3	4
NS	454	32	7	12	38	20	5
RED	52	0	0	0	0	0	0
RES	433	19	4	19	100	0	0
TOTAL							
	1017	56	5	34	61	23	2

* For some service groupings these figures include actions raised in previous financial years. Once all actions for a year have been cleared they are no longer reported.

- 18 In relation to Appendix 5, your attention is drawn to the 5 shaded recommendations which have been identified for “call in”, by the Chair and Vice Chair, and are to be considered in more detail as a separate agenda item for this meeting.

Limited Assurance Opinion Audits

- 19 There have been 3 audits finalised in this quarter which resulted in an inadequate limited assurance opinion. A brief summary of key findings are provided in Appendix 7.

Other Activities

Troubled Families

- 20 Internal Audit signed off the grant claim submitted by the Service in relation to Troubled Families in accordance with quarterly grant claim submission requirements.

Control Risk Self -Assessment in Schools

- 21 Internal Audit circulated a Control Risk Self-Assessment (CRSA) document, developed in consultation with primary school heads and the Head of Education, as a best practice guide for identifying and managing risks in a

school setting, to all County Schools via the Durham Learning Gateway (DLG).

Declaration of Interests

- 22 As part of the Internal Audit Counter Fraud Plan for 2013/14, the Audit Committee approved the inclusion of a counter fraud review of Declarations of Interest. In addition to a usual focus upon DCC Employees and Members, the review is to cover School Employees and Governors for the first time. It will involve a data matching of electronically held personal data extracted from the Payroll and 'One' systems against Creditor payments data to identify potential undeclared interests that may be an indication of fraud for further investigation and action as appropriate. An item informing School Employees and Governors of this work was included on the DLG.

PERFORMANCE INDICATORS

- 23 A summary of our actual performance at the end of September 2013 compared to agreed target performance indicators is given in Appendix 8.
- 24 Your attention is drawn to our primary PI relating to the % of planned assurance reviews complete. This is an important measure of our ability to provide an annual audit opinion. Actual performance at the end of this first quarter, allowing for work in progress, is estimated to be 23%. Consequently, the target to deliver 90% of planned assurance work in 2013/14 is on track at the end of September.
- 25 As can be seen, our performance target to issue 90% of draft reports within 30 days of the end of fieldwork was not achieved this quarter. Of the 22 draft reports issued, 3 were late. This is an area identified for improvement during the year as the timeliness of the formal reporting of audit findings is a key indicator of our effectiveness.

RECOMMENDATIONS

- 26 Members are asked to note,:
- The amendments made to the 2013/14 Annual Audit Plan
 - Work undertaken by Internal Audit during the quarter ended September 2013 and the assurance on the control environment provided
 - The performance of the service during the period
 - Progress made by service managers in responding to the work of Internal Audit

Contact: Avril Wallage Tel: 03000 269645

Appendix 1: Implications

Finance

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

Staffing

None

Risk

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

Equality and Diversity

None

Accommodation

None

Crime and disorder

None

Human rights

None

Consultation

None

Procurement

None

Disability Discrimination Act

None

Legal Implications

None

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 and 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 or 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

APPENDIX 2

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

DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2013 TO 30 JUNE 2014

Service	Audit Ref	Review Type	Status	Assurance Opinion
CORPORATE				
Work in progress @ 30/06/13				
Cash Security	99900/2013/03bf	Counter Fraud	Final	N/A
Payroll IDEA	99900/2013/04bf	Counter Fraud	Draft	
Payroll timesheets	99900/2013/05bf	Counter Fraud	In Progress	
Payroll overtime	99900/2013/06bf	Counter Fraud	In Progress	
Payroll starters & leavers	99900/2013/07bf	Counter Fraud	Draft	
Payroll expenses & allowances	99900/2013/08bf	Counter Fraud	In Progress	
Award of Contracts	99900/2012/05bf	Counter Fraud	Draft	
Planned work for 2013/14				
Declarations of Interest - Members	99900/2014/01a	Counter Fraud	ToR issued	
Declarations of Interest - Schools	99900/2014/01b	Counter Fraud	ToR issued	
Declarations of Interest - Employees	99900/2014/01c	Counter Fraud	ToR issued	
Grants Payable	99900/2014/02	Counter Fraud	Not started	
Housing Tenancy	99900/2014/03	Counter Fraud	Not started	
Creditor Payments (IDEA) - Q1	99900/2014/04a	Counter Fraud	In progress	
Creditor Payments (IDEA) - Q2	99900/2014/04b	Counter Fraud	Not started	
Creditor Payments (IDEA) - Q3	99900/2014/04c	Counter Fraud	Not started	
Creditor Payments (IDEA) - Q4	99900/2014/04d	Counter Fraud	Not started	
Personal Budgets	99900/2014/05	Counter Fraud	Not started	
Procurement	99900/2014/06	Counter Fraud	Not started	
NFI	99903/2014	Counter Fraud	In progress	
Ethical Culture	66530/2014	Assurance	Not started	
ACE				
Work in progress @ 30/06/13				
AAP Information Governance	11000/2012/03.bf	Assurance	Draft	
Data Quality - Rolling programme of Pls	11080/2013.bf	Assurance	In progress	
Development of Intranet	11005/2012.bf.	Assurance	Preparation	
Internet Development	11017/2013/01.bf	Advice & Consultancy	In progress	
Business Continuity Project Support	11001/2013.bf	Advice & Consultancy	In progress	

DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2013 TO 30 JUNE 2014

Service	Audit Ref	Review Type	Status	Assurance Opinion
Audits deferred from 2012/13 Data Protection- Data access	11018/2013/02.bf	Assurance	Not started	
Audits scheduled from the strategic plan Development of Joint Working Methodology on Corporate Programmes	11060/2014	Advice & Consultancy	In progress	
Data Quality - Rolling programme of PIs	11080/2014	Assurance	Not started	
Data Protection - Rolling programme of reviews	11018/2014	Assurance	Not started	
Information Governance Group	11010/2014	Advice & Consultancy	In progress	
Partnerships - Rolling programme of reviews	11000/2014	Assurance	Not started	
Service requests				
AAPs - Performance Management Framework	11025/2014	Advice & Consultancy	Preparation	
Participatory Budgets Model	11027/2014	Advice & Consultancy	Preparation	
Community Buildings	11019/2014	Advice & Consultancy	Preparation	
CHILDREN AND ADULT SERVICES				
Work in progress @ 30/06/13				
Looked After Children - to perform follow-up on VFM study undertaken by Service	78463/2013	Assurance	In Progress	
Learning Support Services	78462/2013	Assurance	Draft Report	
Caldicott Compliance	58809/2013	Assurance	Draft Report	
Control Risk Self Assessment in Schools	70070/2013	Advice & Consultancy	Complete	Moderate
One Point - Arrangements with the Health Service	70245/2013	Assurance	Final	
Audits deferred from 2012/13				
Specialist Services - to focus upon Prevention and Early Intervention	78473/2013	Assurance	Preparation	
Safeguarding of Children in Schools - consideration will be given to other third party assurances provided	78475/2013	Assurance	Preparation	
County Durham Children and Families Trust (Partnership Governance Framework Review)	70050/2014	Assurance	Not started	
POPPIE system review	58802/2014	Assurance	Preparation	

DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2013 TO 30 JUNE 2014

Service	Audit Ref	Review Type	Status	Assurance Opinion
Adult Learning and Skills Service	50065/2013	Assurance	Not started	
Troubled Families Programme	00611/2014	Assurance	Preparation	
Audits scheduled from the strategic plan				
Secure Services - Contract with Youth Justice Board	78469/2014	Assurance	Not started	
SEN Placement and Provision	78466/2014	Assurance	Not started	
Schools Organisations and Capital Programme	70501/2014	Assurance	Not started	
Troubled Families Programme	00611/2014	Grant Certification	In Progress	
Quarter 1				
Quarter 2				
Quarter 3				
Quarter 4				
Caldicott Compliance	58809/2014	Assurance Review	Preparation	
Health and Well Being Board (Partnership Governance Framework Review)	58105/2014	Assurance Review	Not started	
Service Requests				
Review of Supported Housing linked to Staff Houses	50215/2014	Assurance	Not started	
School Benevolent Fund - Annual Audit of Financial Statements	70107/2014	Advice & Consultancy	Not started	
Gypsies & Travellers Un-authorised Encampments	66630/2014	Advice & Consultancy	Cancelled	
Youth Offending Service Financial Management arrangements	85819/2014	Advice & Consultancy	In Progress	
Domestic Abuse Forum Executive Group (Partnership Governance Framework Review)	58100/2014	Assurance	In Progress	
Post 16 Education & Training - High Needs Students	70219/2014	Advice & Consultancy	Preparation	
Blue Badge Scheme	50180/2014	Assurance	Preparation	
Capita One	70227/2014	Assurance	In Progress	
Tees, Esk & Wear Valley (TEWV) NHS Trusts Partnerships	58110/2014	Assurance	Complete	N/A
Stop Smoking Service - Nicotine Replacement Therapy Voucher Scheme	50216/2014	Assurance	In Progress	
Support to the Director of Public Health on providing assurance on Health Protection Arrangements	50217/2014	Assurance	Not started	
Unplanned Work				
Direct Payments	50030/2014	Assurance	Not started	
Out of Hours Safeguarding arrangements in Secure Services		Assurance	Not started	
Fraud and Irregularity				

DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2013 TO 30 JUNE 2014

Service	Audit Ref	Review Type	Status	Assurance Opinion
Possible Breach of Procurement Rules	99901/2013/47	Investigation	Closed	
Possible Breach of Procurement Rules	99901/2013/56	Investigation	Draft Report	
Potential fraudulent application for school admission.	99901/2013/69	Investigation	Closed	
Potential fraudulent application for school admission.	99901/2013/70	Investigation	Closed	
Potential fraudulent application for school admission.	99901/2013/71	Investigation	Closed	
Potential fraudulent application for school admission.	99901/2013/72	Investigation	Closed	
Potential fraudulent application for school admission.	99901/2013/75	Investigation	Closed	
Alleged data breach and unauthorised disposal of equipment.	99902/2013/26	Investigation	Closed	
Potential fraudulent application for school admission.	99901/2014/02	Investigation	Closed	
Theft of service users money.	99901/2014/03	Investigation	In Progress	
Missing money	99901/2014/10	Investigation	Closed	
Potential school meals money irregularity.	99901/2014/11	Investigation	Closed	
Cash discrepancies	99901/2014/14	Investigation	Closed	
Allegations of accessing inappropriate material.	99901/2014/17	Investigation	Closed	
Potential fraudulent application for home to school transport.	99901/2014/18	Investigation	Closed	
Car mileage discrepancy.	99901/2014/20	Investigation	Closed	
Missing monies	99901/2014/23	Investigation	Closed	
Alleged income discrepancy.	99901/2014/25	Investigation	Closed	
False invoices	99901/2014/27	Investigation	In Progress	
School banking discrepancy.	99901/2014/28	Investigation	In Progress	
Potential irregularity regarding secondment	99901/2014/29	Investigation	In Progress	
NEIGHBOURHOOD SERVICES				
Work in progress @ 30/06/13				
Pollution Control	12265/2012	Assurance	Draft Report	
Enforcement & Education (follow up from 2011/12)	13421/2013	Assurance	Draft Report	
Construction Services and Planned Maintenance Programme	60720/2013	Assurance	Draft Report	
Trade Waste - Systems testing	22010/2013/01	Assurance	Draft Report	
Highways Maintenance - Self Assessment	25890/2012.bf	Advice & Consultancy	In Progress	

DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2013 TO 30 JUNE 2014

Service	Audit Ref	Review Type	Status	Assurance Opinion
MTFP Savings - Use of Council vehicles for home to work journey	20100/2013/02	Advice & Consultancy	In Progress	
Audits deferred from 2012/13				
Markets	13351/2013	Assurance	Not Started	
Audits scheduled from the strategic plan				
Strategic Waste Management (perf data & payment mechanism)	22001/2014	Assurance	Not Started	
Clean and Green Services - Housing Association Contracts	13124/2014	Assurance	Not Started	
Building Compliance Assurance	25820/2014	Assurance	Not Started	
Licensing and Regulation of Business	13054/2014	Assurance	Preparation	
Private Sector Housing	13031/2014	Assurance	Preparation	
Winter Maintenance - Service self-assessment	25900/2014	Advice & Consultancy	Not Started	
Gala - Stage School / Box Office	14902/2014	Assurance	In Progress	
Service Requests				
Environment Partnership (Support in developing the Performance Management Framework)	13571/2014	Advice & Consultancy	Not Started	
QMS (Quarterly Visit)	13125/2014	Advice & Consultancy	In Progress	N/A
Quarter 1				
Quarter 2				
Quarter 3				
Quarter 4				
Integrated Leisure Management System	13057/2014	Advice & Consultancy	Not Started	
CLUK Income Share Agreement	20730/2014	Assurance	Complete	N/A
County Durham Sport	12211/2014	Grant Certification	Complete	
Unplanned Work				
Mobile Box Office Grant	14902/2014	Advice & Consultancy	In Progress	
Events Management	13430/2014	Assurance	Preparation	
Fraud and Irregularities				
Allegations of collusion with supplier	99901/2012/23	Counter Fraud	In Progress	N/A
Potential inappropriate use of Internet	99902/2013/09	Counter Fraud	Closed	
Allegations of employee stealing and selling council materials	99901/2014/01	Counter Fraud	Closed	N/A

DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2013 TO 30 JUNE 2014

	Service	Audit Ref	Review Type	Status	Assurance Opinion
Allegations of employee stealing and selling scrap metal	Direct Services	99901/2014/04	Counter Fraud	In Progress	
Potential false claimed	Direct Services	99901/2014/05	Counter Fraud	In Progress	
Various concerns regarding conduct of employee.	EHCP - Consumer Protection	99901/2014/07	Counter Fraud	In Progress	
Various concerns regarding conduct of employee.	EHCP - Consumer Protection	99901/2014/08	Counter Fraud	Closed	
Concerns regarding employee claiming for hours not worked.	EHCP - Consumer Protection	99901/2014/09	Counter Fraud	Closed	
Allegations of breach of procurement rules.		99901/2014/15	Counter Fraud	In Progress	
Theft and sale of scrap metal from jobs	Direct Services	99901/2014/19	Counter Fraud	In Progress	
Allegations of theft of work materials for private work	Direct Services	99901/2014/22	Counter Fraud	In Progress	
Allegations of Work Mobile Phone Being Used For Conduct Private Business	Direct Services	99901/2014/26	Counter Fraud	In Progress	
Allegations of breach of confidentiality.	Projects & Business Services	99901/2014/30	Counter Fraud	In Progress	
Stanley Bowls	Sport and Leisure	12210/2014	Advice & Consultancy	TBC	
RED					
Work in progress @ 30/06/13					
Business Durham	Econ. Dev. & Housing	13561/2013.bf	Assurance	Final	Moderate
Private Sector Housing	Econ. Dev. & Housing	13562/2013.bf	Assurance	In progress	
Housing Tenancies/Lettings	Econ. Dev. & Housing	00820/2013.bf	Assurance	Final	Substantial
Project Genesis	Strat, Progs & Perf.	26045/2013.bf	Advice & Consultancy	In progress	
Taxi contracts follow up	Transport & Contract Services	25895/2013.bf	Advice & Consultancy	In progress	
Audits deferred from 2012/13					
Visit County Durham	Econ. Dev. & Housing	14615/2014	Assurance	ToR issued	
Mystery Shopping (Planning applications)	Planning & Assets	26040/2014	Advice & Consultancy	Not started	
Audits scheduled from the strategic plan					
Ad hoc grant certification work	Strat, Progs & Perf.	00601/2013	Grant Certification	In progress	
Planning System (Attendance at Steering Group)	Planning & Assets	26035/2014	Advice & Consultancy	In progress	
Planning System	Planning & Assets	26030/2014	Assurance	Not started	
Building Control (Potential focus on 'Safety at Sports Grounds')	Planning & Assets	13093/2014	Assurance	Not started	
Asset Management (Focus on disposal arrangements)	Planning & Assets	13551/2014	Assurance	Preparation	
Durham City Homes - Housing Rents	Econ. Dev. & Housing	00800/2014	Assurance	In progress	
ALMOs Housing Rents	Econ. Dev. & Housing	00805/2014	Assurance	Not started	

DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2013 TO 30 JUNE 2014

Service	Audit Ref	Review Type	Status	Assurance Opinion
Civil Parking, Park and Ride, Off Street Parking (Potentially to focus on income)	25830/2014	Assurance	Preparation	
Sustainable Transport	25804/2014	Assurance	Not started	
Supported Housing - CCTV	13025/2014	Assurance	Not started	
Service Requests				
Carbon Reduction Commitment	64050/2014	Assurance	Draft	
Unplanned work				
Income Irregularity	99901/2013/34.bf	Investigation	In Progress	
Alleged unauthorised access to documents	99902/2013/14.bf	Investigation	In Progress	
Potential sensitive data held on shared folder	99901/2014/12	Investigation	Complete	
Taxi contracts	99901/2014/13	Investigation	In Progress	
Allensford Caravan Park	99901/2014/16	Investigation	Complete	
RESOURCES				
Work in progress @ 30/06/13				
Income & Debt Recovery	10400/2013.bf	Assurance	Draft	
Procurement Cards	10925/2013.bf	Assurance	Final	Moderate
Flexible working and contract variations	11021/2013.bf	Assurance	Final	N/A
Internet Security	98012/2013.bf	Assurance	Draft	
Income and Expenditure Project	98114/2013.bf	Assurance	In progress	
Petty Cash Usage	10928/2013.bf	Assurance	Final	Moderate
Corporate Governance- Litigation Database	66530/2013.bf	Assurance	Draft	
Unix review	98004/2013.bf	Assurance	Draft	
Invoice scanning and indexing	10465/2013.bf	Advice & Consultancy	In progress	
ICON v11 project	10460/2013/01	Advice & Consultancy	In progress	
Audits deferred from 2012/13				
PCI Compliance	10417/2014	Assurance	Not started	
Audits scheduled from the strategic plan				
Electoral Services	10940/2014	Assurance	Not started	
Homeworking	98024/2014	Assurance	Not started	
Payroll - Governance and Key controls	10210/2014	Assurance	Not started	
GL - Key controls and reconciliations	10609/2014	Assurance	Not started	

DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2013 TO 30 JUNE 2014

Service	Audit Ref	Review Type	Status	Assurance Opinion
MTFP 3 (also need to liaise with ACE)	10801/2014	Assurance	In progress	
Journal Transfers	10606/2014	Assurance	Not started	
Bank reconciliations	10602/2014	Assurance	Not started	
Short Term Investments	10500/2014	Assurance	Not started	
Quotation System	11052/2014	Assurance	Not started	
Tendering System	11053/2014	Assurance	Not started	
Capital Accounting	10000/2014	Assurance	Not started	
Central Establishment Recharges	10651/2014	Assurance	In progress	
Revs & Bens reconciliations	00720/2014	Assurance	Draft	
P2P Key Controls (include procurement cards)	10150/2014	Assurance	Not started	
Housing Benefit (HB) and Council Tax Reduction (CTR) admin (incl. HB Subsidy and DHP)	00700/2014	Assurance	Not started	
Welfare Assistance Scheme	00725/2014	Assurance	In progress	
NNDR	00550/2014	Assurance	Not started	
Council Tax	00500/2014	Assurance	Not started	
Cash Collection	10460/2014	Assurance	Not started	
Debtors	10400/2014	Assurance	Not started	
Information Security Policies - Part 1	98103/2014/01	Assurance	Preparation	
Information Security Policies - Part 2	98103/2014/02	Assurance	Not started	
Information Security Policies - Part 3	98103/2014/03	Assurance	Not started	
Infrastructure/Networks	98005/2014	Assurance	Not started	
Mobile Computing	98025/2014	Assurance	ToR issued	
SQL Server	98034/2014	Assurance	Not started	
Software Licenses	98110/2014	Assurance	Not started	
ICT Purchasing	98100/2014	Assurance	Preparation	
RIPA Working Group	11011/2014	Advice & Consultancy	In progress	
Strategic Procurement Network	11057/2014	Advice & Consultancy	Not started	
Service Requests				
Digital Durham	98112/2014	Advice & Consultancy	In progress	
Appraisals	11022/2014	Assurance	Not started	
Attendance Management Framework	64446/2014	Assurance	Not started	
Comensura (request from CAS)	11023/2014	Assurance	ToR issued	
S17 payments - Safeguarding welfare of children	70071/2014	Assurance	In progress	
Public Health (Financial management arrangements)	50076/2014	Assurance	Preparation	
School Financial Performance Management - Part 1	70072/2014/01	Assurance	Preparation	
Review of allocation mechanism				
School Financial Performance Management - Part 2	70072/2014/02	Assurance	Not started	
Review of balances				

DURHAM COUNTY COUNCIL INTERNAL AUDIT PLAN 01 JULY 2013 TO 30 JUNE 2014

Service	Audit Ref	Review Type	Status	Assurance Opinion
Unplanned work				
Proposal to merge Durham and Sunderland ICT	98190/2014	Advice & Consultancy	Not started	
Cost of transactions	00721/2014	Advice & Consultancy	In progress	
Employees Paid via Accounts Payable	99900/2014/07	Counter Fraud	Preparation	
Theft of Member's Mobile Phone	99901/2014/06	Investigation	Complete	
Unauthorised Direct Debits	99901/2014/21	Investigation	Complete	
Potential Unauthorised Access to Client records	99901/2014/24	Investigation	In progress	

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FINAL REPORTS ISSUED THIS QUARTER

Audit Area	Brief Scope	Opinion
ACE		
Data Protection - Encryption	Assurance review of the arrangements in place to ensure that the risk of non-compliance with the Data Protection Act is reduced through the use of encryption on portable devices.	Moderate
Data Protection - Training	Assurance review of the arrangements in place to ensure that the risk of non-compliance with the Data Protection Act is reduced through a comprehensive training programme to educate staff to a reasonable level with regard to the awareness of data protection legislation and issues.	Moderate
CAS		
Medium Term Financial Plan - Home to School and College Transport	An assurance review that considered whether the savings documented in the MTFP for Home to School and College Transport were realistic and achievable, and that sufficient monitoring had been undertaken against expected targets.	Moderate
One Point - Arrangements with the Health Service	An assurance review that evaluated the control framework in place to manage the risks associated with One Point and the integration between Durham County Council (DCC) and County Durham and Darlington NHS Foundation Trust (CDD NHS FT).	Moderate
NS		
Trade Waste	An assurance review that considered the management of risks associated with Trade Waste.	Limited
Competition Line UK Income Share Agreements	An advice and consultancy type review that provided assurance that the Authority had made the correct payment to the Company in respect of the financial year 2012/13 in compliance with the Income Share Agreements in place.	N/A
County Durham Sport	A grant certification statement was provided to Sport England providing assurance that expenditure had been fairly stated in respect to the County Durham Sport grant funding for the 2012/13 financial year.	N/A
RED		
Grant Certification – Renergy Claim 3	Confirmation of all receipts and payments related to 'Regional Strategy for Energy Conscious Communities' (REENERGY) for the period 01/01/13 to 30/06/13.	N/A
Grant Certification - Local Transport Capital Block Funding	Certification that the conditions attached to the Local Transport Capital Block Funding, (Integrated Transport and Highway Maintenance), Specific Grant Determination 2012/13 No 31/2001 were complied with.	N/A
Business Durham	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> - Poor condition or unsuitability of premises - DCC procedures inhibit revenue generation - Rents are not competitive - Lease terms are not fit for purpose and/or are not enforced - Businesses are unable to trade due to DCC negligence or natural disaster - Rents not collected - Records are inaccurate or inadequate 	Moderate

Audit Area	Brief Scope	Opinion
	<ul style="list-style-type: none"> - Loss of key personnel - Loss of funding from DCC and other sources 	
Housing Lettings	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> - Breach of legislation or internal policies - Major system failure - Redecoration allowances and rent free periods are inappropriate/inaccurate - Personal information security breach - Housing officers attacked/injured - Housing occupied by people to whom not allocated - Key performance indicators not met - Council properties in unfit condition to let - Properties are unoccupied for excessive periods - Properties allocated that do not meet or exceed tenants need or eligibility - Persons in need not identified or housed promptly - Applicants are unaware of policy and application process 	Substantial
RES		
Counter Fraud – Cash Security	Counter fraud review which focussed on validating that the any cash held at a selection of establishments was as expected and that it was held securely.	N/A
Flexible Working Policy and Contract Variations	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> - Loss of key/skilled employees due to their inability to work standard full time hours - Policy is not applied/is applied inconsistently/is abused by some staff - Management decisions lead to difficulties delivering the service/inefficiency in service delivery - Management decision to refuse request challenged by employee - Employees are paid for work not undertaken - Expected financial savings are not achieved e.g. staff are made redundant under the Section 188 process rather than allowing consideration for alternative ways of working <p>However, as there was no process in place to capture the details of employees who exercise their right to flexible working, it was not possible to productively select a sample of employees to test to ensure that the expected controls in place were working effectively. This issue is being addressed through the PID which has been developed for ResourceLink.</p> <p>Only limited testing could be carried out on contract variations.</p> <p>Due to the above, an assurance opinion could not be provided.</p>	N/A
Pension Fund – Contributions	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> - Contributions may be recorded in an incomplete or inaccurate manner - A (material) failure to correctly deduct contributions from employers at a member body may not be identified 	Substantial

Audit Area	Brief Scope	Opinion
	<ul style="list-style-type: none"> - Exceptions and outstanding contributions may not be identified and raised with the participating employer in a timely manner, and the council may be exposed to the risk of irrecoverable debtors 	
Budgetary Control and Financial Reporting	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> - Budget targets are not communicated to budget holders / do not have a responsible officer - Budgets are not broken down to an appropriate level to allow adequate budget monitoring to take place - Staff do not have the skills to carry out their budget monitoring responsibilities / do not utilise the system as expected - Inaccurate budgets, and or budget profiles, are set that are not realistic - The budgeted position is not regularly reported or is out-of-date - Finance teams do not adequately utilise or have the resources to support budget holders effectively and do not manage risks appropriately - Deliberate financial misstatement to conceal irregularities and fraudulent transactions - Financial information reported to CMT and cabinet is inaccurate - Budget reports are not easily understood - Financial information is not updated prior to the production of budget monitoring reports - Budgets are not uploaded correctly into the accounting system; and - Variances are not reported or acted upon, including those at the year-end 	Substantial
Corporate Credit Cards	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> - Inappropriate / unnecessary / fraudulent transactions (for personal use / inappropriate items) are processed via the credit card - Accounting arrangements are not adhered to 	Moderate
Petty Cash Usage	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> - Inappropriate / Unnecessary / fraudulent transactions (for personal use / inappropriate items) are processed via petty cash - Significant penalties are imposed by HMRC due to VAT being paid / reclaimed incorrectly 	Moderate
Information Security – Review Process	<p>Assurance review of the arrangements in place to mitigate against the risk of the Authority's Information Security Policies failing to comply with ISO27001, legislation (eg DPA &FOI) and associated compliance regimes (e.g. GCSx/PSN)</p>	Moderate
Pension Fund – Investments	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> - The investment managers' activities are not properly managed and monitored 	Moderate

Audit Area	Brief Scope	Opinion
	<ul style="list-style-type: none"> - In-house investments, including short-term investments made through the Council's Treasury Management functions, are not properly managed and monitored - Performance of the investments is not monitored against market conditions or relevant benchmarks, and appropriate reports are not taken to the Pension Fund Committee where adverse performance is noted 	
Pension Fund – Key Financial Controls	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> - Total fund balances are not managed to ensure optimal performance (e.g. excess balances are retained in cash or for working capital / balances are not passed over to fund managers on a timely basis) - Insufficient information may be retained to provide a clear audit trail of all transactions - Contributions received into the Fund may be coded against the incorrect employer code - Exceptions and outstanding contributions may not be identified and raised with the participating employer in a timely manner, and the council may be exposed to the risk of irrecoverable debtors - That benefit calculations, once calculated, and not completely or accurately processed into the pensions payroll - That benefits are paid to ineligible individuals - Cash transfer values out are not calculated correctly - Transfer values in are not received or paid in an accurate and timely manner 	Moderate
Taxation (PAYE)	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> - Incorrect payment of Income Tax and NIC to HMRC - Late payment of Income Tax and NIC to HMRC - Inadequate information produced regarding tax/NI deductions - The payroll system is not adequate for new Real Time Information required by HMRC 	Moderate
P2P	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> - Incorrect payments are made / payments are not made in time due to the Council operating inefficient / ineffective - Inappropriate / unnecessary / fraudulent transactions (for personal use / inappropriate items) are processed - Payments are not made / are made late due to disputes with the supplier not being adequately recorded or resolved - Performance is not properly managed and monitored 	Moderate
Procurement Cards	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> - Inappropriate / Unnecessary / fraudulent transactions (for personal use / inappropriate items) are processed via the procurement card - Significant penalties are imposed by HMRC due to VAT being paid / reclaimed incorrectly 	Moderate
Information Security Policy – Physical	<p>Assurance review of the physical security arrangements at Comeleon House and to ensure that these arrangements</p>	Limited

Audit Area	Brief Scope	Opinion
Security	comply with the Physical Security Policy.	
Bank Reconciliation	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> - Material errors/fraudulent activities within bank accounts and/or the general ledger are not identified and corrected on a timely basis - Theft or misuse of Council funds and/or bank accounts - Transaction errors made by the bank go unnoticed - Inaccurate or misleading financial information - Performance is not properly managed or monitored 	Limited

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Risk Category	Actions Raised	Actions Due (OID)	Actions Implemented			Overdue Actions by original target date		Actions where original target date revised		Overdue actions where revised target date agreed		Actions Due (RID)	Revised Total Recommendations Overdue	Revised Total Recommendations overdue % (13/3*100)
			Due	Not Yet Due	Total	No	%	No	%	No	%			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
						(3-4)					(3-9+11)	(7-(9+11))	(13/3*100)	
ACE														
2012/13														
High	0	0	0	0	0	0	0	0	0	0	0	0	0	
Medium	4	4	4	0	4	0	0	0	0	0	4	0	0	
Total	4	4	4	0	4	0	0	0	0	0	4	0	0	
2013/14														
High	0	0	0	0	0	0	0	0	0	0	0	0	0	
Medium	1	0	0	0	0	0	0	0	0	0	0	0	0	
Total	1	0	0	0	0	0	0	0	0	0	0	0	0	
Overall Total	5	4	4	0	4	0	0	0	0	0	4	0	0	
CAS														
2011/12														
High	12	12	11	0	11	1	8	1	100	1	12	1	8	
Medium	29	29	29	0	29	0	0	0	0	0	29	0	0	
Total	41	41	40	0	40	1	2	1	100	1	41	1	2	
2012/13														
High	10	10	10	0	10	0	0	0	0	0	10	0	0	
Medium	21	21	19	0	19	2	10	2	100	0	19	0	0	
Total	31	31	29	0	29	2	6	2	100	0	29	0	0	
2013/14														
High	0	0	0	0	0	0	0	0	0	0	0	0	0	
Medium	2	2	0	0	0	2	100	0	0	0	2	2	100	
Total	2	2	0	0	0	2	100	0	0	0	2	2	100	
Overall Total	74	74	69	0	69	5	7	3	60	1	72	3	4	
NS														
2009/10														
High	71	71	71	0	71	0	0	0	0	0	71	0	0	
Medium	102	102	100	0	100	2	0	2	100	2	102	2	2	
Total	173	173	171	0	171	2	0	2	100	2	173	2	1	
2010/11														
High	33	33	33	0	33	0	0	0	0	0	33	0	0	
Medium	105	105	105	0	105	0	0	0	0	0	105	0	0	
Total	138	138	138	0	138	0	0	0	0	0	138	0	0	

Risk Category	Actions Raised	Actions Due(OID)	Actions Implemented			Overdue Actions by original target date			Actions where original target date revised			Overdue actions where revised target date agreed	Actions Due (RID)	Revised Total Recommendations Overdue	Revised Total Recommendations overdue %
			Due	Not Yet Due	Total	No	%	No	%	No	%				
1	2	3	4	5	6	7	8	9	10	11	12	13	14		
						(3-4)					(3-9+11)	(7-(9+11))	(13/3*100)		
2011/12															
High	7	7	5	0	5	2	29	2	0	0	5	0	0		
Medium	56	56	48	0	48	8	14	8	100	6	54	6	11		
Total	63	63	53	0	53	10	16	10	100	6	59	6	10		
2012/13															
High	9	9	8	0	8	1	11	0	0	0	9	1	11		
Medium	75	69	50	0	50	19	28	13	68	5	61	11	18		
Total	84	78	58	0	58	20	26	13	65	5	70	12	17		
2013/14															
High	0	0	0	0	0	0	0	0	0	0	0	0	0		
Medium	3	2	2	0	2	0	0	0	0	0	2	0	0		
Total	3	2	2	0	2	0	0	0	0	0	2	0	0		
Overall Total	461	454	422	0	422	32	7	25	78	13	442	20	5		
RED															
2011/12															
High	4	4	4	0	4	0	0	0	0	0	4	0	0		
Medium	33	33	33	0	33	0	0	0	0	0	33	0	0		
Total	37	37	37	0	37	0	0	0	0	0	37	0	0		
2012/13															
High	9	9	9	0	9	0	0	0	0	0	9	0	0		
Medium	12	6	6	0	6	0	0	0	0	0	6	0	0		
Total	21	15	15	0	15	0	0	0	0	0	15	0	0		
2013/14															
High	1	0	0	0	0	0	0	0	0	0	0	0	0		
Medium	10	0	0	0	0	0	0	0	0	0	0	0	0		
Total	11	0	0	0	0	0	0	0	0	0	0	0	0		
Overall Total	69	52	52	0	52	0	0	0	0	0	52	0	0		

Risk Category	Actions Raised	Actions Due (OID)		Actions Implemented			Overdue Actions by original target date		Actions where original target date revised		Overdue actions where revised target date agreed		Actions Due (RID)	Revised Total Recommendations Overdue	Revised Total Recommendations overdue % (13/3*100)
		Due	3	Due	Not Yet Due	Total	No	%	No	%	No	%			
1	2	3	4	5	6	7	8	9	10	11	12	13	14		
						(3-4)					(3-9+11)	(7-(9+11))	(13/3*100)		
RES															
2010/11															
High	64	64	63	0	63	1	2	1	100	0	63	0	0		
Medium	91	91	91	0	91	0	0	0	0	0	91	0	0		
Total	155	155	154	0	154	1	1	1	100	0	154	0	0		
2011/12															
High	24	24	23	0	23	1	4	1	100	0	23	0	0		
Medium	86	86	84	0	84	2	2	2	100	0	84	0	0		
Total	110	110	107	0	107	3	3	3	100	0	107	0	0		
2012/13															
High	32	30	27	0	27	3	10	3	100	0	27	0	0		
Medium	132	118	110	0	110	8	7	8	100	0	110	0	0		
Total	164	148	137	0	137	11	7	11	100	0	137	0	0		
2013/14															
High	5	2	2	0	2	0	0	0	0	0	2	0	0		
Medium	36	18	14	0	14	4	22	4	100	0	14	0	0		
Total	41	20	16	0	16	4	20	4	100	0	16	0	0		
Overall Total	470	433	414	0	414	19	4	19	100	0	414	0	0		
TOTAL															
2009/10															
High	71	71	71	0	71	0	0	0	0	0	71	0	0		
Medium	102	102	100	0	100	2	2	2	100	2	102	2	2		
Total	173	173	171	0	171	2	1	2	100	2	173	2	1		
2010/11															
High	97	97	96	0	96	1	2	1	100	0	96	0	0		
Medium	196	196	196	0	196	0	0	0	0	0	196	0	0		
Total	293	293	292	0	292	1	0	1	100	0	292	0	0		
2011/12															
High	47	47	43	0	43	4	41	4	100	1	44	1	8		
Medium	204	204	194	0	194	10	17	10	100	6	200	6	11		
Total	251	251	237	0	237	14	6	14	100	7	244	7	3		
2012/13															
High	60	58	54	0	54	4	7	3	75	0	55	1	2		
Medium	244	218	189	0	189	29	13	23	79	5	200	11	6		
Total	304	276	243	0	243	33	12	26	79	5	255	12	5		
2013/14															
High	6	2	2	0	2	0	0	0	0	0	2	0	0		
Medium	52	22	16	0	16	6	27	4	67	0	18	2	11		
Total	58	24	18	0	18	6	25	4	67	0	20	2	10		
Overall Total	1079	1017	961	0	961	56	6	47	84	14	984	23	2		

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APPENDIX 6

**PLEASE SEE ITEM NO. 12
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APPENDIX 7

**PLEASE SEE ITEM NO. 12
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Performance Indicators as at September 2013 (Quarter 1 of 2013/14 Plan)

Objective: To provide maximum assurance to inform the annual audit opinion			
Efficiency	Measure of Assessment	Target & (Frequency of Measurement)	Actual
KPI			
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage	90% Annually	23%
Timeliness of Draft Reports	% of draft reports issued within 30 Calendar days of end of fieldwork/closure interview	90% (Quarterly)	86.4% (19 out of 22) 19 days on average
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response	95% (Quarterly)	100% - 4 days on average
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)	100%
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)	92.3%
Quality			
KPI			
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Quarterly)	97.6%
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% - Average score 4.40
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	23% - only 4 of the 17 issued this quarter returned
Cost			
KPI			
Cost per chargeable audit day	CIPFA Benchmarking Club – Comparator Group (Unitary) Available June 2014	Lower than average (Annually)	Not yet known

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Agenda Item 12

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Agenda Item 13

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