



## **Audit Committee**

**Date**        **Thursday 27 November 2014**  
**Time**        **9.30 am**  
**Venue**       **Committee Room 1B, County Hall, Durham**

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### **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
2. Minutes of the meeting held on 30 September 2014 (Pages 1 - 8)
3. Declarations of interest, if any
4. Presentation on the role of an IT Auditor and the work that they complete - Audit Manager, Principal Auditor (IT) and Trainee IT Auditor
5. Local Code of Corporate Governance - Report of Corporate Director, Resources (Pages 9 - 26)
6. Strategic Risk Management Progress Report for the quarter ending September 2014 - Report of Corporate Director, Resources (Pages 27 - 40)
7. Annual Audit Letter - Report of External Auditor (Pages 41 - 50)
8. Internal Audit Progress Report for the period ended 30 September 2014 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 51 - 76)
9. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
10. 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)**

11. Internal Audit Progress Report for the quarter ended 30 September 2014 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 77 - 86)
12. Overdue Audit Recommendations - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 87 - 90)
13. Protecting the Public Purse - Activity Update at 30 September 2014 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 91 - 118)
14. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration

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

County Hall  
Durham  
19 November 2014

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

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Contact: Jackie Graham

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**DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Tuesday 30 September 2014 at 9.30 am**

**Present:**

**Councillor E Bell (Chairman)**

**Members of the Committee:**

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

**Co-opted Members:**

Mr T Hoban and Ms K Larkin-Bramley

**1 Apologies**

An apology for absence was received from Councillor W Stelling.

**2 Minutes of the meeting held on 24 July 2014**

The minutes of the meeting held on Thursday 24 July 2014 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 Chairman referred to Item 9 of the minutes and enquired if any academies had been involved in the Fraud Awareness training. The Chief Internal Auditor and Corporate Fraud Manager said that one academy had approached the team so far with regards to training. The Chairman was assured that this was evidence to suggest that academies could access this information.

**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 Annual Governance Statement for the year April 2013 to March 2014**

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 2013/14 (for copy see file of Minutes).

The Risk, Insurance and Governance Manager advised Members of the minor amendments made to the final AGS, to take account of changes related to External Audit.

**Resolved:**

That the final Annual Governance Statement be approved as part of the Council's audited Statement of Accounts 2013/14 and the amendments made to the draft Annual Governance Statement as reported to Council be noted.

**5 Statement of Accounts for the year ended 31 March 2014**

The Committee considered a report of the Corporate Director, Resources which presented the Statement of Accounts for the year ended 31 March 2014 (for copy see file of Minutes).

The Corporate Director, Resources advised Members that some amendments had been made to the accounts where appropriate, and that the External Auditor would be issuing an unqualified opinion on the Council and Pension Fund Accounts.

Councillor O Temple congratulated officers on the readability of the accounts and the positive outcomes reported. On asking a question about Pension Fund contributions declining from senior officers, the Corporate Director, Resources confirmed that officers had withdrawn from the scheme part way through the year. Councillor Temple referred to Council Tax reduction of funding of 10% resulting in a loss of £5.5m and asked why the figure of £54,010 of benefits receivable did not reflect the 10% reduction. The Corporate Director, Resources explained that 10% government funding cut would be absorbed in financial planning. He added that the figure shown in the accounts was in respect of two years, £54m in 2013/14 and £52.4m in 2013/14.

Councillor Temple's final point was relating to the increase in write offs for Council Tax, and was advised that he would be given an explanation at a later date.

**Resolved:**

That the statement of accounts for the County Council for the financial year ended 31 March 2014 be approved.

**6 Audit Completion Report 2013/2014 - 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 2014 (for copy see file of Minutes).

Mr Waddell, Mazars, advised that the accounts had been produced on time and he would issue an unqualified opinion on the accounts together with an unqualified Value for Money conclusion. He highlighted the significant audit risks and informed members about a consultation to move the process to the end of May.

He circulated a 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).

Mr Waddell concluded that the Whole of Governance Accounts submission would be completed by 3 October 2014 and a certificate produced on the Statement of Accounts.

Ms K Larkin-Bramley suggested that changing the timescales of the Audit should be discussed at a future meeting.

Councillor C Carr queried the amount outstanding for Equal Pay Claims of £3.9m and was informed by the Corporate Director, Resources that this was included on the balance sheet for back dated claims. He advised that there were still potential claims held in the courts system, that would take some time to come through. He added that some equal pay claims for men and women would be challenged but it was appropriate for the authority to hold the money for these potential claims. The Assistant Finance Manager, Corporate Finance advised that equal pay provision had been left in the budget until a review had been carried to ascertain whether non-claimants would come forward.

Councillor J Hillary expressed concern that there was still no list of authorised signatories and asked when this would be actioned and brought into use. He was advised that information would be sought and brought back to Committee.

**Resolved:**

1. That the Annual Governance Report of the Audit Commission be noted.
2. That the letter of representation be approved.

**7 Audit Completion Report 2013/2014 - 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 2014 (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 circulated a letter for the information of the Committee which provided an update on outstanding matters and conclusions reached on the audit since the report was circulated to the Committee (for copy see file of Minutes). In relation to the review of events after the balance sheet date the Corporate Director, Resources updated members about the transfer of funds to a new investment manager.

**Resolved:**

1. That the Annual Governance Report of the Audit Commission be noted.
2. That the letter of representation be approved

The Chairman thanked all officers in the preparation of the accounts from the Corporate Director, Resources to all the teams involved. He also thanked Mazars for validating the accounts and working so well with officers of the Council. The Committee congratulated all involved on a job well done.

## **8 Internal Audit Progress Report for the quarter ended 30 June 2014**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period April to June 2014 ( for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager highlighted the movements in the plan, unplanned reviews added to the plan and advised that there had been no responses to draft reports that remain overdue. Members were informed that 93% of actions had been implemented, way in excess of the national target of 70-80% and in excess of DCC's target of 90%.

The Chief Internal Auditor and Corporate Fraud Manager informed the Committee that officers from Gateshead Council had visited the team and were keen to learn the processes used when chasing up overdue actions.

The Chairman thanked the Chief Internal Auditor and Corporate Fraud Manager and his team for a pleasing report and added that the Committee should also be comforted that their actions of holding senior managers to account had helped exceed the targets.

On answering a question from Mr T Hoban about whether some reviews had commenced in July, as referred to in paragraph 11 of the report, the Chief Internal Auditor and Corporate Fraud Manager confirmed that they had commenced as planned.

### **Resolved:**

1. The amendments made to the 2013/14 Annual Audit Plan be noted.
2. Work undertaken by Internal Audit during the quarter ended June 2014 be noted.
3. Performance of the service during the period be noted.
4. Progress made by service managers in responding to the work of Internal Audit be noted.

## **9 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.

## **10 Internal Audit Progress Report for the quarter ended 30 June 2014**

The Committee considered Appendices 6 and 7 of the report of the Chief Internal Auditor and Corporate Fraud Manager which detailed the actions agreed by managers in response to internal audit recommendations that were outstanding (for copy see file of Minutes).

Members were advised that there were no limited assurances given of audits finalised in this quarter.

Mr T Hoban asked what was being carried out to move a high risk action forward and was informed that an update would be provided at the next meeting.

**Resolved:**

That the report be noted.

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Action Plan - Work of Audit Committee - Part A – 27 November 2014

Ref No.	Date of Meeting	Item No.	Title of Report	Action Required	By Whom	Report to Committee (date)/ implemented
1	26.6.14	5	Annual Audit Opinion and Internal Audit Report 2013/2014	IT Auditor to attend future meeting to explain the role of IT Audit and the assignments that they complete.	Chief Internal Auditor and Corporate Fraud Manager	27 November 2014

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**Audit Committee**

**27 November 2014**



**Updated Local Code of Corporate Governance**

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

**Purpose of the Report**

1. For the Audit Committee to consider the inclusion of the updated Local Code of Corporate Governance into the revised Council Constitution.

**Background**

2. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
3. 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.
4. In discharging this overall responsibility the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risks.
5. The Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework – ‘Delivering Good Governance in Local Government’. This Code is a public statement that sets out the way the Council will meet its commitment to demonstrating that it has the necessary Corporate Governance arrangements in place to perform effectively. It represents a key component of the Council’s governance arrangements. The Code applies to all Council Members, Officers, Partners and stakeholders in their dealings with the Council. The current Code can be found in Part 5, ‘Codes and Protocols’ section of the Council’s Constitution.

\*In 1999, the Chartered Accountants of England and Wales issued *Guidance for Directors on the Combined Code* (The Turnbull Report). The Report became one of the principal authorities on this subject and recognised three key components for the successful management of corporate governance.

governance arrangements.

7. The updated version is attached in Appendix 2. The changes, which are marked with grey highlight in the report, are summarised below and cross-referenced to the appropriate paragraph in the Code:

2.4, bullet 4.

Additional text: *“Monitoring the condition, suitability, sufficiency and accessibility of property through the Corporate Property Strategy and the Corporate Asset Management Plan.”*

2.7, bullet 9.

Additional text: *“Performing a local test of assurance annually to confirm that the merged roles of the Director of Children’s Services and the Director of Adult Social Services have not weakened the focus on outcomes for children and young people.”*

2.10, bullet 1.

The words *“enshrined in the Council Plan and”* have been removed from this sentence as the Council’s values are no longer set out in the Council Plan.

2.11, bullet 1.

Additional text after ‘Maintaining a Standards Committee’: *“responsible for promoting and maintaining high standards of conduct by councillors, independent members and co-opted members.”*

2.11, bullet 3.

This sentence has been removed as the Single Equality Scheme has been replaced by the Equality and Diversity Policy, which is mentioned in the Code.

2.18, bullet 2.

This sentence has been removed for clarification because, although we have adopted the Investor in People principles, we no longer seek formal accreditation.

2.21.

Reference to the *“County Durham Partnership Community Engagement and Empowerment Framework”* was removed from this sentence.

2.22, bullet 4.

This sentence, which also refers to the *“County Durham Partnership Community Engagement and Empowerment Framework”*, has been removed.

2.23, bullet 4.

This sentence, which refers to the publication of an annual performance plan, has been removed.

3.8, Corporate Governance Framework

Added to key documents list:

- Access to Information Procedure Rules
- Children, Young People and Families Plan
- Corporate Property Strategy
- County Durham Plan
- Equality and Diversity Policy
- Office Accommodation Strategy
- Regeneration Statement
- Safe Durham Partnership Plan

Removed from key documents list:

- Acquisition and Disposal Strategy (now part of Corporate Property Strategy)
- Single Equality Scheme
- Transparency Webpage

Added to Contributory Processes list:

- Business Continuity Planning
- Capital Prioritisation Process
- Police and Crime Panel
- Remuneration Panel

8. A chart of the Corporate Governance Review Process is attached in Appendix 3.

### **Recommendations and Reasons**

9. The Audit Committee is requested to approve the revised Local Code of Corporate Governance.

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**Contact: David Marshall Tel: 03000 269648**

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## **Appendix 1: Implications**

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**Finance** – There are no financial implications associated with this report. However, financial planning and management is a key component of effective corporate governance.

**Staffing** – There are no impacts on staff, but ensuring the adequate capability of staff meets a core principle of the CIPFA/ SOLACE guidance.

**Risk** – There are no reportable risks associated with the report, but the assessment of corporate risk is a key component of the Council’s governance arrangements.

**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** – There are no accommodation implications , but 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 Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (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](#)
- [Safe Durham Partnership Plan 2014 – 2017](#)
- [Joint Health and Wellbeing Strategy 2014 – 2017](#) (JHWS)
- [Safe Durham Partnership Plan 2014 – 2017](#)
- [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](#), [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.
  - Monitoring the condition, suitability, sufficiency and accessibility of property through the Corporate Property Strategy and the Corporate Asset Management Plan.

**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.
- Performing a local test of assurance annually to confirm that the merged roles of the Director of Children's Services and the Director of Adult Social Services have not weakened the focus on outcomes for children and young people.
- 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 a Standards Committee responsible for promoting and maintaining high standards of conduct by councillors, independent members and co-opted members.
- 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); and 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 GDP, 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.
- Maintaining the Voluntary and Community Sector Working Group to support front line Third Sector organisations in County Durham.

- Maintaining 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

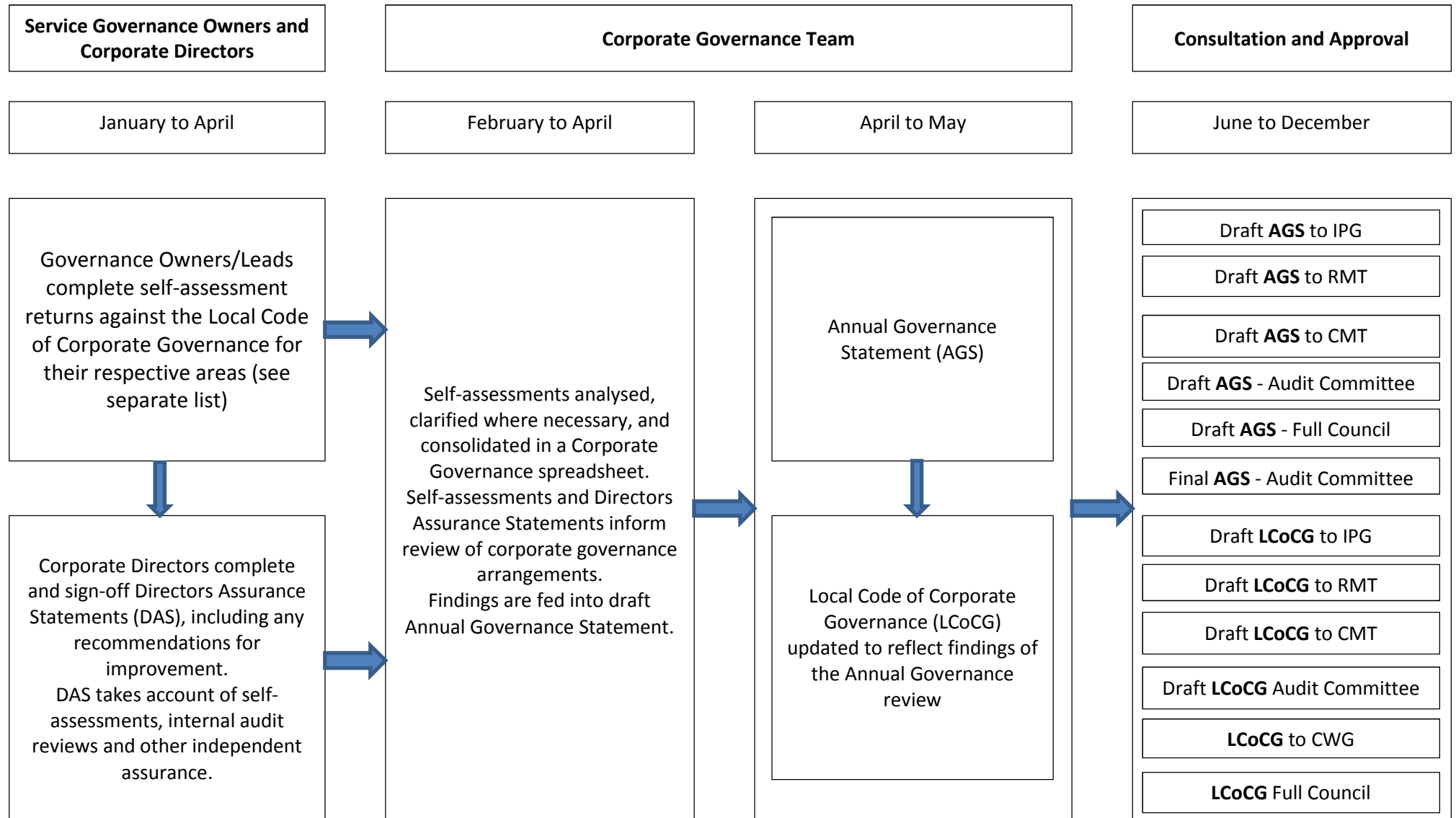
- Access to Information Procedure Rules
- ~~Acquisition and Disposal Strategy~~
- Annual Governance Statement
- Annual Statement of Accounts
- Area Action Partnership Profiles
- Asset Management Plans
- Asset Register
- Benefits Fraud Sanctions Policy
- Business Continuity Plans
- Buzz Magazine (employee)
- Cabinet and Committee Reports
- Capital Strategy for Assets
- Children, Young People and Families Plan
- Codes of Conduct
- Complaints Policy and Procedures
- Confidential Reporting Code
- Constitution
- Consultation and Engagement Strategy
- Contract Procedure Rules
- Contracts Register
- Corporate Management Framework
- Corporate Property Strategy
- Council Plan
- Councillor Compact
- Counter Fraud and Corruption Strategy
- County Durham Compact
- County Durham Plan
- County Durham Trade Union Partnership Agreement
- Countywide Resident Survey
- Data Protection Policy
- Data Quality Policy
- Durham County News Magazine
- Emergency Plan
- Equality & Diversity Policy
- 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

- Information & Communications Technology Strategy
- 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
- Office Accommodation Strategy
- 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
- Regeneration Statement
- Risk Management Strategy and Policy
- Safe Durham Partnership Plan
- 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

### Contributory Processes/Regulatory Monitoring

- Audit Committee
- Budget Process Cabinet
- Business Continuity Planning
- Capital Prioritisation Process
- 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
- Police and Crime Panel
- Project Management Methodology
- Remuneration Panel
- Service Management Teams
- Standards Committee
- Strategic Procurement Network

## Appendix 3: Corporate Governance Review Process



**Abbreviations:** AGS – Annual Governance Statement; CMT – Corporate Management Team; CWG – Constitution Working Group; IPG – Improvement and Planning Group; LCoCG – Local Code of Corporate Governance; RMT – Resources Management Team.

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## Audit Committee

27 November 2014

### Strategic Risk Management Progress Report for the Quarter period July to September 2014



## Report of Corporate Management Team

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**Don McLure, Corporate Director Resources**

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### 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 2014.

### 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 included 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 2014, there were 31 strategic risks. Since 30 June 2014, three new risks have been added and two removed, making a net increase of one. In summary, the key risks to the Council are:
  - If there was to be slippage in the 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.
  - Ongoing Government funding cuts which now extend to at least 2017/18 will continue to have an increasing major impact on all Council services.
  - Potential restitution of search fees going back to 2005.

- The Council could suffer significant adverse service delivery and financial impact if there are delays in the procurement and implementation of the new banking contract.
- 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, such as Revenues and Benefits, which rely on secure transfer of personal data.

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 2014.
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.

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**Contact: David Marshall Tel: 03000 269648**

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## **Appendix 1: Implications**

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**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: How the Council manages the Risk Management Framework**

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.

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: Progress on the management of the Council’s 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 2014, there were 31 strategic risks. Since 30 June 2014, three new risks have been added and two removed, making a net increase of one.

The following matrix categorises the strategic risks according to their Net risk evaluation as at 30 September 2014. To highlight changes in each category during the last quarter, the number of risks as at 30 June 2014 is shown in brackets.

### **Overall number of Strategic Risks as at 30 September 2014**

<b>Impact</b>					
Critical	2 (2)	1 (1)	3 (3)		1 (1)
Major		3 (3)	6 (4)		
Moderate			8 (8)	5 (5)	1 (1)
Minor				1 (1)	0 (1)
Insignificant					
<b>Likelihood</b>	Remote	Unlikely	Possible	Probable	Highly Probable

In the above matrix;

- The risk assessed as Critical/Highly Probable is, *“Ongoing Government funding cuts which now extend to at least 2017/18 will continue to have an increasing major impact on all Council services.”*
- The risk assessed as Moderate/Highly Probable is, *“Ongoing Government funding cuts which now extend to at least 2017/18 will continue to have an increasing major impact on all Council services.”*

These risks are reported in more detail in section 5 below.

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

## 1 New Risks

Three new risks have been identified this quarter and risk assessments have been completed to ensure they are managed effectively:

- The Council could suffer *“Adverse financial and operational impacts from the transfer of health visitor commissioning responsibilities for 0-5 year olds from NHS England to Durham County Council by 1st October 2015” (CAS).*
- There is a potential *“Lack of available revenue finance to respond to the economic upturn resulting in missed opportunities corporately in relation to European Regional Development Funding and other funding streams” (RED).*
- The Council is at risk of *“Adverse financial and operational impact of the Care Act 2014 on adult social care services” (CAS).*

## 2 Increased Risks

No significant risks have increased during the quarter.

## 3 Removed Risks

The risks listed below are no longer considered strategic risks as all mitigating actions have been completed and management now consider existing controls to be adequate:

- *“School funding reforms & Dedicated Schools Grant reductions threaten viability of some centrally managed services for children and young people” (CAS);*
- *“Inconsistent approach to managing funding bids by Services could expose the Council to financial losses and reputational damage” (RES).*

## 4 Reduced Risks

No significant risks have reduced during the quarter.

## 5 Key Risks

The Council's key risks are shown in the following table.

### Key Risks Matrix

<b>Net Impact</b>					
Critical			Risk 1 MTFP Slippage		Risk 2 Ongoing Government funding cuts
Major			Risk 4 New Banking Contract		
			Risk 5 PSN Code of Connection		
Moderate					Risk 3 Restitution of Search Fees
Minor					
Insignificant					
<b>Net Likelihood</b>	Remote	Unlikely	Possible	Probable	Highly Probable

In this matrix, the key risks have been arranged according to the net impact and net likelihood evaluations to illustrate their relative severity. The full title of each risk is shown in the Key Risks Schedule on the following pages.

### Key Risks Schedule

The schedule on the following pages contains information about how the key risks are being managed, including proposed key actions. Where there have been changes to the risk assessment during the last quarter, these are highlighted in the column headed 'Direction of Travel'. The final column states when it is anticipated that the risk will have been reduced to an acceptable level.

Ref Page 34	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	If there was to be slippage in the 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	A programme management approach for key projects has been established and embedded across the Council.  Monitoring by CMT and Cabinet provides assurance over the implementation of the agreed MTFP savings projects.		This will be a significant risk for at least the next 4 years. No further mitigation is planned at the current stage.
2	RES Risk Owner: Don McLure	Altogether Better Council	Ongoing Government funding cuts which now extend to at least 2017/18 will continue to have an increasing major impact on all Council services.	Critical	Highly Probable	Sound financial forecasting is in place based on thorough examination of the Government's "red book" plans.		This will be a significant risk for at least the next 4 years.
3	RES Risk Owner: Colette Longbottom	Altogether Better Council	Potential restitution of search fees going back to 2005	Moderate	Highly Probable	The Council has signed up to a class action defence by LGA appointed solicitors		Lawyers, instructed through the LGA on behalf of local authorities, have produced framework for settlement and this is currently being considered.

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
4	RES Risk Owner: Don McLure	Altogether Better Council	The Council could suffer significant adverse service delivery and financial impact if there are delays in the procurement and implementation of the new banking contract	Critical	Possible	Pre-procurement meetings will be held with alternative providers to establish what services can and cannot be provided.  Awareness-raising at Tier 4 Manager level that banking arrangements are due to change.		The new contract is expected to be in place by March 2015 to ensure a smooth transition.
5	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, such as Revenues and Benefits, which rely on secure transfer of personal data	Critical	Possible	An ongoing project is in place to ensure compliance. Servers that cannot be made compliant or effectively relocated will be switched off.		December 2014. A backup ICT site is now in place. The equipment has been installed, data has been transferred, and a full test is planned once remedial electrical work is carried out at the Council's primary data site.

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

The following tables highlight the risks for each Corporate Theme.

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

<b>Ref</b>	<b>Service</b>	<b>Risk</b>
1	RES	If there was to be slippage in the 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.
2	RES	Ongoing Government funding cuts which now extend to at least 2017/18 will continue to have an increasing major impact on all Council services.
3	RES	Potential restitution of search fees going back to 2005
4	RES	The Council could suffer significant adverse service delivery and financial impact if there are delays in the procurement and implementation of the new banking contract
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, such as Revenues and Benefits, which rely on secure transfer of personal data
6	RED	Increased demand for Housing Solution Service beyond current staffing capacity due to changes in Government Welfare legislation.
7	RED	The continuation of weak economic conditions, financial austerity and reduced household incomes may see increased pressure on areas of lower housing demand with consequent negative impacts on communities, neighbourhoods and local environments.
8	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.
9	NS	The Council will not be able to maintain its non-educational and non-housing buildings to current repairs standards.
10	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
11	ACE	Risk that the Council does not respond to the Government's changes to Welfare Reform
12	ACE	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
13	RES	Major Interruption to IT Service Delivery
14	RES	Serious breach of Health and Safety Legislation

Ref	Service	Risk
15	RES	Following the proposed transfer of Housing Stock to an external organisation the potential savings, from downsizing/reduced costs of services currently recharged to the HRA under a Service Level Agreement, may be less than the corresponding loss of income from the SLA, resulting in a budget shortfall.
16	ACE	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation
17	RES	Due to the current economic climate and amount of change occurring across the Council, there is potential for increases in fraud and error.

### Altogether Better for Children and Young People

	Service	Risk
18	CAS	Adverse financial and operational impact of the transfer of health visitor commissioning responsibilities for 0-5 year olds from NHS England to Durham County Council by 1st October 2015.

### Altogether Greener

	Service	Risk
19	NS	Failure to identify and effectively regulate Contaminated Land

### Altogether Safer

	Service	Risk
20	NS	Gypsy Roma Travellers set up camp/ events on Council land without permission.
21	CAS	Failure to protect child from death or serious harm (where service failure is a factor or issue)
22	CAS	A service failure of Adult Safeguarding leads to death or serious harm to a service user.
23	NS	Damage to Highways assets as a result of a severe weather event.
24	CAS	Risk of poor implementation of the Transforming Rehabilitation programme leading to fragmented offender management services and a rise in re-offending.

25	ACE	Failure to prepare for, respond to and recover from a major incident or interruption, and to provide essential services.
26	RED	Serious injury or loss of life due to Safeguarding failure (Transport Service)

#### Altogether Wealthier

	Service	Risk
27	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.
28	RED	Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.
29	RED	Lack of available revenue finance to respond to the economic upturn resulting in missed opportunities corporately in relation to European Regional Development Funding and other funding streams.
30	NS	Coastal erosion and environmental improvements may be adversely impacted if a programme of repairs to Seaham North Pier isn't undertaken.

#### Altogether Healthier

	Service	Risk
31	CAS	Adverse financial and operational impact of the Care Act 2014 on adult social care services





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## AUDIT COMMITTEE



27 November 2014

### External Audit: Durham County Council – Annual Audit Letter 2013/2014

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## Report of the External Auditor

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### Purpose of the Report

1. The Committee is asked to note the contents of the attached External Auditor's Annual Audit Letter 2013/2014.

### Background

2. The report (attached at Appendix 2) provides a summary of the work and findings of External Audit in the 2013/2014 audit period.

### Summary

3. The report sets out:
  - Overall Messages from the audit work completed
  - Fees for the work completed
  - A look at the challenges and areas of focus.

### Recommendation

4. The Committee is requested to:
  - Note the comments and fees as illustrated within the annual audit letter and report at Appendix 2.

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**Appendix 1: Implications**

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**Finance**

No direct implications as a result of this report.

**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 Discrimination Act**

None

**Legal Implications**

Statutory approval of the statement of accounts.

# Annual Audit Letter 2013/14

**Durham County Council including Durham County  
Council Pension Fund**

October 2014



Mazars LLP  
Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

Members  
Durham County Council  
County Hall  
Durham  
DH1 5UE

October 2014

Dear Members

**Durham County Council Annual Audit Letter 2014**

We are pleased to present to you Durham County Council's (the Council's) 2013/14 Annual Audit Letter.

We carried out the audit in accordance with the Code of Audit Practice for Local Government bodies as issued by the Audit Commission and delivered all expected outputs in line with the timetable established by the Accounts and Audit Regulations 2011 and the National Audit Office.

2013/14 has been another challenging year for the finances of the Council and like most other councils in the North East and across the country it has made some tough decisions on spending priorities and plans for the future. We reflect on these matters in the value for money part of this letter. However, we were pleased to issue an unqualified opinion on the statement of accounts and the value for money conclusion.

I would like to express my thanks for the assistance of the Council's finance team, as well as senior officers and the Audit Committee, during the audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6314 or Catherine Banks on 0191 383 6410.

Yours faithfully

Cameron Waddell  
Director  
Mazars LLP

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*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 employees of Durham County Council are prepared for the sole use of the Council. We take no responsibility to any Member or employee in their individual capacity or to any third party.*

*Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.*

# 01

## Overall messages

### Purpose of this letter

Our Annual Audit Letter provides a summary of our work and findings for the 2013/14 audit period for Members and other interested parties.

In addition to this letter, we presented our Audit Completion Reports for the Council and Pension Fund to the Council's Audit Committee on 30 September 2014 which provide more detail of the work we have undertaken as the Council's external auditor in 2013/14. Our outline plans were set out in the Audit Strategy Memoranda we issued for the year, with regular updates to the Audit Committee in Audit Progress Reports.

### Our audit of the statement of accounts

We issued an audit report including an unqualified opinion on the Council's statement of accounts (including the Pension Fund) on 30 September 2014.

We highlight the following key points:

- The quality of the draft financial statements and supporting working papers had improved compared to previous years. We have noted the scope to further develop quality control arrangements in relation to the financial statements, especially if deadlines are brought forward in future years.
- Whilst there were a few errors in the draft financial statements (some material and sensitive), none of these impacted upon the Council's General Fund balance.
- Our work did not identify any significant deficiencies in internal control though we did make a small number of recommendations to enhance internal control in some areas which the Corporate Director Resources has agreed to implement.

Full details are available in our separate Audit Completion Report. We would highlight the positive outcome of the audit and in particular the continued constructive and responsive approach of officers.

We also presented the detailed findings from our audit of the Durham County Pension Fund in a separate Audit Completion Report to the Council at the Audit Committee on 30 September 2014. These findings are summarised as follows:

- We did not identify any significant deficiencies in internal controls during the course of the audit.
- We did not identify any 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.
- Our audit identified some material misstatements and disclosure errors which officers corrected and one non material misstatement which was not corrected on the grounds that the error did not have a material impact on the financial statements.



## **Our Value for Money conclusion**

We performed our work in line with the Audit Commission's Code of Audit Practice for Local Government bodies and the Commission's guidance on the Value for Money conclusion for 2013/14. Our audit report included a conclusion that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Our work in this area focussed on the two criteria specified by the Audit Commission, namely:

- financial resilience; and
- economy, efficiency and effectiveness in the use of resources.

Work carried out included consideration of a range of evidence in respect of both criteria, including:

- your Annual Governance Statement; and
- your Medium-Term Financial Plan (MTFP).

Our assessment of the MTFP saving programmes included testing a sample of saving programmes and reviewing the robustness of project plans, savings projections and the arrangements for delivery. Our testing indicated those savings plans we reviewed were established, well monitored and on track to be achieved. The Council's performance has demonstrated a consistently successful record in delivering its savings plans in recent years.

Our work allowed us to satisfy ourselves, against the backdrop of the continued unprecedented change and challenges of recent years, that the Council has maintained proper arrangements for securing value for money in its use of resources during the year. As highlighted in our Audit Completion Report, the Council is well aware of the significant challenges it faces. We comment further on these in section 03.

## **Whole of Government Accounts (WGA)**

We provide assurance to the National Audit Office (NAO), as the auditor of central government departments, in relation to the consistency of the Council's WGA consolidation pack with the audited statement of accounts. We reported that the Council's consolidation pack was consistent with the audited statement of accounts on 2 October 2014.

## **Our other responsibilities**

As the Council's appointed external auditor, we have other powers and responsibilities as set out in the Audit Commission Act 1998. These include responding to questions on the accounts raised by local electors as well as a number of reporting powers such as reporting in the public interest. We did not receive any questions or objections in relation to the Council's 2013/14 accounts from local electors, nor did we exercise our wider reporting powers.

# 02

## Fees

As outlined in our Audit Strategy Memorandum presented to the Audit Committee on 12<sup>th</sup> May 2014, the Audit Commission sets a scale fee for our audit and certification work. The fees applicable to our work in 2013/14 are summarised below.

Element of work	2012/13 Final Fee	2013/14 As previously reported	2013/14 Final Fee
<b>Durham County Council</b>			
Code audit work	£333,180	£333,180	£333,720
Certification work	£53,200	£32,900	£26,995
Non-audit work	£3,700	£0	£6,900
<b>Total</b>	<b>£390,090</b>	<b>£366,080</b>	<b>£367,615</b>
<b>Durham County Pension Fund</b>			
Code audit work	£25,919	£25,918	£25,918
Non-audit work	£0	£0	£0
<b>Total</b>	<b>£25,919</b>	<b>£25,918</b>	<b>£25,918</b>

There has been a very small increase in fees for Code audit work of £540 since we reported to you earlier in the year. This increase has arisen because the Audit Commission no longer makes certification arrangements for the National Non-Domestic Rates (NNDR 3) return, which previously provided auditors with assurance over the relevant entries in the Council's accounts. As a result for 2013/14 we have undertaken additional audit testing to obtain sufficient assurance over the relevant entries in the Council's accounts. The associated additional audit fee is in line with guidelines provided by the Audit Commission to all local authority auditors.

The fee outlined above in relation to certification work is an estimate as we are yet to complete our work on certifying the Council's Housing Benefit claim. We will confirm the final fee charged for certification work when we issue our Certification Report.

The only non-audit work undertaken in 2013/14 relates to the certification of grants outside the Audit Commission regime, for which fees are negotiated with the Council on a case by case basis. The fees relate to agreements reached for work as at 30 September 2014 and include work on the Decent Homes and European Regional Development Fund Net Park returns in both years and in addition for 2013/14 work on the Homes and Communities Agency and School Centred Initial Teacher Training returns.

# 03

## Future challenges/other commentary

The Council has made good progress in addressing its biggest challenges in 2013/14 and 2014/15 to date. Key challenges facing the Council include:

- delivery of the Medium-Term Financial Plan, the sustainability of services and the level of performance;
- delivery of the Council Plan; and
- the impact of continued changes as a result of the Welfare Reform Act.

Each year undoubtedly becomes harder, and the scope for reducing expenditure without affecting service standards becomes more and more difficult. The Council, however, continues to have a strong approach in considering a range of options, including agreeing these plans well ahead of the relevant financial year. Since April 2011 the Council has made almost £128 million of savings which is 57 per cent of the overall forecasted savings required of £224 million up to 31 March 2017. Key areas for the future include continued work on a strategic plan for the achievement of the savings required for 2015/16 to 2016/17 and beyond which are well advanced.

A key risk for the Council is that the success of achieving previous year's savings means stakeholders might perceive the continued achievement of savings can continue to meet the significant spending reductions required without effecting key services. However, as the Council is well aware, some difficult and bold decisions will be required including potentially radical decisions impacting on how the Council performs as well as the services it provides given the scale of savings required in the coming year.

Other key areas for the Council to continue to focus on are set out below:

- Following approval by tenants in August 2014 the council plans to transfer ownership of its Housing Stock to County Durham Housing Group in March 2015. There are legal, governance and accounting challenges associated with this transfer.
- Financial reporting changes such as changes to schools accounting and group accounts standards in 2014/15, fair value accounting in 2015/16 and infrastructure accounting in 2016/17 (with restated amounts as at 1 April 2015) will pose accounting challenges to the finance team.

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**Audit Committee**

**27 November 2014**

**Internal Audit Progress Report  
Period Ended 30 September 2014**



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**Report of the Chief Internal Auditor and Corporate Fraud Manager**

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**Purpose of the Report**

1. To inform Members of the work that has been carried out by Internal Audit during the period 1 July 2014 to 30 September 2014 as part of the 2014/2015 Internal Audit Plan.
2. The report aims to:
  - Provide a high level of assurance, or otherwise, on internal controls operating across the Council that have been subject to an Internal Audit.
  - Advise of issues where controls need to be improved in order to effectively manage risks.
  - Advise of 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 of amendments to the Internal Audit Plan.
  - Track the progress of responses to Internal Audit reports and the implementation of agreed audit recommendations.
  - Advise of any changes to the audit process.
  - Provide an update on the performance indicators comparing actual performance against planned.
3. The 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	Progress against the Internal Audit Plan
Appendix 2	Final Reports issued in the quarter ending 30 September 2014
Appendix 3	The number of high and medium priority actions raised and implemented
Appendix 4	Internal Audit Performance Indicators
Appendix 5*	Overdue Actions
Appendix 6*	Limited Assurance Audit Opinions

## Background

- Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve the organisation's operations.
- The Internal Audit Strategy and Annual Internal Audit Plan covering the period 1 July 2014 to 31 March 2015 was approved by the Audit Committee on 26 June 2014.

## Progress against the Internal Audit Plan

- A summary of the approved Internal Audit Plan for each Service Grouping, updated to include work in progress and any audits brought forward from last year's plan, is attached at Appendix 1. The appendix illustrates the current status of each audit as at 30 September 2014 and where applicable also gives the resultant assurance opinion.
- A summary of the status of audits in 2014/15 is illustrated in the table below:

Service Grouping	Not Started	Planning and Preparation	In Progress	Draft Report	Final Report
Assistant Chief Executive (ACE)	2	4	2	4	4
Children and Adult Services (CAS) including Schools	52	19	11	3	11
Neighbourhood Services (NS)	9	12	14	1	9
Regeneration and Economic Development (RED)	8	8	3	0	2
Resources (RES)	21	18	13	5	11
<b>TOTAL</b>	<b>92</b>	<b>61</b>	<b>43</b>	<b>13</b>	<b>37</b>

- A summary of the final audit reports issued in this quarter is presented in Appendix 2.
- The total number of Productive Internal Audit days required to deliver the plan was 3,222. As at 30 September the service has delivered 1,016 productive days representing 32% of the total plan. The target at the end of the quarter was for 30% to be delivered therefore current performance is exceeding target.
- This is against a current backdrop of higher than average levels of sickness within the section which is being actively managed.

## Audit Activity in the Quarter

### Amendments to the Approved 2014/2015 Internal Audit Plan

11. The following amendments to the approved Internal Audit Plan have been agreed between Corporate Directors and the Chief Internal Auditor and Corporate Fraud Manager in this quarter:

Service Grouping	Audit	Amendment Type	Reason
Children and Adult Services (CAS)	SEN Placement and Provision	Deferred to 2015/2016	Discussions with management confirmed as a result of reorganisation of the service it is appropriate for this review to be deferred.
Children and Adult Services (CAS)	Nicotine Replacement Vouchers	Cancelled	This will be captured as part of advice and consultancy work to introduce suitable controls when introducing PharmOutcomes as the system for receiving the vouchers for payments.
Children and Adult Services (CAS)	MTFP Saving – Provision of Supervised Contact	Deferred to 2016/2017	Discussions with Management confirmed that the intended saving will not be delivered until 2016/2017 so appropriate to defer.
Neighbourhood Services (NS)	Design Services	Cancelled	Discussions with management have identified a limited scope of review. Controls in this area will be picked up in other audits.

12. 16 unplanned reviews have been added to the Internal Audit Plan in this quarter. Of these, eight are potential fraud or irregularity investigations. Details of the progress on all investigations are included in the fraud and irregularity update report which will be considered by the Committee later in the agenda.

13. The eight other reviews, which are to be sourced from the service contingency provision within the Internal Audit Plan, are detailed below:

<b>Service Grouping</b>	<b>Audit</b>	<b>Audit Type</b>	<b>Reason</b>
Children and Adult Services (CAS)	Direct Payments – Introduction of pre-paid cards.	Advice and Consultancy	Service Request
Children and Adult Services (CAS)	Public Health – Data Quality (Performance Indicators) Mapping Exercise	Advice and Consultancy	Service Request
Children and Adult Services (CAS)	Supported Housing	Advice and Consultancy	Service Request
Children and Adult Services (CAS)	School Review	Assurance	School Request
Neighbourhood Services (NS)	Fleet Management Working Group	Advice and Consultancy	Service Request
Regeneration and Economic Development (RED)	Community Association Financial Review	Advice and Consultancy	Service Request
Resources (RES)	Password Management	Assurance	Service Request

### **Outstanding Management Responses to Draft Internal Audit Reports**

14. There are no draft reports that are overdue at the time of writing.

### **Responses to Audit Findings and Recommendations**

15. Details of the numbers of High and Medium priority ranked recommendations that have been raised and those that are overdue, by Service Grouping are presented in Appendix 3



16. A summary of progress on the actions due, implemented and overdue as at 30 September 2014 is given in the table below:

<b>Service Grouping</b>	<b>Number of Actions Due to be Implemented</b>	<b>Number of Actions Actually Implemented</b>	<b>Actions Overdue by Agreed Original Target Date</b>	<b>Actions with an Agreed Revised Target Date</b>	<b>Actions Overdue by Revised Target Date</b>
Assistant Chief Executive (ACE)	11	10	1	1	0
Children and Adult Services (CAS)	75	70	5	5	0
Neighbourhood Services (NS)	182	172	9	9	0
Regeneration and Economic Development (RED)	39	27	12	12	0
Resources (RES)	308	297	11	11	0
<b>TOTAL</b>	<b>615</b>	<b>576</b>	<b>38</b>	<b>38</b>	<b>0</b>

17. It is encouraging to note, of the 615 actions due to be implemented, that 576 (94%) have been implemented. The Chartered Institute of Public Finance and Accountancy (CIPFA), benchmarking exercise indicates that average performance in this area to be between 70% to 80%. At present the Council is delivering in excess of this target.
18. Details of the actions that are overdue following their agreed original target dates are included at Appendix 5.

### **Limited Assurance Audit Opinions**

19. There have been two audits finalised in this quarter that have been issued with a 'limited assurance' opinion. These are:

<b>Service Grouping</b>	<b>Service Area</b>	<b>Audit</b>
Neighbourhood Services (NS)	Direct Services	Fleet Management
Resources (RES)	Financial Services	Sundry Debtors

20. Further details of the findings from these audit reviews are included within Appendix 6.

## **Performance Indicators**

21. A summary of our actual performance at the end of September 2014 compared with our agreed targets is illustrated in Appendix 4.

## **Recommendations**

22. Members are asked to note:

- The amendments made to the 2014/2015 Annual Audit Plan.
- Work undertaken by Internal Audit during the period ending 30 September 2014 and the assurance on the control environment provided.
- The performance of the Internal Audit Service during the period.
- Progress made by service managers in responding to the work of Internal Audit.

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2014

SERVICE GROUPING		SERVICE		AUDIT ACTIVITY		AUDIT TYPE		STATUS		OPINION	
<b>2013 / 2014 Internal Audit Plan - Audits Brought Forward</b>											
Assistant Chief Executive (ACE)	Policy and Communications	Intranet		Assurance		Final Report		Moderate			
Assistant Chief Executive (ACE)	Planning and Performance	Data Protection - Procurement		Assurance		Final Report		Moderate			
Assistant Chief Executive (ACE)	Planning and Performance	Data Quality		Assurance		Draft Report					
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Environment Partnership		Assurance		Draft Report					
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Community Buildings		Advice & Consultancy		Draft Report					
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	AAPs - Performance Management Framework		Advice & Consultancy		Final Report		N/A			
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Participatory Budgets		Advice & Consultancy		Draft Report					
Children and Adult Services (CAS)	Children's Services	Secure Services - Contract with Youth Justice Board		Assurance		Draft Report					
Neighbourhood Services (NS)	Direct Services	Schools Grounds Maintenance Arrangements		Advice and Consultancy		Final Report		N/A			
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Private Sector Housing - Housing Complaints		Assurance		Final Report		Substantial			
Regeneration and Economic Development (RED)	Transport and Contract Services	Supported Housing - CCTV		Assurance		Final Report		Moderate			
Regeneration and Economic Development (RED)	Economic Development and Housing	Empty Homes Loan Fund		Assurance		Final Report		Moderate			
Resources	Human Resources and Organisational Development	Payroll		Assurance		Final Report		Moderate			
Resources	Human Resources and Organisational Development	Performance Appraisals		Assurance		Draft Report					
Resources	Human Resources and Organisational Development	Comensura (Agency Workers)		Assurance		Final Report		Moderate			
Resources	Corporate Finance	Capital Accounting		Assurance		Draft Report					
Resources	Corporate Finance	Journal Transfers		Assurance		Final Report		Moderate			
Resources	Corporate Finance	General Ledger		Assurance		Final Report		Moderate			
Resources	Corporate Finance	Procurement - Award of Contracts		Assurance		Final Report		Moderate			
Resources	Financial Services	Creditor Payments		Assurance		In Progress					
Resources	Financial Services	Sundry Debtors		Assurance		Final Report		Limited			
Resources	Financial Services	Cash Collection		Assurance		Final Report		Moderate			
Resources	Financial Services	Calculation of School Budgets		Assurance		Final Report		Substantial			
Resources	ICT	Networks		Assurance		Draft Report					
Resources	ICT	SOL		Assurance		Final Report		Moderate			
Resources	ICT	ISPs - 3rd Party Access		Assurance		Final Report		Moderate			
Resources	ICT	ISPs - Operational Procedures		Assurance		Final Report		Moderate			
Resources	ICT	Software Licenses		Assurance		Final Report		Moderate			
<b>2014 / 2015 Internal Audit Plan</b>											
Assistant Chief Executive (ACE)	Policy and Communications	Business Continuity Planning		Key System		Preparation					
Assistant Chief Executive (ACE)	Planning and Performance	Data Quality / Performance Management Framework		Key System		Not Started					
Assistant Chief Executive (ACE)	Planning and Performance	Data Protection - Rolling Programme of reviews (One per Quarter)		Assurance		Preparation					
Assistant Chief Executive (ACE)	Planning and Performance	Information Governance Group		Advice and Consultancy		In Progress					
Assistant Chief Executive (ACE)	Planning and Performance	Transparency Agenda Arrangements		Advice and Consultancy		Not Started					
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Area Action Partnerships (AAPs) - Performance Management Framework		Assurance		Preparation					
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Partnerships		Key System		In Progress					
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Community Buildings - Revenue Costs (Part 1)		Advice and Consultancy		Final Report		N/A			
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Community Buildings - Revenue Costs (Part 2)		Advice and Consultancy		Preparation					
Children and Adult Services (CAS)	Children's Services	Foster Carer Payments		Assurance		Preparation					
Children and Adult Services (CAS)	Children's Services	Adoption Strategy		Assurance		Preparation					
Children and Adult Services (CAS)	Children's Services	Children Safeguarding Governance Arrangements		Assurance		Not Started					
Children and Adult Services (CAS)	Children's Services	Establishment Visits and Overall Management Arrangements		Assurance		Not Started					
Children and Adult Services (CAS)	Children's Services	First Contact Service		Assurance		In Progress					
Children and Adult Services (CAS)	Children's Services	Voluntary Organisations (DCC Employee Arrangements)		Assurance		Preparation					
Children and Adult Services (CAS)	Children's Services	MHPF Saving - Provision of Supervised Contact		Assurance		Deferred					
Children and Adult Services (CAS)	Children's Services	Disability Commissioning Arrangements (Short Breaks)		Assurance		Preparation					
Children and Adult Services (CAS)	Children's Services	In & Out of County Placements		Assurance		Preparation					
Children and Adult Services (CAS)	Children's Services	Application of Think Family Grants		Assurance		Preparation					
Children and Adult Services (CAS)	Education	School Financial Performance		Assurance		Preparation					
Children and Adult Services (CAS)	Education	SEN Placement and Provision		Assurance		Deferred					
Children and Adult Services (CAS)	Education	School Organisation and Capital Programme		Assurance		In Progress					
Children and Adult Services (CAS)	Education / Children's Services	Safeguarding of Children in Schools		Assurance		In Progress					
Children and Adult Services (CAS)	Education	Adult Learning Service		Assurance		Preparation					
Children and Adult Services (CAS)	Education	Education and Business Link		Assurance		Not Started					
Children and Adult Services (CAS)	Education	Careers Service		Assurance		Not Started					
Children and Adult Services (CAS)	Education	Schools Audit Programme - SLA (51 Schools to complete)		Assurance		Final Reports x 11		7 Substantial Moderate Limited			
Children and Adult Services (CAS)	Education	Schools Financial Value Standard (SFVS)		Advice and Consultancy		Preparation					

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2014

SERVICE GROUPING		SERVICE		AUDIT ACTIVITY		AUDIT TYPE	STATUS	OPINION
Children and Adult Services (CAS)	Education	Governor Training		Advice and Consultancy	Not Started			
Children and Adult Services (CAS)	Education	School Business Manager Training		Advice and Consultancy	Not Started			
Children and Adult Services (CAS)	Education	Head Teacher Group Attendance		Advice and Consultancy	Not Started			
Children and Adult Services (CAS)	Adult Services	Continuing Health Care and Free Nursing Care		Assurance	Not Started			
Children and Adult Services (CAS)	Adult Services	Establishment Visits and Overall Management Arrangements - Hawthorn House		Assurance	Not Started			
Children and Adult Services (CAS)	Adult Services	Establishment Visits and Overall Management Arrangements - Pathways Ebony Woodwork Unit		Assurance	In Progress			
Children and Adult Services (CAS)	Adult Services	Adaptations Service		Assurance	In Progress			
Children and Adult Services (CAS)	Commissioning	Community Chest Grant Scheme / Adult Mental Health Capital Grant Scheme		Assurance	Not Started			
Children and Adult Services (CAS)	Commissioning	Social Care Financial Assessments & Reassessments		Assurance	Planned			
Children and Adult Services (CAS)	Commissioning	Direct Payments		Assurance	In Progress			
Children and Adult Services (CAS)	Commissioning	Personal Budgets - Commissioned Service		Assurance	Not Started			
Children and Adult Services (CAS)	Commissioning	Management of Client Finances		Assurance	Planned			
Children and Adult Services (CAS)	Commissioning	SSiD Development		Advice and Consultancy	In Progress			
Children and Adult Services (CAS)	Public Health	Drug and Alcohol Treatment Services and Clinical Public Health Services		Advice and Consultancy	Planned			
Children and Adult Services (CAS)	Public Health	Nicotine Replacement Vouchers - Follow Up		Assurance	Cancelled			
Children and Adult Services (CAS)	Public Health	Public Health Assurance		Advice and Consultancy	In Progress			
Children and Adult Services (CAS)	Public Health	Commissioning Arrangements		Assurance	Not Started			
Children and Adult Services (CAS)	Public Health	Pharmoutcomes		Advice and Consultancy	Planned			
Children and Adult Services (CAS)	Public Health	Health Visitor Transition		Advice and Consultancy	In Progress			
Children and Adult Services (CAS)	Planning and Service Strategy	Caldicot Compliance		Assurance	Planned			
Children and Adult Services (CAS)	Planning and Service Strategy	Use of Petty Cash and Imprest Accounts		Assurance	Planned			
Children and Adult Services (CAS)	All CAS Services	CAS - Cash Collection		Key System	Planned			
Children and Adult Services (CAS)	All CAS Services	CAS - Creditors		Key System	Planned			
Children and Adult Services (CAS)	All CAS Services	CAS - Debtors		Key System	Planned			
Children and Adult Services (CAS)	All CAS Services	CAS - Payroll		Key System	Planned			
Neighbourhood Services (NS)	Culture and Sport Services	Gala Theatre		Key System	Planned			
Neighbourhood Services (NS)	Culture and Sport Services	Integrated Leisure Management System		Advice and Consultancy	Planned			
Neighbourhood Services (NS)	Culture and Sport Services	Stanley Bowls		Advice and Consultancy	In Progress			
Neighbourhood Services (NS)	Culture and Sport Services	Competition Line UK - Income Share Agreement		Advice and Consultancy	Final Report		N/A	
Neighbourhood Services (NS)	Culture and Sport Services	Leisure Services Review - Future Service Delivery		Assurance	Final Report		N/A	
Neighbourhood Services (NS)	Culture and Sport Services	Libraries - Review of Procurement, Payments and Custody of Assets		Assurance	In Progress			
Neighbourhood Services (NS)	Culture and Sport Services	Freemans Quay - Income and Banking		Assurance	Not Started			
Neighbourhood Services (NS)	Culture and Sport Services	Durham Town Hall - Income and Banking		Assurance	Final Report		Substantial	
Neighbourhood Services (NS)	Culture and Sport Services	Bishop Auckland Town Hall - Income and Banking		Assurance	Final Report		Substantial	
Neighbourhood Services (NS)	Direct Services	Building Compliance		Advice and Consultancy	Final Report		N/A	
Neighbourhood Services (NS)	Direct Services	Pest Control		Assurance	In Progress			
Neighbourhood Services (NS)	Direct Services	Catering Service		Assurance	In Progress			
Neighbourhood Services (NS)	Direct Services	Fleet		Assurance	Final Report		Limited	
Neighbourhood Services (NS)	Direct Services	Development of New Fleet Management System		Assurance	Not Started			
Neighbourhood Services (NS)	Direct Services	Grounds Maintenance Charging (inc Clean and Green Follow Up)		Assurance	Not Started			
Neighbourhood Services (NS)	Direct Services	Allotments Management		Assurance	Planned			
Neighbourhood Services (NS)	Direct Services	Trade Waste - Follow Up		Assurance	Planned			
Neighbourhood Services (NS)	Direct Services	Computerised Repairs and Maintenance System		Advice and Consultancy	Planned			
Neighbourhood Services (NS)	Direct Services	Quality Management System (QMS) - Period 1		Assurance	In Progress			
Neighbourhood Services (NS)	Direct Services	Quality Management System (QMS) - Period 2		Assurance	Planned			
Neighbourhood Services (NS)	Direct Services	Durham Crematorium - Joint Committee		Assurance	Not Started			
Neighbourhood Services (NS)	Direct Services	Mountseil Crematorium - Joint Committee		Assurance	Not Started			
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Markets Strategy		Assurance	Not Started			
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Fair Trading		Assurance	Not Started			
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Animal Health		Assurance	In Progress			
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Premises Licensing - Fee Setting		Assurance	In Progress			
Neighbourhood Services (NS)	Technical Services	Winter Maintenance		Assurance	In Progress			
Neighbourhood Services (NS)	Technical Services	Design Services		Assurance	In Progress			
Neighbourhood Services (NS)	Technical Services	Flooding Mitigation		Assurance	Cancelled			
Neighbourhood Services (NS)	Technical Services	Strategic Transport		Assurance	Planned			
Neighbourhood Services (NS)	Technical Services	Compliance with Construction, Design and Maintenance Procedures		Assurance	Planned			
Neighbourhood Services (NS)	Technical Services	Capital Project Review		Assurance	Not Started			
Neighbourhood Services (NS)	Technical Services	Stores		Assurance	Not Started			
Neighbourhood Services (NS)	Technical Services	Contract Audit		Assurance	In Progress			
Neighbourhood Services (NS)	Projects and Business Services	Environmental Compliance		Assurance	In Progress			

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2014

SERVICE GROUPING			SERVICE		AUDIT ACTIVITY		AUDIT TYPE		STATUS		OPINION	
Neighbourhood Services (NS)	Projects and Business Services	Customer Access Points	Assurance						Planned			
Neighbourhood Services (NS)	Projects and Business Services	Garden Waste Collection Scheme	Advice and Consultancy						Planned			
Neighbourhood Services (NS)	Projects and Business Services	Fly Tipping	Advice and Consultancy						Not Started			
Neighbourhood Services (NS)	Projects and Business Services	NS - Cash Collection	Key System						Planned			
Neighbourhood Services (NS)	Projects and Business Services	NS - Creditors	Key System						Planned			
Neighbourhood Services (NS)	Projects and Business Services	NS - Debtors	Key System						Planned			
Neighbourhood Services (NS)	Projects and Business Services	NS - Payroll	Key System						Planned			
Regeneration and Economic Development (RED)	Planning and Assets	Planning System	Assurance						Not Started			
Regeneration and Economic Development (RED)	Planning and Assets	Spatial Policy	Assurance						Not Started			
Regeneration and Economic Development (RED)	Planning and Assets	Asset Management - Follow Up	Assurance						In Progress			
Regeneration and Economic Development (RED)	Planning and Assets	Community Infrastructure Levy	Advice and Consultancy						In Progress			
Regeneration and Economic Development (RED)	Planning and Assets	Energy Management - Warm Up North	Advice / Grant Cert						Not Started			
Regeneration and Economic Development (RED)	Strategy, Programmes and Performance	European Regional Development Fund	Advice and Consultancy						Preparation			
Regeneration and Economic Development (RED)	Strategy, Programmes and Performance	RED - Cash Collection	Advice and Consultancy						Planned			
Regeneration and Economic Development (RED)	Strategy, Programmes and Performance	RED - Creditors	Advice and Consultancy						Planned			
Regeneration and Economic Development (RED)	Strategy, Programmes and Performance	RED - Debtors	Advice and Consultancy						Planned			
Regeneration and Economic Development (RED)	Strategy, Programmes and Performance	RED - Payroll	Advice and Consultancy						Planned			
Regeneration and Economic Development (RED)	Transport and Contract Services	Traffic Accident Data Unit (TADU) - Prevention and Investigation	Assurance						Not Started			
Regeneration and Economic Development (RED)	Transport and Contract Services	Transport - Contractual Arrangements	Assurance						Not Started			
Regeneration and Economic Development (RED)	Transport and Contract Services	Transport - Safeguarding Arrangements	Assurance						Not Started			
Regeneration and Economic Development (RED)	Economic Development and Housing	Housing Stock Transfer	Advice and Consultancy						In Progress			
Regeneration and Economic Development (RED)	Economic Development and Housing	Housing Solutions (Include Housing Advice, Homelessness & Family Intervention)	Assurance						In Progress			
Regeneration and Economic Development (RED)	Economic Development and Housing	Economic Development - Apprenticeship Programme	Assurance						Planned			
Regeneration and Economic Development (RED)	Economic Development and Housing	Regeneration and Development - Heart of Teesdale Landscape Partnership	Assurance						Planned			
Regeneration and Economic Development (RED)	Economic Development and Housing	Choice Based Letting Scheme	Advice and Consultancy						Not Started			
Resources	Human Resources and Organisational Development	Attendance Management Framework	Assurance						Not Started			
Resources	Human Resources and Organisational Development	Disciplinary Procedures	Assurance						Not Started			
Resources	Human Resources and Organisational Development	Violent Persons Register	Assurance						In Progress			
Resources	Human Resources and Organisational Development	Health and Safety	Key System						Not Started			
Resources	Human Resources and Organisational Development	Payroll	Key System						Preparation			
Resources	Human Resources and Organisational Development	Agency Workers	Key System						Not Started			
Resources	Legal and Democratic Services	Registrars	Assurance						Preparation			
Resources	Legal and Democratic Services	Land Charges - Fees and Income	Assurance						Preparation			
Resources	Legal and Democratic Services	Standards - Arrangements	Assurance						Preparation			
Resources	Legal and Democratic Services	Elections	Assurance						Not Started			
Resources	Legal and Democratic Services	RIPA Group	Advice and Consultancy						In Progress			
Resources	Legal and Democratic Services	Members Allowances	Assurance						Planned			
Resources	Corporate Finance	VAT Arrangements	Assurance						Planned			
Resources	Corporate Finance	Bank Reconciliation	Key System						Planned			
Resources	Corporate Finance	Treasury Management	Key System						Planned			
Resources	Corporate Finance	New Banking Contract	Advice and Consultancy						In Progress			
Resources	Corporate Finance	Collection Fund	Key System						Planned			
Resources	Corporate Finance	General Ledger	Key System						Planned			
Resources	Corporate Finance	Contract Register	Assurance						In Progress			
Resources	Corporate Finance	Contract Management	Assurance						In Progress			
Resources	Corporate Finance	Variations	Assurance						Draft Report			
Resources	Corporate Finance	Specifications	Assurance						Assurance			
Resources	Corporate Finance	Oracle Development - Project Board	Advice and Consultancy						Not Started			
Resources	Financial Services	Budgetary Control	Key Systems						Planned			
Resources	Financial Services	Revenues and Benefits Reconciliation	Key Systems						In Progress			
Resources	Financial Services	Business Improvement Districts	Assurance						In Progress			
Resources	Financial Services	Creditors	Key Systems						Not Started			
Resources	Financial Services	Debtors	Key Systems						Not Started			
Resources	Financial Services	Council Tax	Key Systems						Planned			
Resources	Financial Services	NNDR	Key Systems						Planned			
Resources	Financial Services	Housing Benefit and Council Tax Reduction	Key Systems						Planned			
Resources	Financial Services	Cash Collection	Key Systems						Not Started			
Resources	Financial Services	PCI Compliance - Follow Up	Assurance						Not Started			
Resources	Financial Services	PCI Working Group	Advice and Consultancy						In Progress			
Resources	Financial Services	School Financial Performance	Assurance						Not Started			
Resources	Financial Services	Welfare Rights	Assurance						Not Started			

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2014

SERVICE GROUPING		SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Financial Services	Welfare Assistance Scheme - Follow Up	Assurance	In Progress		
Resources	Financial Services	Creditors Working Group	Advice and Consultancy	In Progress		
Resources	Financial Services	Debtors Working Group	Advice and Consultancy	In Progress		
Resources	Financial Services	Bailiff Service	Assurance	Not Started		
Resources	Internal Audit, Risk and Fraud	Risk Management	Key System	Not Started		
Resources	Internal Audit, Risk and Fraud	Insurance	Assurance	Not Started		
Resources	Internal Audit, Risk and Fraud	Counter Fraud Arrangements	Key System	Not Started		
Resources	Internal Audit, Risk and Fraud	Review of Ethics	Assurance	Planned		
Resources	Information and Communication Technology	Asset Management	Assurance	Planned		
Resources	Information and Communication Technology	Change Control	Assurance	In Progress		
Resources	Information and Communication Technology	ISP Compliance Reviews	Assurance	Planned		
Resources	Information and Communication Technology	Oracle Database	Assurance	Planned		
Resources	Information and Communication Technology	ICT Business Continuity Plan	Assurance	Planned		
Resources	Information and Communication Technology	Design and Print Service	Assurance	Not Started		
Resources	Information and Communication Technology	Mobile Phones - Allocation and Usage	Advice and Consultancy	Not Started		
<b>2014 / 2015 Audits Added to the Plan</b>						
Children and Adult Services (CAS)	Commissioning	Direct Payments - Introduction of Pre Paid Cards	Advice and Consultancy	In Progress		
Children and Adult Services (CAS)	Education	Specific School Review	Assurance	Draft Report		
Children and Adult Services (CAS)	Public Health	Data Quality - Performance Indicators Mapping Exercise	Advice and Consultancy	Not Started		
Children and Adult Services (CAS)	Adult Service	Supported Housing	Advice and Consultancy	In Progress		
Neighbourhood Services (NS)	Direct Services	Fleet Management Working Group	Advice and Consultancy	In Progress		
Regeneration and Economic Development (RED)	Economic Development and Housing	Community Association Review	Advice and Consultancy	Planned		
Resources	Information and Communication Technology	Password Management	Assurance	Not Started		

**FINAL REPORTS ISSUED IN PERIOD ENDING 30 SEPTEMBER 2014**

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
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<b>ASSISTANT CHIEF EXECUTIVE (ACE)</b>		
Intranet	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>- Council policies, guidelines and other documents that are on the intranet are inaccurate and out of date</li> <li>- Policies held on the intranet are duplicated</li> <li>- The policy framework required to be placed on the intranet is incomplete</li> <li>- Access to the corporate area of the intranet is not properly restricted and controlled</li> <li>- The bulletin board is used inappropriately and/or incorrectly</li> </ul>	Moderate
Data Protection - Procurement	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>- Data belonging to or relating to clients of DCC is not processed in accordance with the requirements of the Data Protection Act (DPA)</li> <li>- Third parties who enter into contracts or SLAs with DCC are unaware of the requirement to adhere to the DPA when processing DCC data</li> </ul>	Moderate
Community Buildings – Revenue Costs (Part 1)	Advice & Consultancy review which provided financial information on the revenue costs of maintaining Community Buildings for the period 01/04/12 to 31/03/13.	N/A

<b>CHILDREN AND ADULT SERVICES (CAS)</b>		
Calculation of School Budgets	An Assurance review to consider whether: <ul style="list-style-type: none"> <li>• Budget delegation is in accordance with the approved scheme set out by the Department for Education (DfE).</li> <li>• Timescales and returns comply with the deadlines set out by the DfE.</li> </ul>	Substantial
Investigating Officer Grievance	An investigation of a grievance undertaken at the request of the Head of Human Resources and Organisational Development.	N/A

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
<b>NEIGHBOURHOOD SERVICES (NS)</b>		
Building Compliance Assurance	An Advice and Consultancy report that considered the extent to which the Repairs and Maintenance Policy is complete, clear, concise and fit for purpose.	Not Applicable
Competition Line UK – Income Share Agreement	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 2013/14 in compliance with the Income Share Agreements in place. (Freeman’s Quay, Teesdale Sports Centre and Sedgfield (Newton Aycliffe, Spennymoor and Shildon Sunnydale).	Not Applicable
Freemans Quay – Income and Banking	To provide assurance on the management of the following risks: <ul style="list-style-type: none"> <li>• Income is recorded or processed inaccurately.</li> <li>• Cash is held or transported insecurely.</li> <li>• Unauthorised access to the cash receipting system and till.</li> </ul>	Substantial
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 2013/14 financial year.	Not Applicable
Stanley Indoor Bowls Centre	A review to verify compliance with the terms and conditions of the annual grant provided from Durham County Council to SIBC for the period 1st June 2013 to 31st May 2014.	Not Applicable
Bishop Auckland Town Hall	To provide assurance on the management of the following risks: <ul style="list-style-type: none"> <li>• Invoices not raised for hired facilities.</li> <li>• Charges made are incorrect.</li> <li>• Income not received for facility hires.</li> <li>• Cash banked does not match that collected.</li> <li>• Unauthorised access to cash receipting system and till.</li> <li>• Cash is held and transported insecurely.</li> </ul>	Substantial
Durham Town Hall	To provide assurance on the management of the following risks: <ul style="list-style-type: none"> <li>• Invoices not raised for hired facilities.</li> <li>• Charges made are incorrect.</li> <li>• Income not received for facility hires.</li> <li>• Cash banked does not match that collected.</li> <li>• Unauthorised access to cash receipting system and till.</li> <li>• Cash is held and transported insecurely</li> </ul>	Substantial
Schools Grounds Maintenance Arrangements	An Advice and Consultancy review that considered the risks associated with Schools Ground Maintenance Arrangements, principally in relation to the financial position and profitability of the section.	Not Applicable
Private Sector Housing – Housing Complaints	To provide assurance on the management of the following risks: <ul style="list-style-type: none"> <li>• Unsafe properties are not identified,</li> <li>• Unfit landlords in Private Rented Sector,</li> <li>• Complaints/reports from tenants are not recorded, followed up or dealt with consistently,</li> <li>• Improvements are not carried out by landlords,</li> </ul>	Substantial



AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
	<ul style="list-style-type: none"> <li>• Details of inspections are not correctly/formally recorded,</li> <li>• Staff are injured carrying out official business,</li> <li>• Income due is not recovered.</li> <li>• Unsafe Houses of Multiple Occupancy (HMO's)</li> </ul>	
Award of Contracts	A Counter Fraud Review undertaken with the objective of identifying potential cases within Neighbourhood Services where contracts had not been awarded or were not in place with suppliers, where Corporate Procurement rules had not been adhered and/or goods and services are not being obtained at the most favourable prices and quality.	Not Applicable

<b>REGENERATION AND ECONOMIC DEVELOPMENT (RED)</b>		
Empty Home Loans Fund	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>- Defrayed expenditure, grants and loans are not in line with the DCLG grant conditions</li> <li>- Grants and loans are not made or not made to appropriate recipients</li> <li>- Grants and loans are not used on works intended to bring qualifying empty homes back into use; works are not completed or are not of sufficient standard resulting in loss of monies</li> <li>- Completed works do not result in homes becoming occupied</li> <li>- Loans are not repaid or are repaid late</li> <li>- The administration of Empty Homes grants and loans is not delivered in an effective and efficient manner and does not provide value for money for the Council</li> </ul>	Moderate
Supported Housing - CCTV	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>- CCTV images are used and / or accessed inappropriately</li> <li>- Non-compliance with legislation</li> <li>- Poor quality unusable footage</li> <li>- Incidents caught on camera are not reported or shared</li> </ul>	Moderate
Grant	Local Transport Capital Block Funding 2013/14	N/A
Grant	Local Authority Bus Subsidy 2013/14	N/A
Grant	Renergy Claim 5	N/A
Grant	Local Pinch Point Fund 2013/14	N/A

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
<b>RESOURCES</b>		
Counter Fraud – Employees Paid via Accounts Payable	Planned counter fraud review to identify individuals being paid via the accounts payable system that HMRC rules identified as potential employees, resulting in possible underpayment of Income Tax and National Insurance to HMRC.	N/A
Counter Fraud – Creditor Payments	Planned counter fraud review to Identify potential duplicate payments.	N/A
Calculation of School Budgets	Assurance review of the arrangements in place to mitigate the risks of school budgets not being allocated in accordance with approved Local Authority Scheme of Delegation in line with DFE Funding reforms.	Substantial
Payroll	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- Payments are not in accordance with the authorised establishment</li> <li>- Staff are unaware of the procedures to follow and do not carry out, or incorrectly carry out tasks</li> <li>- Payments are made which are not authorised</li> <li>- Transactions are not initiated and recorded promptly</li> <li>- The identity of the employee and appropriateness for the post has not been confirmed</li> <li>- New starters are not paid on a timely basis</li> <li>- Staff are employed where a post does not exist on the staff establishment / Ghost staff are created</li> <li>- Ex-employees continue to receive payment / Payments are incorrectly calculated</li> <li>- The organisation does not comply with HMRC, Department for Work and Pensions and superannuation scheme requirements</li> <li>- Salary payments are not made</li> <li>- Inadequate financial management within the service</li> <li>- Information and data are not protected from loss, damage or unauthorised disclosure</li> <li>- Legislation relevant to the service is not known and / or is not incorporated into working papers</li> </ul>	Moderate
Comensura	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- Payments made are not accurate or timely</li> <li>- Agency staff engaged but not linked to DCC vacant post</li> <li>- There is no approval to engage an agency worker</li> <li>- Appointment of Comensura not procured in accordance with corporate procedures</li> <li>- Agency worker appointed is ineligible to work in UK</li> <li>- Ineffective contract monitoring arrangements</li> </ul>	Moderate

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
	<ul style="list-style-type: none"> <li>- Accurate management information not readily available or used effectively</li> <li>- Agency workers are employed for unacceptable periods</li> <li>- Agency workers do not receive appropriate induction</li> <li>- Personal information is not held in accordance with the requirements of the Data Protection Act</li> <li>- The Council fails to meet legal requirement with relation to the rights of agency workers</li> </ul>	
Journals	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- journal entry errors</li> <li>- journals are not appropriately evidenced</li> <li>- journals are not appropriately described in Oracle</li> <li>- journals are not balanced</li> <li>- journals are duplicated</li> <li>- journals are created by unauthorised staff</li> </ul>	Moderate
General Ledger	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- the statement of accounts is not produced in accordance with statutory timescales</li> <li>- the statement of accounts does not reflect the balance of accounts within the GL</li> <li>- transactions are incorrectly processed/recorded</li> <li>- significant errors and/or fraudulent activities are not identified</li> </ul>	Moderate
Cash Collection	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- Employee theft / misappropriation</li> <li>- Payments processed to incorrect accounts / suspense</li> <li>- Non-compliance with financial regulations</li> <li>- Employees are attacked as part of a robbery</li> <li>- Information and data are not protected from loss, damage or unauthorised disclosure</li> <li>- Loss of service / transaction records due to ICT Systems failure</li> <li>- The Council is not insured against loss of income and damages through fraud, theft or robbery</li> </ul>	Moderate
SQL	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- SQL Server is not configured in line with best practice resulting in exposure to published vulnerabilities</li> <li>- Unauthorised access resulting in disclosure of privileged or confidential information</li> <li>- Unauthorised changes impacting upon the integrity and</li> </ul>	Moderate

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
	availability of systems and services - Failure to prevent, or detect on a timely basis, security threats (including viruses, malware)	
Information Security – Third Party Access and PISP	Assurance review of the arrangements in place to mitigate against the risks of; - Access to DCC networks from an external source is not secured in accordance with relevant security requirements (e.g. PSN) - Partners and suppliers are unable to login securely preventing necessary work from being undertaken - Users are unaware of their responsibilities for acceptable use of DCC equipment and network - Inappropriate access to DCC information assets - Non-compliance with Legislation (e.g. DPA, FOI, Computer Misuse Act)	Moderate
Information Security – Operational Procedures	Assurance review of the arrangements in place to mitigate against the risks of; - Information/ data is not processed or stored securely and appropriately - Staff and partners do not have the skills or awareness of their responsibilities to ensure the security of data - Information security is not managed effectively by the organisation - The organisation fails to ensure that risks relating to information security are identified and treated appropriately	Moderate
Software Licenses	Assurance review of the arrangements in place to mitigate against the risks of; - Software installed is not compliant with licence agreements - Illegal or unauthorised software installed - Software purchased does not comply with ICT strategy - Software is not updated or patched	Moderate
Debtors	Assurance review of the arrangements in place to mitigate against the risks of; - Adequate supporting documentation is not maintained to confirm the validity of the debt - All expected income is not invoiced - Duplicate customer records / accounts are created due to inefficient processes which lead to multiple strands of recovery being taken against the same customer - Inefficient, incomplete, incorrect raising of multiple invoices for the same customer - The collection of debts are not appropriately monitored	Limited

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPPINION
	which results in appropriate action not being taken - Personal data is accessed for non-legitimate purposes - Prompt recovery work is not undertaken leading to greater difficulty in recovering debts at a later date - Normal debt recovery processes could be avoided, for corrupt reasons or to conceal theft of income - Recovery action is inappropriately suppressed for fraudulent purposes and not monitored to ensure the validity - Debts are inappropriately cancelled/written off	

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# Progress on the Implementation of Audit Recommendations

Risk Category	Number of Actions Raised	Actions Due	Actions Implemented			Overdue Actions by original target date	Number of Actions where the original target has been revised	Overdue Actions following a revised target date	Total Revised Actions Due	Revised Total Recommendations Overdue
			Due	Not Yet Due	Total					
<b>ASSISTANT CHIEF EXECUTIVE (ACE)</b>										
<b>2013/14</b>										
High	0	0	0	0	0	0	0	0	0	0
Medium	11	9	8	0	8	1	1	0	0	0
<b>Total</b>	<b>11</b>	<b>9</b>	<b>8</b>	<b>0</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2014/15</b>										
High	0	0	0	0	0	0	0	0	0	0
Medium	6	2	2	0	2	0	0	0	0	0
<b>Total</b>	<b>6</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>17</b>	<b>11</b>	<b>10</b>	<b>0</b>	<b>10</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CHILDREN AND ADULT SERVICES (CAS)</b>										
<b>2012 / 2013</b>										
High	15	15	15	0	15	0	0	0	0	0
Medium	21	21	21	0	21	0	0	0	0	0
<b>Total</b>	<b>36</b>	<b>36</b>	<b>36</b>	<b>0</b>	<b>36</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013 / 2014</b>										
High	9	8	8	0	8	0	0	0	0	0
Medium	24	24	19	0	19	5	5	0	0	0
<b>Total</b>	<b>33</b>	<b>32</b>	<b>27</b>	<b>0</b>	<b>27</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2014 / 2015</b>										
High	0	0	0	0	0	0	0	0	0	0
Medium	7	7	7	0	7	0	0	0	0	0
<b>Total</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>76</b>	<b>75</b>	<b>70</b>	<b>0</b>	<b>70</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NEIGHBOURHOOD SERVICES (NS)</b>										
<b>2011 / 2012</b>										
High	6	6	6	0	6	0	0	0	0	0
Medium	50	50	49	0	49	1	1	0	0	0
<b>Total</b>	<b>56</b>	<b>56</b>	<b>55</b>	<b>0</b>	<b>55</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012 / 2013</b>										
High	9	9	8	0	8	1	1	0	0	0
Medium	79	79	77	0	77	2	2	0	0	0
<b>Total</b>	<b>88</b>	<b>88</b>	<b>85</b>	<b>0</b>	<b>85</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013 / 2014</b>										
High	8	7	4	1	5	2	2	0	0	0
Medium	32	31	28	1	29	3	3	0	0	0
<b>Total</b>	<b>40</b>	<b>38</b>	<b>32</b>	<b>2</b>	<b>34</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>184</b>	<b>182</b>	<b>172</b>	<b>2</b>	<b>174</b>	<b>9</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REGENERATION AND ECONOMIC DEVELOPMENT (RED)</b>										
<b>2013/2014</b>										
High	3	3	2	0	2	1	1	0	0	0
Medium	42	28	19	0	19	9	9	0	0	0
<b>Total</b>	<b>45</b>	<b>31</b>	<b>21</b>	<b>0</b>	<b>21</b>	<b>10</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2014/2015</b>										
High	0	0	0	0	0	0	0	0	0	0
Medium	12	8	6	0	6	2	2	0	0	0
<b>Total</b>	<b>12</b>	<b>8</b>	<b>6</b>	<b>0</b>	<b>6</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>57</b>	<b>39</b>	<b>27</b>	<b>0</b>	<b>27</b>	<b>12</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>RESOURCES</b>										
<b>2012 / 2013</b>										
High	32	32	30	0	30	2	2	0	0	0
Medium	134	134	132	0	132	2	2	0	0	0
<b>Total</b>	<b>166</b>	<b>166</b>	<b>162</b>	<b>0</b>	<b>162</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013 / 2014</b>										
High	18	18	18	0	18	0	0	0	0	0
Medium	96	93	87	0	87	6	6	0	0	0
<b>Total</b>	<b>114</b>	<b>111</b>	<b>105</b>	<b>0</b>	<b>105</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2014 / 2015</b>										
High	0	0	0	0	0	0	0	0	0	0
Medium	48	31	30	0	30	1	1	0	0	0
<b>Total</b>	<b>48</b>	<b>31</b>	<b>30</b>	<b>0</b>	<b>30</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>328</b>	<b>308</b>	<b>297</b>	<b>0</b>	<b>297</b>	<b>11</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL COUNCIL</b>										
<b>2011 / 2012</b>										
High	6	6	6	0	6	0	0	0	0	0
Medium	50	50	49	0	49	1	1	0	0	0
<b>Total</b>	<b>56</b>	<b>56</b>	<b>55</b>	<b>0</b>	<b>55</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2012 / 2013</b>										
High	56	56	53	0	53	3	3	0	0	0
Medium	234	234	230	0	230	4	4	0	0	0
<b>Total</b>	<b>290</b>	<b>290</b>	<b>283</b>	<b>0</b>	<b>283</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013 / 2014</b>										
High	38	36	32	1	33	3	3	0	0	0
Medium	205	185	161	1	162	24	24	0	0	0
<b>Total</b>	<b>243</b>	<b>221</b>	<b>193</b>	<b>2</b>	<b>195</b>	<b>27</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2014 / 2015</b>										
High	0	0	0	0	0	0	0	0	0	0
Medium	73	48	45	0	45	3	3	0	0	0
<b>Total</b>	<b>73</b>	<b>48</b>	<b>45</b>	<b>0</b>	<b>45</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OVERALL TOTAL</b>	<b>662</b>	<b>615</b>	<b>576</b>	<b>2</b>	<b>578</b>	<b>38</b>	<b>38</b>	<b>0</b>	<b>0</b>	<b>0</b>

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## Performance Indicators as at September 2014

<b>Efficiency</b>			
<b>Objective: To provide maximum assurance to inform the annual audit opinion</b>			
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	<b>Actual</b>
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage	90% Annually	32% at 30 September (on target)
Timeliness of Draft Reports	% of draft reports issued within 30 Calendar days of end of fieldwork/closure interview	90% (Quarterly)	100%
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response	95% (Quarterly)	100%
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)	100%
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)	100%
<b>Quality</b>			
<b>Objective: To ensure that the service is effective and adding value</b>			
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	<b>Actual</b>
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Annually)	100%
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (4 out of 5) where 1 is poor and 5 is very good	100% (Quarterly)	100% - Average score 4.6
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	47%
<b>Cost</b>			
<b>Objective: To ensure that the service is cost effective</b>			
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	<b>Actual</b>
Cost per chargeable audit day	CIPFA Benchmarking Club – Comparator Group (Unitary)	Lower than average (Annually)	Yes (2012-13)

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**APPENDIX 5**

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AS APPENDIX EXEMPT**

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**APPENDIX 6**

**PLEASE SEE ITEM NO. 11  
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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

## **Agenda Item 11**

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of the Local Government Act 1972.

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## **Agenda Item 13**

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