



## **Audit Committee**

**Date**        **Tuesday 19 May 2015**  
**Time**        **10.00 am**  
**Venue**       **Committee Room 1A, 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 for absence
2. Minutes of the meeting held on 26 February 2015 (Pages 1 - 10)
3. Declarations of interest, if any
4. External Audit - Durham County Council Audit Strategy Memorandum Year Ended 31 March 2015 - Report of the External Auditor (Pages 11 - 34)
5. External Audit - Durham County Council Pension Fund Audit Strategy Memorandum Year Ended 31 March 2015 - Report of the External Auditor (Pages 35 - 54)
6. Strategic Risk Management Progress Report for the Quarter period January to March 2015 - Report of the Corporate Director, Resources (Pages 55 - 66)
7. Internal Audit Progress Report Quarter Ended 31 March 2015 - Report of the Chief Internal Auditor and Corporate Fraud Manager (Pages 67 - 90)
8. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
9. 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)**

10. Internal Audit Progress Report Quarter Ended 31 March 2015 - Report of the Chief Internal Auditor and Corporate Fraud Manager (Pages 91 - 102)
11. Any resolution relating to the exclusion of the public during the discussion of items containing exempt information

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

County Hall  
Durham  
11 May 2015

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**

**Tel: 03000269704**

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**DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Thursday 26 February 2015 at 10.00 am**

**Present:**

**Councillor E Bell (Chairman)**

**Members of the Committee:**

Councillors J Rowlandson (Vice-Chairman), S Forster, J Hillary and O Temple

**Co-opted Members:**

Mr T Hoban and Ms K Larkin-Bramley

**1 Apologies**

Apologies for absence were received from Councillors L Armstrong, C Carr, T Smith and W Stelling.

**2 Minutes of the meeting held on 27 November 2014**

The minutes of the meeting held on 27 November 2014 were agreed and signed by the Chairman as a correct record.

With reference to page 5, Item No. 11 the Chief Internal Auditor and Corporate Fraud Manager advised that work would be completed by the target date.

With reference to page 4, Item No. 10 Ms K Larkin-Bramley suggested that a further recommendation be added to state the *'action had been taken to improve the processes'*.

**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 Agreement of Accounting Policies for Application in the 2014/15 Financial Statements**

The Committee considered an update from the Corporate Director of Resources on the County Council's accounting policies to be applied in the preparation of the 2014/15 Statement of Accounts and to seek confirmation that appropriate policies are being applied (for copy see file of Minutes).

The Assistant Finance Manager, Corporate Finance highlighted the changes to be applied in preparing the 2014/15 Statement of Accounts. He further explained the accounting policies to be amended in relation to Joint Operations, Carbon Reduction Commitment Allowances and Schools and reported that there were no new accounting policies.

**Resolved:-**

That the recommendations contained within the report be agreed.

**5 Final Accounts Timetable for the year ended 31 March 2015**

The Committee considered a report of the Corporate Director of Resources that provided Members with the Final Accounts Timetable for 2014/15 detailing the deadlines for key actions to complete the Statement of Accounts in line with statutory deadlines (for copy see file of Minutes).

The Assistant Finance Manager, Corporate Finance highlighted key dates in the working document and advised that the 2017/18 process was changing and would be signed off in July. He assured the Committee that work was ongoing with External Audit to ensure the accounts were accurate and that this year would be treated as a dry run.

Ms Larkin-Bramley asked if the improvements recommended at paragraph 14 would be taken on board and actioned. The Assistant Finance Manager, Corporate Finance advised that the balance sheet reconciliation is carried out on a monthly basis. Internal Audit are in the process of testing the robustness of audit papers and the team would be able to react to anything that they recommended. He advised of the changes to the teams dealing with finance that had reduced the risk of being able to prepare the accounts on time. The benefit had been seen over the last couple of years.

**Resolved:-**

That the report be noted.

**6 Changes to the Code of Practice for Local Authority Accounting in the UK for 2014/15**

The Committee considered a report of the Corporate Director of Resources that provided a summary of the key accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK (the Code), applied to the 2014/15 accounts (for copy see file of Minutes).

The Assistant Finance Manager, Corporate Finance advised of the changes and highlighted the addition of a new appendix relating to the measurement of transport infrastructure assets. This would move from historical costs to replacement costs and would help to improve the assets information. The Committee were assured that the Assets team had already begun to look at this.

Councillor O Temple asked if this was a new way of valuing and was informed that in future a replacement cost for the road surface would be valued as opposed to the historical figure of building the road. The Corporate Director, Resources advised that there were no budget implications.

Ms K Larkin-Bramley suggested that it would be beneficial to receive a presentation of this technical item in the future.

**Resolved:-**

That the report be noted.

**7 External Audit Progress Report**

The Committee received a report from the External Auditor that gave an update on progress on the External Audit report for Durham County Council (for copy see file of Minutes).

The External Auditor confirmed that planning for the 2014/15 audit is substantially complete and that the Audit Strategy Memorandum would be presented to Committee in May 2015.

**Resolved:-**

That the report be noted.

**8 External Audit Annual Grant Claim Report**

The Committee received a report from the External Auditor regarding grant certification for 2013/14 (for copy see file of Minutes).

The External Auditor highlighted the areas of grant certification work that has been completed:-

- Housing and Council Tax Benefit Subsidy
- Pooling of Housing Capital Receipts Return
- Homes and Communities Agency (Travellers)
- School Centred Initial Teacher Training (SCITT) 2012/13
- Decent Homes Backlog Programme Funding
- European Regional Development Funding (ERDF) – NETPark Connector Project Claim

The Corporate Director, Resources advised that there had been some complexities merging the seven housing benefits services into one. It was a credit to the team to have made improvements over the last couple of years, whilst working within the parameters of the service.

**Resolved:-**

That the report be noted.

**9 Bi-Annual Report to Council - work of the Audit Committee (June 2014 to November 2014)**

The Committee considered the Bi-Annual Report of the Audit Committee which covered the period June 2014 - November 2014 and would be presented to the County Council at its next meeting in accordance with best practice guidelines (for copy see file of Minutes).

**Resolved:**

That the draft report be agreed and reported to the meeting of the County Council being held on 1 April 2015, with the spelling of Ms Larkin-Bramley name to read *Kathryn*, not Katherine.

**10 Strategic Risk Management Progress Report for the Quarter period October to December 2014**

The Committee considered a report of the Corporate Director, Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during October to December 2014 (for copy see file of Minutes).

The Risk, Assurance and Governance Manager informed the Committee that there were 31 strategic risks with the removal of one since the last report, and the addition of another, and 5 key risks. He advised of the new risk identified:-

*'Additional operational and financial burdens as a result of a recent supreme court judgement relating to the threshold applied in determining whether an individual is deprived of their liberty'.*

Following a question from Mr T Hoban about what had created the risk, the Risk, Assurance and Governance Manager advised that the deprivation of liberty scheme allow for an assessment to be carried out on an individual within 21 days. The recent judgement would result in a significant increase from 200 referrals a year to 1000+. He added that the risk was around trying to match the operating costs with the financial burden and the deprivation of liberty. He advised that CAS had looked at efficiencies to streamline the process and confirmed that extra resources would be allocated.

Ms K Larkin-Bramley pointed out that there would be a risk to other partners in the health sector and that the risk could increase in future years.

The Corporate Director, Resources advised that the Local Government Association were lobbying government as felt that this was a new burden on local authorities. Government were advising that these claims had always been in the system but the argument being put forward was that this was a capacity issue. He confirmed that this issue was on the risk register to ensure we managed as effectively as possible.

The Risk, Assurance and Governance Manager advised that one of the key risks relating to search fees would be agreed by the end of the financial year. Councillor O Temple asked about the likely cost for this and was informed by the Corporate

Director, Resources that the £1m of earmarked reserves would cover the cost that could run into several hundred thousands.

**Resolved:**

That the report provides assurance that strategic risks are being effectively managed within the risk management framework across the Council.

**11 The Emergent Internal Audit Plan 2015/2016**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which gave details of the emergent Internal Audit Plan for 2015/16 (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager advised that the final report would come back to Committee in May for approval. He advised that the service had 23 employees equivalent to 21.42 F.T.E and as a result of latest forecast planning the management and delivery of the plan would be 4,888 days. Corporate Directors are being consulted on the development and discussions have been taking place.

**Resolved:**

That the development of the plan be noted.

**12 Internal Audit Progress Report Quarter Ended 31 December 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 October to December 2014 ( for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager referred to the nine month audit year and highlighted the movements in the second update of the plan, removed audits and unplanned reviews added to the plan. He advised that there were no draft reports outstanding and that four audits had been issued in the period. The Committee were assured that performance remained high in both draft and final audits.

**Resolved:**

1. The amendments made to the 2014/15 Annual Audit Plan be noted.
2. Work undertaken by Internal Audit during the quarter ending 31 December 2014 and the assurance on the control environment provided 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.

**The Chairman agreed that the following item of business was of sufficient urgent to warrant consideration:**

**13 Scheme of Delegations - Annual Governance Statement**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which sought approval to delegate authority to the Audit Committee

for adopting the Annual Governance Statement (AGS) ( for copy see file of Minutes).

The Risk, Insurance & Governance Manager explained that this arrangement would avoid the requirement to report the AGS to full Council and would ensure that it was approved in a more timely manner.

Members discussed the issue of accountability and were assured that the whole Council were still responsible for approving the framework and would not resolve the Council of any responsibility.

The Risk, Insurance & Governance Manager advised that the AGS was a review of what had been done over the past year and that Corporate Governance was approved by all Members as part of the Constitution.

Upon a vote being taken it was **resolved:-**

That Constitution Working Group and Full Council approve the relevant Audit Committee function in the Constitution be amended from:

- (a) approval of the Council's Annual Governance Statement and recommend its adoption; to
- (b) adoption of the Council's Annual Governance Statement.

#### **14 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.

#### **15 Internal Audit Progress Report Quarter Ended 31 December 2014**

The Committee considered Appendices 5 and 6 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 four audits finalised in the quarter that had been issued with limited assurances.

**Resolved:**

That the report be noted.

#### **16 Direct Payments Update Report**

The Committee received a report of the Head of Commissioning, Children and Adults Services that gave an update on progress made in relation to Direct Payments (for copy see file of Minutes).



**Resolved:**

That the report be noted.

**17 Such other business**

The Chairman agreed that the following item of business was of sufficient urgent to warrant consideration:-

The Corporate Director, Resources gave an update to the Committee further to the full Council meeting held on 25 February 2015 about Housing Stock Transfers. Members were advised that the Department for Communities and Local Government would write off Housing Stock Transfer debts in April 2015.

**Resolved:-**

That the update be noted.

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Action Plan - Work of Audit Committee - Part A – 19 May 2015

Ref No.	Date of Meeting	Item No.	Title of Report	Action Required	By Whom	Report to Committee (date)/ implemented
1	26.02.15	6	Changes to the Code of Practice for Local Authority Accounting in the UK for 2014/15	A presentation to be delivered on the measurement of transport infrastructure assets and the move from historical costs to replacement costs.	Assistant Finance Manager – Corporate Finance	July 2015

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## AUDIT COMMITTEE



19 May 2015

### External Audit: Audit Strategy Memorandum Durham County Council - Year Ended 31 March 2015

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#### Report of the External Auditor

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#### Purpose of the Report

1. This report details the external auditors (Mazars) Audit Plan which notifies the Council of the work that they are proposing to undertake in respect of the audit of the financial statements and the value for money conclusion for the financial year 2014/2015 in relation to Durham County Council.

#### Background

2. The Memorandum (attached at Appendix 2) advises on the scope and nature of this work together with the scale of fee for the 2014/2015 audit and the assumptions that help to inform this charge to the Council.

#### Audit Plan 2014/15

3. The Audit Plan identifies the specific areas for the planned audit work based upon a risk assessment process. These areas of work are set out in the attached document on Pages 5 to 7 of the document and have been discussed with senior officers.
4. The document also sets out the protocol the auditors will follow in completing their planned work by providing an audit timeline of key phases of their work and also sets out their proposed methods of communication at each stage.

#### Recommendation

5. The Committee is requested to note the contents of the external auditor's progress report.

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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**

The Corporate Director, Resources has been consulted in developing the Audit Strategy.

**Procurement**

None

**Disability Discrimination Act**

None

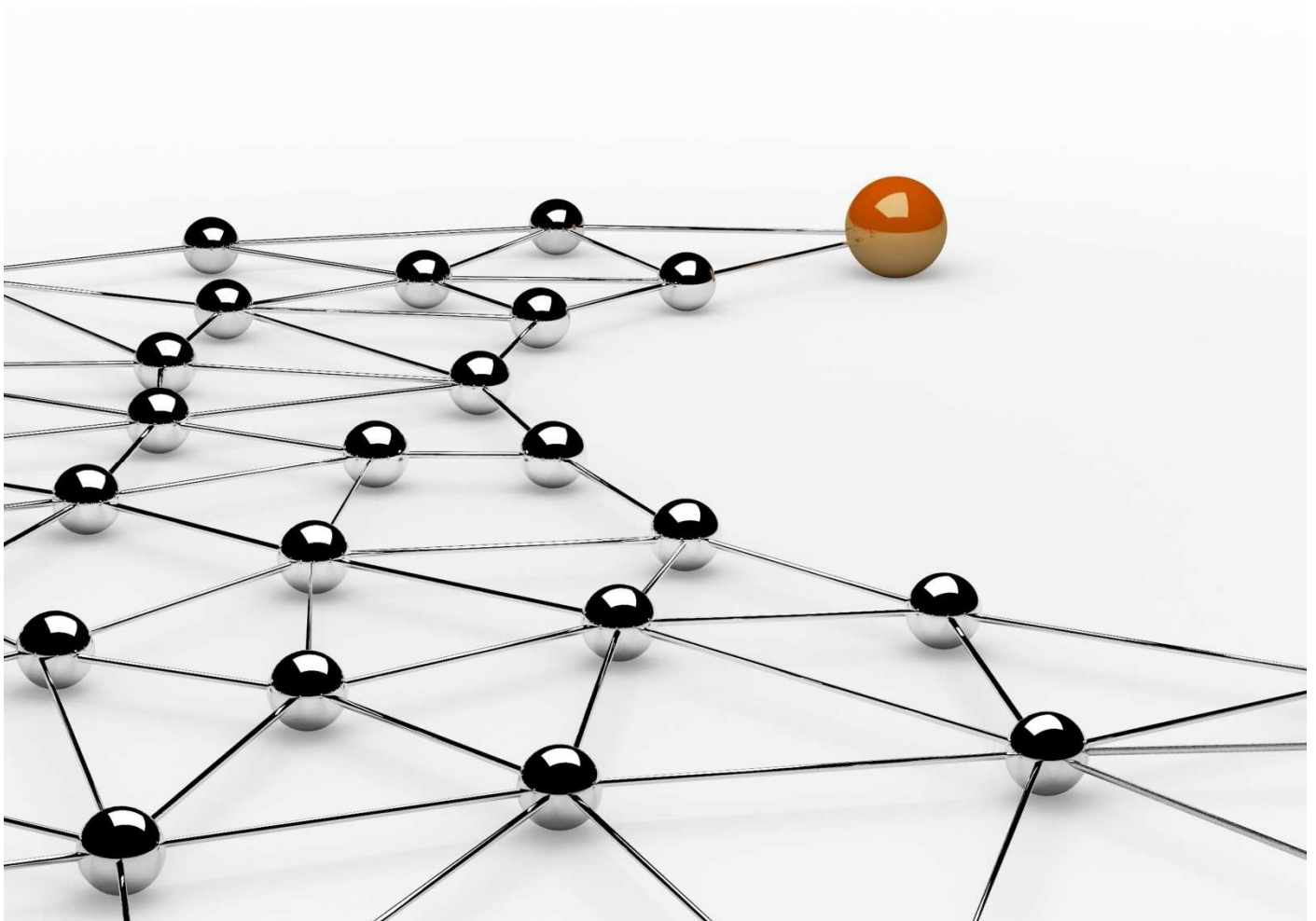
**Legal Implications**

None

# Audit Strategy Memorandum

Durham County Council – year ended 31 March 2015

May 2015



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The Rivergreen Centre  
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DH1 5TS

Members of the Audit Committee  
Durham County Council  
County Hall  
Durham  
DH1 5UE

May 2015

Dear Members

**Audit Strategy Memorandum for the year ending 31 March 2015**

We are delighted to present our Audit Strategy Memorandum for Durham County Council for the year ended 31 March 2015.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and provide you with the details of our audit team. It is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, and Appendix A summarises our considerations and conclusions on our independence as auditors.

We value two-way communication with you and we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion through which we can also understand your expectations.

This document will be presented at the Audit Committee meeting on 19 May 2015. If you would like to discuss any matters in more detail please do not hesitate to contact me on 0191 383 6343.

Yours faithfully

Cameron Waddell  
Director, for and on behalf of 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 officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

*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 Purpose and Background

## Purpose of this document

This document sets out our audit plan in respect of the audit of the financial statements of Durham County Council for the year ending 31 March 2015, and forms the basis for discussion at the Audit Committee meeting on 19 May 2015.

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

We see a clear and open communication between ourselves and you as important in:

- Reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising from the audit process; and
- Ensuring as part of the two-way communication process that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Durham County Council which might affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

Appendix C outlines the form, timing and content of our communication with you during the course of the audit. Appendix D sets out forthcoming accounting and other issues that will be of interest.

## Scope of engagement

We are appointed to perform the external audit of Durham County Council for the year to 31 March 2015. The scope of our engagement is laid out in the Audit Commission's Code of Audit Practice for Local Government bodies.

## Responsibilities

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

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

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

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

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

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

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

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK and Ireland) we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

# 02 Audit scope, approach and timeline

## Audit scope

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

Our audit of the financial statements will be conducted in accordance with International Standards of Auditing (UK and Ireland) and in accordance with the Code of Audit Practice for Local Government Bodies. The Local Audit & Accountability Act 2014 is now in effect and the National Audit Office has issued a new Code of Audit Practice for the audit work at local public bodies relating to the 2015/16 financial year onwards. However, for 2014/15 we are required to deliver the audit following the Audit Commission Act 1998 and the associated Code of Audit Practice.

Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

## Audit approach

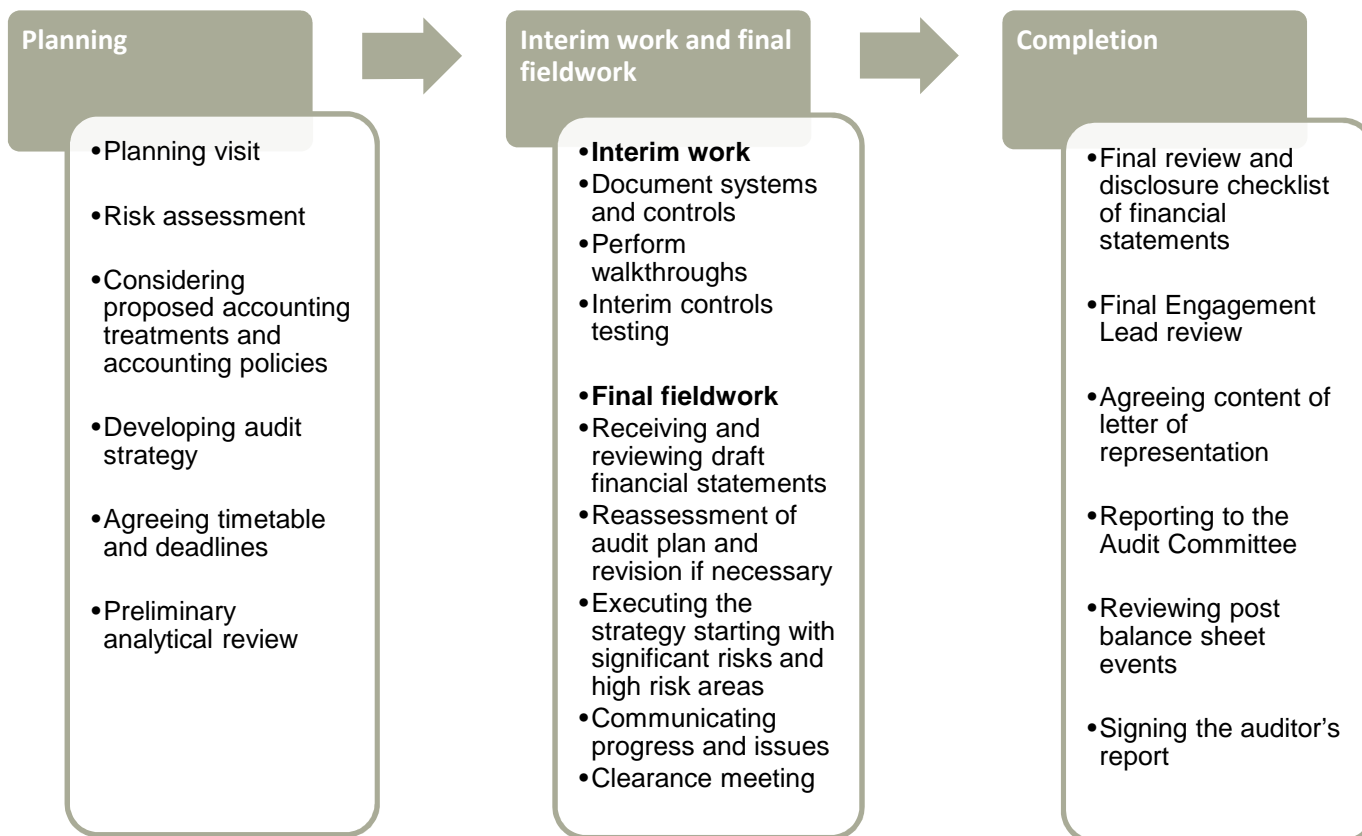
We apply a risk-based audit approach primarily driven by the matters we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment we develop our audit strategy and design audit procedures in response to this assessment. The work undertaken will include a combination of the following as appropriate:

- Testing of internal controls;
- Substantive analytical procedures; and
- Detailed substantive testing.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Materiality and misstatements are explained in more detail in Appendix B.

The diagram overleaf outlines the procedures we perform at the different stages of the audit.



### Reliance on internal audit

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

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

### Reliance on other auditors

There are material entries in your financial statements where we will seek to place reliance on the work of other auditors, having performed our own procedures to determine its adequacy for our audit.

Item of account	Other auditor	Nature of assurance to obtain from the auditor
Defined benefit liability and associated IAS 19 entries and disclosures	Mazars LLP is the appointed auditor for the Durham County Pension Fund	We have agreed a programme of work that aims to provide assurance over the accuracy of source data used by the actuary

## Service organisations

There are material entries in your financial statements for the year ended 31 March 2015 where the Council is dependent on an external organisation. We call these entities service organisations. The table below outlines our approach to understanding the services the Council receives from each organisation and the effectiveness of controls in place to reduce the risk of material misstatement in the financial statements.

Nature of services provided and items of account	Name of service organisation	Audit approach to be adopted
Arms Length Management Organisations (ALMOs) responsible for the management of the Council's housing stock	Dale and Valley Homes	Substantive testing of the transactions recorded in the financial statements
	East Durham Homes	

## The work of experts

We plan to rely on the work of the following experts:

Item(s) of account	Management's expert	Our expert
Defined benefit liability and associated IAS 19 entries and disclosures	Actuary (Aon Hewitt)	National Audit Office (NAO) consulting actuary (PWC)
Property, plant and equipment valuations	The Council uses an in-house valuer	NAO consulting valuer (Gerald Eve)
Financial instruments : Fair values	Capita - provides estimates of the fair value of some financial instruments.	Central assurance provided by the NAO on fair value expert.
Housing stock valuation	Savills	None

## Group accounts

Councils are required to consider interests in other entities and whether those interests might necessitate the production of group accounts. The Council has determined that group accounts are not required. We will review your assessment if there are any changes to take into consideration.

## Timeline

The diagram below sets out the timing of the key phases of our audit work. We will communicate with management throughout the audit process and will ensure significant issues identified are communicated to those charged with governance on a timely basis.



# 03 Significant risks

We have performed our planning procedures, including risk assessment, as detailed in section 2. In addition, we met with management as part of the audit planning process to discuss the risks that, in management's opinion, the Authority faces and have considered the impact on our audit risk. The risks that we identify as significant for the purpose of our audit are the risks of material misstatement that in our judgement require special audit consideration.

We set out below the significant audit risks identified as a result of these meetings and planning procedures which we will pay particular attention to during our audit in order to reduce the risk of material misstatement in the financial statements.

## Audit risks

### Management override of controls

#### Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we will address this risk

We have updated our understanding and evaluation of internal controls procedures as part of our audit planning, including completion of a fraud risk assessment. As part of this, we will seek written assurances from the Audit Committee and management on their controls and processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud.

We will address this risk through performing audit work over:

- journals recorded in the general ledger and other adjustments made in preparation of the financial statements;
- consideration and review of material accounting estimates impacting amounts included in the financial statements;
- consideration and review of any unusual or significant transactions outside the normal course of business; and
- consideration of any other local factors.

### Revenue recognition

#### Description of the risk

There is a risk of fraud in financial reporting relating to income recognition due to the potential to inappropriately record revenue in the wrong period. ISA 240 allows the presumption of fraud relating to revenue recognition to be rebutted in exceptional circumstances, but given the Council's range of revenue sources we have concluded that there are insufficient grounds for rebuttal in 2014-15.



### **How we will address this risk**

We will evaluate the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we will undertake a range of substantive procedures including:

- testing revenue items recorded in the General Ledger in March, April and May 2015 to ensure they have been recognised in the right year;
- testing adjustment journals; and
- for major grant income, agree amounts to third party documentation.

### **Pension Liability**

#### **Description of the risk**

The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

#### **How we will address this risk**

We will

- assess the work of the Council's actuary and confirm that the disclosures in the financial statements properly reflect the actuary's report; and
- liaise with the pension scheme auditor, in line with NAO requirements and carry out procedures as appropriate.

### **Accounting for LSVT**

#### **Description of the risk**

The transfer of housing stock through LSVT saw 18,520 properties transfer to County Durham Housing Group on 13 April 2015. The Council will need to consider year end material accounting entries relating to this transfer, in particular the valuation of the housing stock on the council's balance sheet.

#### **How we will address this risk**

We will assess the process and controls over the housing valuation. In addition, we will undertake a range of substantive procedures including:

- Review Council's arrangements for valuing the Housing Stock at the 1/4/14 and 31/3/15;
- Review the Housing Stock valuation to ensure the method is in line with Code and Accounting Standard requirements;
- Check the valuation has been accounted for correctly in the accounts;
- Review the data used in the valuation to ensure it is complete, relates to Durham County Council and is in line with the transfer agreement; and
- If material, review the treatment of HRA assets not part of the transfer agreement.

### **Oracle Upgrade**

#### **Description of the risk**

In July 2014 the Council upgraded the Oracle suite of programs to version R12.1.3. This is a significant upgrade to the General Ledger (and associated modules) during the year with a resulting risk of errors arising during the data conversion process.

#### **How we will address this risk**

We will assess the process and controls over the data conversion. In addition, we will undertake a range of substantive procedures including:

- Carrying out an IT risk assessment;

- Assessing management's own controls over the conversion process; and
- Considering what additional procedures are necessary as a result of the above to ensure that balances have been correctly migrated to the new system.

# 04 Value for Money Conclusion

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

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

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

## Identified risks

We have considered the risks that are relevant to our value for money conclusion and have not identified any significant risks that need to be addressed specifically through additional work. Securing financial resilience into the medium term is one of the Council's top priorities. As last year, we are not identifying a significant risk as the Council is taking action and is responding to the challenges to date with a programme of efficiencies, service reviews and developing new ways to manage demand and deliver services.

The focus of our audit will be on how the Council is addressing the increasing pressures and challenges over the next three to five years given the reductions in central government support and restrictions on council tax increases. At this stage we plan to review the following to inform our understanding of the Council's arrangements, rather than to address a specific risk:

- project monitoring and action plans for a sample of projects and savings included in the budget;
- the Medium Term Financial Plan;
- budget monitoring reports and other finance updates;
- key internal ratios e.g. income arrears and payment terms for suppliers; and
- progress made in identifying savings required.

# 05 Your audit team

Below are your audit team and their contact details.

Engagement lead /  
Director

- Cameron Waddell
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Engagement senior  
manager

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- 07966 395876

Team leader

- James Collins
- James.collins@mazars.co.uk
- 07881 283527

In addition to the above, Suresh Patel, Director, has been appointed to carry out an independent review for this engagement.

# 06 Fees for audit and other services

Our audit fees for the audit of the financial statements and for any assurance or other services are outlined in the tables below.

Area of work	2014/15 Proposed fee	2014/15 Scale Fee	2013/14 Actual fee
Code audit work	£334,250	£334,250	£333,720
Certification work	£32,210	£32,210	£26,995
<b>Total fee</b>	<b>£366,460</b>	<b>£366,460</b>	<b>£360,715</b>

The small increase in the code audit work scale fee is, following consultation by the Audit Commission, in respect of a supplementary fee for audit work on business rates following the end of the requirement to certify the return to central government.

## Non-audit work

Area of work	2014/15 Proposed fee	2014/15 Scale Fee	2013/14 Actual fee
Teachers' Pensions return	TBC	TBC	£5,900
HRA loans pools work - validating HRA debt write off as part of the housing stock	£1,000	n/a	£0
Attendance at Mazars accounting workshops	£700	n/a	£0
<b>Total fee</b>	<b>TBC</b>	<b>TBC</b>	<b>£5,900</b>

# Appendices

# Appendix A - Independence

We are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the Auditing Practices Board's Ethical Standards. In addition we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement:

- there are no relationships between us and any of our related or subsidiary entities, and
- you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team who are required to rotate off a client after a set number of years; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement lead.

We wish to confirm that in our professional judgement, as at the date of this document, we are independent and comply with UK regulatory and professional requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Cameron Waddell.

Prior to the provision of any non-audit services Cameron Waddell will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified. We are satisfied that, as in previous years, the grant claim certification work set out in this plan (including work on the teachers pensions return) and the work on the HRA loans pool and attendance at workshops does not give rise to any threat to our independence as your external auditor.

# Appendix B – Materiality

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

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

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

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

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

We consider materiality whilst planning and performing our audit.

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

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

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

We discuss with management any significant misstatements or anomalies that we identify during the course of the audit and we report in our Audit Completion Report all unadjusted misstatements we have identified other than those which are clearly trivial, and obtain written representation that explains why these remain unadjusted.



# Appendix C – Key communication points

ISA 260 'Communication with Those Charged with Governance' and ISA 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## **Form, timing and content of our communications**

We will present to Members of the Audit Committee (on behalf of Those Charged with Governance) the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Annual Audit Letter.

In addition we will present the following reports to Council as Those Charged with Governance:

- Our Audit Completion Report; and
- Annual Audit Letter.

These documents will be discussed with management prior to being presented and their comments will be incorporated as appropriate.

## **Key communication points at the planning stage as included in this Audit Strategy Memorandum**

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks;
- Our independence;
- Responsibilities for preventing and detecting errors;
- Materiality; and
- Fees for audit and other services.

## **Key communication points at the completion stage to be included in our Audit Completion Report**

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks;
- Unadjusted misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

## **Key communication points at the completion stage to be included in our Annual Audit letter**

- Overall messages on the audit opinions (financial statements and VFM conclusion), WGA and other responsibilities;
- Fees and Future challenges.

# Appendix D – Forthcoming accounting and other issues

The 2014/15 CIPFA Code of Practice on Local Authority Accounting (the Code) has made several changes, of which you should be aware. We provided workshops explaining these changes and invited officers from the Council responsible for preparing the financial statements. The workshops provided full details of the changes in the 2014/15 Code as well as a forward look to potential future accounting changes that may be of relevance to the Authority. If you require detailed information on any of these changes or any other emerging issues, please contact any member of the engagement team.

## Forthcoming accounting issues

Accounting for schools	How this may affect the Council
The 2014/15 Code has changed the way in which local authorities must account for maintained schools. The income, expenditure, assets, liabilities, reserves and cash flows of all local authority maintained schools must now be included in the Council's own single entity accounts for the first time. Where the impacts of this are material, the previous year's statements must be restated to take account of the change.	Members may be aware that CIPFA have been looking into the accounting treatment for schools assets (principally school buildings) as a result of a continuing qualification on the Whole of Government Accounts arising from the inconsistent recognition of these assets on local authority balance sheets. CIPFA has issued guidance to Councils for 2014/15 in relation to the assessment and subsequent accounting for schools assets. We have discussed this guidance with officers to identify the Council's intentions in relation to the recognition of maintained schools assets
Transport infrastructure assets	How this may affect the Council
It is anticipated that the measurement basis for the Council's Transport Infrastructure Assets will change from depreciated historic cost to depreciated replacement cost in 2016/17, with prior period restatement required. It is likely that the impact of this change will be significant and that the value of these assets on the Council's balance sheet will significantly increase.	We are aware that the Council has been doing work to meet the significant challenges that it faces in introducing this change in measurement basis and have engaged with them at an early stage to provide advice and assistance where required.
Early deadlines	How this may affect the Council
The Government had signalled its intention to bring forward the deadlines for local authorities to produce their unaudited statements of account to 31 May from the 2017/18 financial year. The deadline for the completion of the audit will also move forward to 31 July.	The impact of this change on local authorities and their auditors are significant and we have begun to discuss how we will meet the challenges the new dates place on us all with Council officers.

Group Accounts	How this may affect the Council
Module 9 of the 2014/15 Code Guidance Notes has been updated to reflect changes in group accounting standards.	The Council does not currently prepare Group Accounts, but this may change as more joint working arrangements are introduced.
Property, Plant and Equipment (PPE)	How this may affect the Council
The 2014/15 Code Guidance Notes have clarified requirements for regular valuations of property, plant and equipment set out in IAS 15.	Whilst the Code allows 5-yearly valuations it makes it clear that the requirement to ensure that carrying values are materially correct takes precedence. This means that the valuer needs to provide evidence that the value of PPE at 31 March 2015 is not materially different from the date of the last physical valuation. This could include reference to appropriate indices, sample valuations and impairment reviews.
Fair Value accounting from 2015/16	How this may affect the Council
IFRS 13 sets a new framework for determining fair values from 1 April 2015.	No impact on 2014/15. However, if any assets are held as surplus assets from 2015/16 onwards (e.g. vacated premises) they will need valuing at market value rather than existing use value.

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## AUDIT COMMITTEE



19 May 2014

### External Audit: Audit Strategy Memorandum Durham County Council Pension Fund - Year Ended 31 March 2015

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#### Report of the External Auditor

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#### Purpose of the Report

1. This report details the external auditors (Mazars) Audit Plan which notifies the Council of the work that they are proposing to undertake in respect of the audit of the financial statements and the value for money conclusion for the financial year 2014/2015 in relation to Durham County Council Pension Fund.

#### Background

2. The Memorandum (attached at Appendix 2) advises on the scope and nature of this work together with the scale of fee for the 2014/2015 audit and the assumptions that help to inform this charge to the Fund.

#### Audit Plan 2014/15

3. The Audit Plan identifies the specific areas for the planned audit work based upon a risk assessment process. These areas of work are set out in the attached document on Pages 5 to 7 of the document and have been discussed with senior officers.
4. The document also sets out the protocol the auditors will follow in completing their planned work by providing an audit timeline of key phases of their work and also sets out their proposed methods of communication at each stage.

#### Recommendation

5. The Committee is requested to note the contents of the Audit Strategy Memorandum.

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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**

The Corporate Director, Resources has been consulted in developing the Audit Strategy.

**Procurement**

None

**Disability Discrimination Act**

None

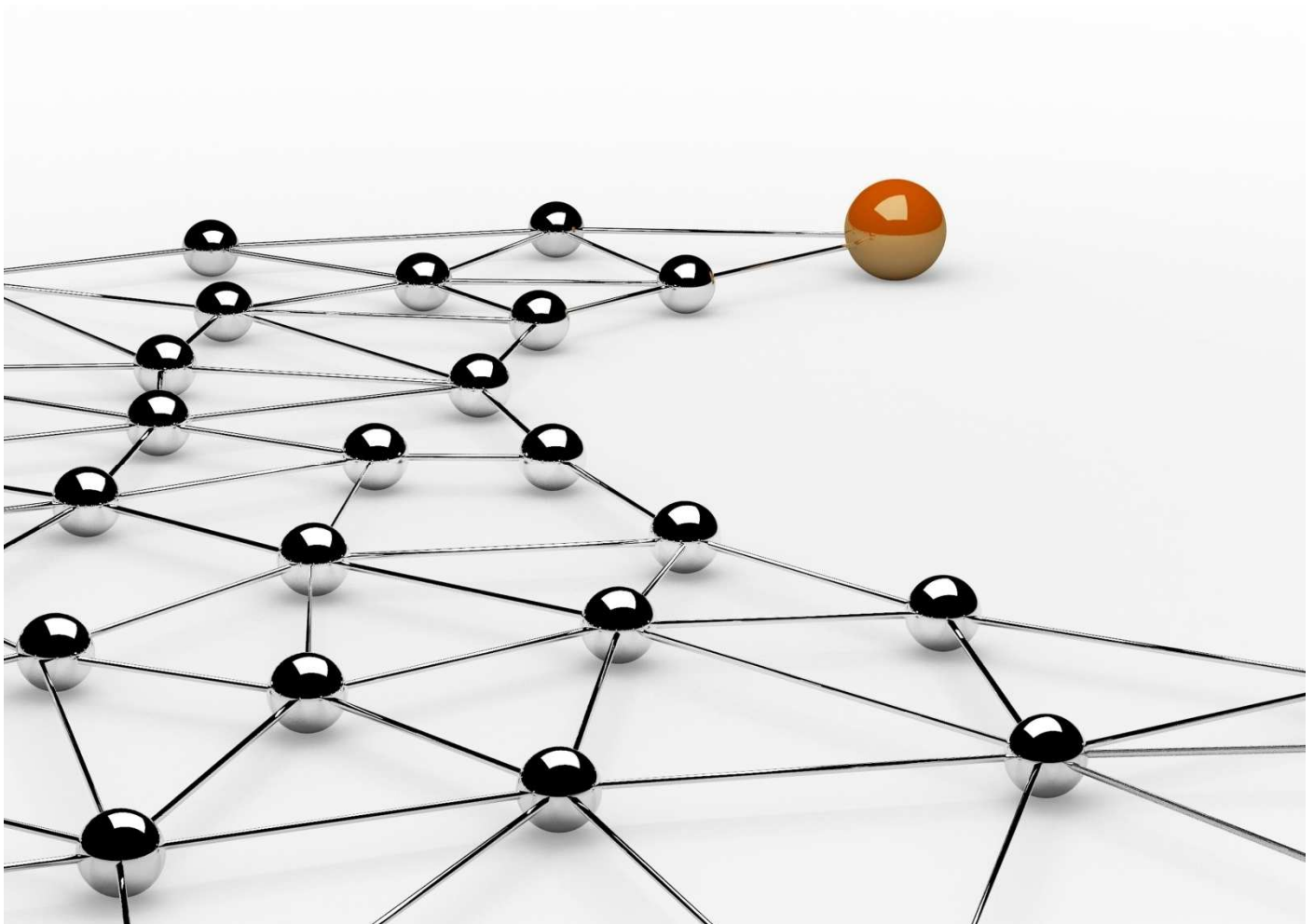
**Legal Implications**

None

# Audit Strategy Memorandum

Durham County Council Pension Fund – year ended 31  
March 2015

May 2015



Mazars LLP  
The Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

Members of the Audit Committee  
Durham County Council Pension Fund  
Durham County Hall  
Durham  
DH1 5UE

May 2015

Dear Members

**Audit Strategy Memorandum for the year ending 31 March 2015**

We are delighted to present our Audit Strategy Memorandum for Durham County Council Pension Fund for the year ended 31 March 2015.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and provide you with the details of our audit team. It is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, and Appendix A summarises our considerations and conclusions on our independence as auditors.

We value two-way communication with yourselves and we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion through which we can also understand your expectations.

This document will be presented at the Audit Committee meeting on 19 May 2015. If you would like to discuss any matters in more detail please do not hesitate to contact me on 0191 383 6343.

Yours faithfully

Cameron Waddell  
Director

For and on behalf of 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 officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

*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 Purpose and background

## Purpose of this document

This document sets out our audit plan in respect of the audit of the financial statements of Durham County Council Pension Fund (the Fund) for the year ended 31 March 2015, and forms the basis for discussion at the Audit Committee meeting on 19 May 2015.

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

We see a clear and open communication between ourselves and you as important in:

- Reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising from the audit process; and
- Ensuring as part of the two-way communication process that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the Fund which might affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

Appendix C outlines the form, timing and content of our communication with you during the course of the audit. Appendix D sets out forthcoming accounting and other issues that will be of interest.

## Scope of engagement

We are appointed to perform the external audit of Durham County Council Pension Fund for the year to 31 March 2015. The scope of our engagement is laid out in the Audit Commission's Code of Audit Practice for Local Government bodies.

## Responsibilities

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

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

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

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

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

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

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK and Ireland) we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

# 02 Audit scope, approach and timeline

## Audit scope

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

Our audit of the financial statements will be conducted in accordance with International Standards of Auditing (UK and Ireland) and in accordance with the Code of Audit Practice for Local Government Bodies. The Local Audit & Accountability Act 2014 is now in effect and the National Audit Office has issued a new Code of Audit Practice for the audit work at local public bodies relating to the 2015/16 financial year onwards. However, for 2014/15 we are required to deliver the audit following the Audit Commission Act 1998 and the associated Code of Audit Practice.

Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

## Audit approach

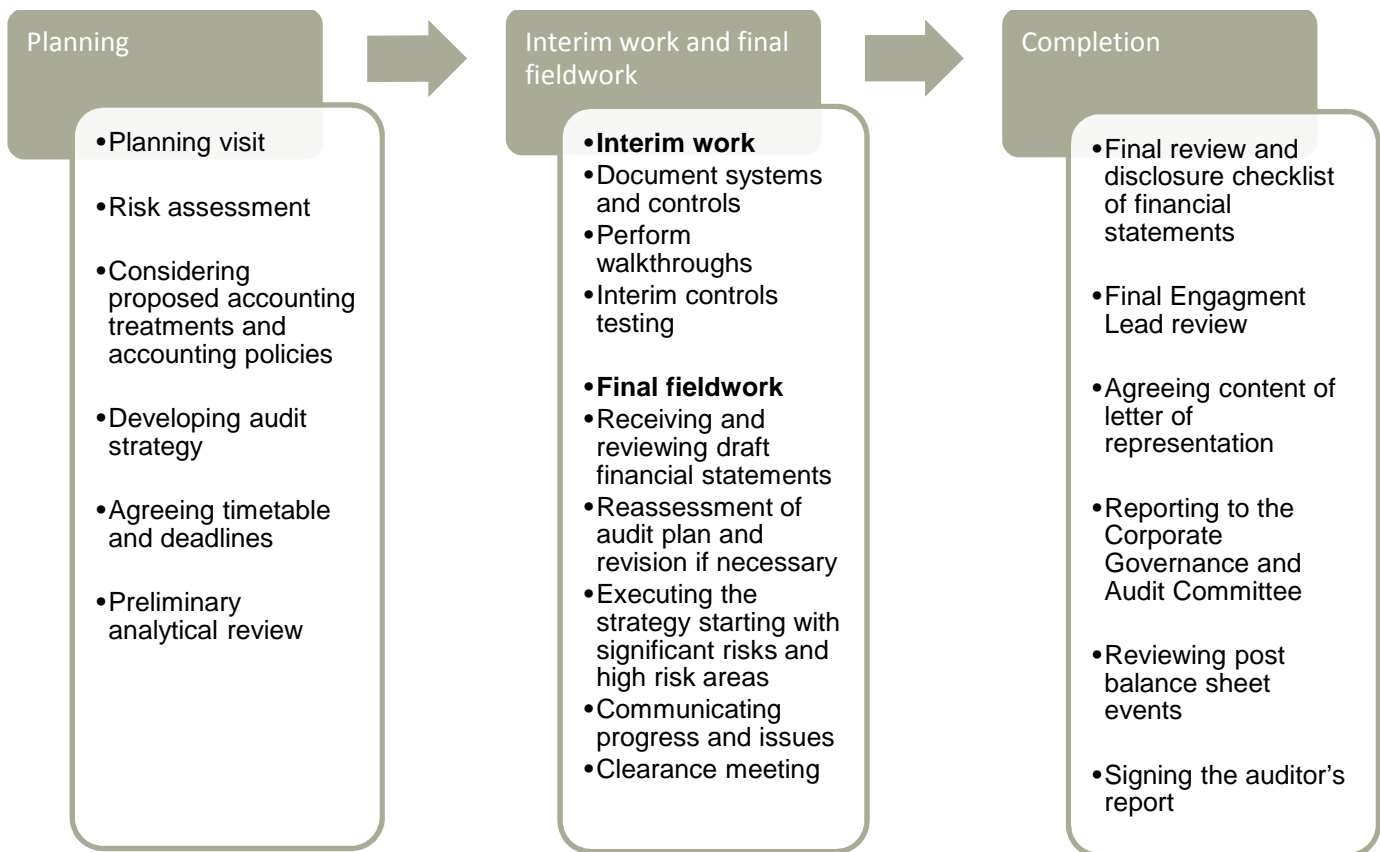
We apply a risk based approach primarily driven by the matters we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment we develop our audit strategy and design audit procedures in response to this assessment. The work undertaken will include a combination of the following as appropriate:

- Testing of internal controls;
- Substantive analytical procedures; and
- Detailed substantive testing.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Materiality and misstatements are explained in more detail in Appendix B.

The diagram overleaf outlines the procedures we perform at the different stages of the audit.



### Reliance on internal audit

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

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

### Service organisations

There are material entries in your financial statements where the Council is dependent on an external organisation. We call these entities service organisations. The table below outlines our approach to understanding the services the Council receives from each organisation and the effectiveness of controls in place to reduce the risk of material misstatement in the financial statements.

Nature of services provided and items of account	Name of service organisation	Audit approach to be adopted
Investment managers	AllianceBernstein Barings Asset Management BlackRock CBRE Royal London Asset Management Mondrian Investment Partners Aberdeen Asset Management BNY Mellon Water Scott	We will substantively test transactions undertaken by the service organisations during the year and the valuations applied to investments at the year end.
Custodian	JP Morgan	

## The work of experts

We plan to rely on the work of the following experts:

Item(s) of account	Management's expert	Our expert
Disclosure notes regarding Funding Arrangements and Actuarial Present Value of Promised Retirement Benefits notes.	Actuary Aon Hewitt	National Audit office (NAO) consulting actuary (PWC)
Disclosure of nature and extent of risk arising from financial instruments	P-Solve	None
Valuation of unquoted investments not traded on active markets	Barings	None
Purchases and sales of investments	AllianceBernstein Barings Asset Management BlackRock CBRE Royal London Asset Management Mondrian Investment Partners Aberdeen Asset Management BNY Mellon Water Scott	None

## The work of other auditors

We plan to rely on the work of PWC to provide assurance on the accuracy of LGPS contributions calculated by Darlington Borough Council. This work falls within the Audit Commission's IAS19 Protocol in accordance with ISA (UK&I) 600 and Appendix 2 to Appendix 7.4 of the Audit Commission's Standing Guidance to Auditors in Local Government.

## Timeline

The diagram below sets out the timing of the key phases of our audit work. We will communicate with management throughout the audit process and will ensure significant issues identified are communicated to those charged with governance on a timely basis.



# 03 Significant risks

We have performed our planning procedures, including risk assessment, as detailed in section 2. In addition, we met with management as part of the audit planning process to discuss the risks that, in management's opinion, the Council faces and have considered the impact on our audit risk. The risks that we identify as significant for the purpose of our audit are the risks of material misstatement that in our judgement require special audit consideration.

We set out below the significant audit risks identified as a result of these meetings and planning procedures which we will pay particular attention to during our audit in order to reduce the risk of material misstatement in the financial statements.

## Audit risks

### Management override of controls

#### Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we will address this risk

We have updated our understanding and evaluation of internal controls procedures as part of our audit planning, including completion of a fraud risk assessment. As part of this, we will seek written assurances from the Audit Committee and management on their controls and processes for assessing the risk of fraud in the financial statements and arrangements in place to identify, respond to and report fraud.

We will address this risk through performing audit work over:

- journals recorded in the general ledger and other adjustments made in preparation of the financial statements;
- consideration and review of material accounting estimates impacting amounts included in the financial statements;
- consideration and review of any unusual or significant transactions outside the normal course of business; and
- consideration of any other local factors.



## Valuation of unquoted investments for which a market price is not readily available

### Description of the risk

As at 31 March 2014 the fair value of investments which were not quoted on an active market was £701m, which accounted for 32% of net investment assets. The values used in the accounts are those provided by fund managers mostly based on Net Asset Value statements, although in some cases are based on forward looking estimates and judgements involving many factors. This results in an increased risk of material misstatement.

### How we will address this risk:

In addition to our standard program of work we will:

- evaluate management controls over the valuation process;
- agree holdings from fund manager reports to the global custodian's report;
- agree the valuation to supporting documentation including investment manager valuation statements and cashflows for any adjustments made to the investment manager valuation;
- agree the investment manager valuation to audited accounts. Where these are not available, agree the investment manager valuation to other independent supporting documentation;
- where audited accounts are available, check that they are supported by a clear opinion; and
- agree the price to independent evidence, for those valuations not supported by valuation statements.

## Disclosure of Funding Arrangements

### Description of the risk

The funding arrangements disclosure note sets out the key elements of the funding policy and key information regarding the most recent triennial valuation as at 31 March 2013, including contributions to be paid by participating bodies to allow the fund to achieve 100% solvency over 18 years.

While there are no accounting entries associated with this disclosure, the triennial valuation determines future employer contribution rates and the disclosure itself is material. The calculation of these figures can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. There is a risk of material misstatement due to high estimation uncertainty.

### How we will address this risk:

In addition to our standard program of work we will:

- review the management controls you have in place over the source data; ;
- consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the Audit Commission; and
- review source data on a sample basis.

# 04 Your audit team

Below are your audit team and their contact details.

Engagement lead /  
Partner

Cameron Waddell  
cameron.waddell@mazars.co.uk  
0191 383 6314

Engagement senior  
manager

Catherine Banks  
catherine.banks@mazars.co.uk  
0191 383 6410

Team leader

Sharon Liddle  
sharon.liddle@mazars.co.uk  
0191 383 6410

In addition to the above, an independent partner, Alistair Fraser, has been appointed for this engagement

# 05 Fees for audit and other services

## **Audit fees**

As communicated to you in our letter dated 28 April 2014, the Audit Commission has set a scale fee of £25,918. Our audit fee for Durham County Council Pension Fund is in line with the scale fee £25,918 (2013/14 £25,918).

## **Non-audit services**

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

# Appendices

# Appendix A - Independence

We are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the Auditing Practices Board's Ethical Standards. In addition we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement:

there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team who are required to rotate off a client after a set number of years; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement lead.

We wish to confirm that in our professional judgement, as at the date of this document, we are independent and comply with UK regulatory and professional requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with the Engagement Lead.

Prior to the provision of any non-audit services the Engagement Lead will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No principal threats to our independence and associated safeguards have been identified.

# Appendix B – Materiality

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

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

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

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

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

We consider materiality whilst planning and performing our audit.

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

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

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

We discuss with management any significant misstatements or anomalies that we identify during the course of the audit and we report in our Audit Completion Report all unadjusted misstatements we have identified other than those which are clearly trivial, and obtain written representation that explains why these remain unadjusted.

# Appendix C – key communication points

ISA 260 'Communication with Those Charged with Governance' and ISA 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## **Form, timing and content of our communications**

We will present to the Audit Committee the following reports:

Our Audit Strategy Memorandum;  
Our Audit Completion Report; and  
Annual Audit Letter.

These documents will be discussed with management prior to being presented to the Audit Committee and their comments will be incorporated as appropriate.

## **Key communication points at the planning stage as included in this Audit Strategy Memorandum**

Our responsibilities in relation to the audit of the financial statements;  
The planned scope and timing of the audit;  
Significant audit risks and areas of management judgement;  
Our independence;  
Responsibilities for preventing and detecting errors;  
Materiality; and  
Fees for audit and other services.

## **Key communication points at the completion stage to be included in our Audit Completion Report**

Significant deficiencies in internal control;  
Significant findings from the audit;  
Significant matters discussed with management;  
Our conclusions on the significant audit risks and areas of management judgement;  
Unadjusted misstatements;  
Management representation letter;  
Our proposed draft audit report; and  
Independence.

## **Key communication points at the completion stage to be included in our Annual Audit letter**

- Overall messages on the audit opinion (financial statements) and other responsibilities; and
- Fees and Future challenges.

# Appendix D – Forthcoming accounting and other issues

The 2014/15 CIPFA Code of Practice on Local Authority Accounting (the Code) has made several changes, of which you should be aware. Officers from the Fund’s finance function have been invited to workshops that will provide full details of the changes in the 2014/15 Code as well as a forward look to potential future accounting changes that may be of relevance to the Fund. If you require detailed information on any of these changes or any other emerging issues, please contact any member of the engagement team.

There is only the one forthcoming accounting issue specific to pension funds to report at this stage:

Early deadlines	How this may affect the Council
The Government had signalled its intention to bring forward the deadlines for local authorities to produce their unaudited statements of account to 31 May from the 2017/18 financial year. The deadline for the completion of the audit will also move forward to 31 July.	The impact of this change on local authorities and their auditors are significant and we have begun to discuss how we will meet the challenges the new dates place on us all with Council officers.



## Audit Committee

19 May 2015

### Strategic Risk Management Progress Report for the Quarter period January to March 2015



## 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 January to March 2015.

### 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 the 'gross risk' assessment), 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 31 March 2015, there were 29 strategic risks, a reduction of two since 31 December 2014. One new risk have been added and three have been removed being:
  - *“Failure to identify and effectively regulate Contaminated Land” (NS);*
  - *“The agreed 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.” (RES); and*
  - *“Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.” (RED).*

In summary, the key risks to the Council remain as being:

- (a) 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;
- (b) Ongoing Government funding cuts which now extend to at least 2019/20 will continue to have an increasing major impact on all Council services;
- (c) Potential restitution of search fees going back to 2005;
- (d) The Council could suffer significant adverse service delivery and financial impact if the new banking contract is not properly implemented;
- (e) If we were to fail to comply with Central Government's Public Services Network Code of Connection criteria for our computer applications, this would put some of our core business processes at risk, such as Revenues and Benefits, which rely on secure transfer of personal data;
- (f) The future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.

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

- 5 Appendix 4 of the report lists all of the Council's strategic risks as at 31 March 2015.
- 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** – There are no direct financial implications but effective risk management helps to avoid or minimise financial loss.

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

**Risk** – This report supports the delivery of the objectives of the Council’s Risk Management Strategy.

**Equality and Diversity/Public Sector Equality Duty** – ACE Management Team has identified the potential failure to consider equality implications of decisions on communities as a strategic risk.

**Accommodation** - None

**Crime and disorder** - None

**Human rights** - None

**Consultation** - ACE Management Team has identified the potential failure to consult with communities on major service and policy changes as a strategic risk.

**Procurement** – None.

**Disability issues** – None.

**Legal Implications** – There are no direct implications but effective risk management helps to ensure compliance with legal and regulatory obligations.

## **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 31 March 2015, there were 29 strategic risks, two less than as at 31 December 2014.

The following matrix categorises the strategic risks according to their Net risk evaluation as at 31 March 2015. To highlight changes in each category during the last quarter, the number of risks as at 31 December 2014 is shown in brackets.

### **Overall number of Strategic Risks as at 31 March 2015**

<b>Impact</b>					
Critical	2 (2)	1 (1)	3 (3)		1 (1)
Major		3 (3)	4 (6)	1 (0)	
Moderate			8 (8)	5 (5)	1 (1)
Minor				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 2019/20 will continue to have an increasing major impact on all Council services.”
- The risk assessed as Moderate/Highly Probable is, “Potential restitution of search fees going back to 2005.”

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

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

## 1 New Risks

Following the findings of the planning inspector in an interim report on the County Durham Plan, one new risk has been identified this quarter, namely *“The future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.”* **(RED)**

## 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:

- *“Failure to identify and effectively regulate Contaminated Land”* **(NS)**.

The Contaminated Land Strategy is in place and will be reviewed in the summer subject to Council approval. All mitigating actions are now in place reducing the likelihood of the risk to unlikely. This risk will be monitored on a regular basis at operational level.

- *“The agreed 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.”* **(RES)**.

All mitigating actions have been implemented reducing the likelihood to unlikely.

- *“Private housing stock condition worsens with adverse implications for local economy, health & neighbourhood sustainability.”* **(RED)**.

The Economic Development and Housing Service Management Team have removed this item as it is covered by the risk, *“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”*.

## 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 5 New Banking Contract Risk 6 PSN Code of Connection		Risk 2 Ongoing Government funding cuts
Major				Risk 3 County Durham Plan	
Moderate					Risk 4 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	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	The Delivery plan implementation will be monitored by CMT and Cabinet.		This will be a significant risk for at least the next 4 years. No further mitigation is planned at the current stage.
2	RES Risk Owner: Don McLure	Altogether Better Council	Ongoing Government funding cuts which now extend to at least 2019/20 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	RED Risk Owner: Ian Thompson	Altogether Wealthier	The future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.	Major	Probable	<ul style="list-style-type: none"> <li>Hearing sessions may be re-convened to seek to demonstrate Inspectors failings.</li> <li>Commence Judicial Review.</li> </ul>	<b>New risk</b>	



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: 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 a framework for settlement and this is currently being considered. Central Government has now agreed to underwrite a significant proportion of the cost and it is anticipated that this can be resolved by the end of June 2015.
5	RES Risk Owner: Don McLure	Altogether Better Council	The Council could suffer significant adverse service delivery and financial impact if the new banking contract is not properly implemented.	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 now in place and the transition between banks is under way.
6	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 for our computer applications, 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.		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. This will remain on the register as an inherent strategic risk.

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

Based on the **Net** risk assessment as at 31 March 2015, 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 2019/20 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	If we were to fail to comply with Central Government's Public Services Network Code of Connection criteria for our computer applications, this would put some of our core business processes at risk, such as Revenues and Benefits, which rely on secure transfer of personal data
5	RES	The Council could suffer significant adverse service delivery and financial impact if the new banking contract is not properly implemented.
6	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.
7	NS	If Local Authority Schools and other LA services choose not to take Council Services, together with the loss of community buildings DCH homes both Technical and Building Services could see a loss of business.
8	NS	The Council will not be able to maintain its non-educational and non-housing buildings to current repairs standards.
9	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
10	ACE	Risk that the Council does not respond to the Government's changes to Welfare Reform
11	ACE	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
12	RES	Major Interruption to IT Service Delivery
13	RES	Serious breach of Health and Safety Legislation
14	ACE	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation
15	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
16	CAS	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.

### Altogether Greener

No significant strategic risks have been identified under this theme.

### Altogether Healthier

	Service	Risk
17	CAS	Adverse financial and operational impact of the Care Act 2014 on adult social care services
18	CAS	Additional operational and financial burden as a result of recent supreme court judgement relating to the threshold applied in determining whether an individual is deprived of their liberty.

### Altogether Safer

	Service	Risk
19	NS	Gypsy Roma Travellers set up camp / events on Council land without permission.
20	CAS	Failure to protect child from death or serious harm (where service failure is a factor or issue)
21	ACE	Failure to prepare for, respond to and recover from a major incident or interruption, and to provide essential services.
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	RED	Serious injury or loss of life due to Safeguarding failure (Transport Service)

**Altogether Wealthier**

	<b>Service</b>	<b>Risk</b>
26	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.
27	RED	There is a potential lack of available match funding within the public sector as a whole in County Durham and the NE LEP area, which could impact upon the ability to fully utilise external funding and in particular the European Structural Funds programme for 2014-2020.
28	NS	Coastal erosion and environmental improvements may be adversely impacted if a programme of repairs to Seaham North Pier isn't undertaken.
29	RED	The future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.

**Audit Committee**

**19 May 2015**

**Internal Audit Progress Report  
Period Ended 31 March 2015**




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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 January 2015 to 31 March 2015 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 31 December 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

4. As an independent, consultancy service, the Council's Internal Audit Team strives to continue to add value and improve the organisation's operations as well as providing objective assurance to service managers and the Council.
5. 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

6. 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 31 March 2015 and where applicable also gives the resultant assurance opinion.
7. 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)	0	0	4	0	12
Children and Adult Services (CAS) including Schools	0	9	13	1	50
Neighbourhood Services (NS)	0	2	7	1	29
Regeneration and Economic Development (RED)	0	3	6	0	12
Resources (RES)	0	6	14	4	41
<b>TOTAL</b>	<b>0</b>	<b>20</b>	<b>44</b>	<b>6</b>	<b>144</b>

8. A summary of the final audit reports issued in this quarter is presented in Appendix 2.
9. The total number of Productive Internal Audit days required to deliver the plan was 3,222. As at 31 December the service has delivered 3,119 productive days representing 96% of the total plan. The target at the end of the quarter was for 90% to be delivered therefore performance has exceeded target.
10. 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)	Foster Carer Payments	Deferred to 2015/2016	New scheme now in place. Defer to give time for new scheme to be established and ensure a more useful review.
Neighbourhood Services (NS)	Grounds Maintenance Charging (inc. Clean and Green Follow Up)	Deferred to 2015/2016	Deferred into new year to allocate Audit Resource.
Neighbourhood Services (NS)	Compliance with Construction, Design and Maintenance	Deferred to 2015/2016	Review deferred to 2015/16 following amendments to Procurement Rules and awaiting feedback following work from Health and Safety.
Regeneration and Economic Development (RED)	Energy Management – Warm Up North	Deferred to 2015/2016	Grant required to be examined in 2015/16.
Regeneration and Economic Development (RED)	Spatial Policy	Cancelled	Audit no longer required.
Resources (RES)	Agency System	Deferred	New Agency arrangement put in place with De Poel. Time given for system to become established.

12. 14 unplanned reviews have been added to the Internal Audit Plan in this quarter. Of these, 12 are potential fraud or irregularity investigations.
13. The two other reviews, which are to be sourced from the service contingency provision within the Internal Audit Plan, are detailed below:

Service Grouping	Audit	Audit Type	Reason
Assistant Chief Executive (ACE)	Data Quality – 3 Specific Performance Indicators – Follow Up Audit	Assurance	Follow Up of Limited Assurance
Resources (RES)	Debtors	Assurance	Follow Up of Limited Assurance

## Outstanding Management Responses to Draft Internal Audit Reports

14. There are currently no draft audit reports 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 31 March 2015 is given in the table below:

Service Grouping	Number of Actions Due to be Implemented	Number of Actions Actually Implemented	Actions Overdue by Agreed Original Target Date	Actions with an Agreed Revised Target Date	Actions Overdue by Revised Target Date
Assistant Chief Executive (ACE)	4	4	0	0	0
Children and Adult Services (CAS)	72	70	2	2	0
Neighbourhood Services (NS)	177	168	9	9	0
Regeneration and Economic Development (RED)	64	53	11	11	0
Resources (RES)	382	362	20	20	0
<b>TOTAL</b>	<b>699</b>	<b>657</b>	<b>42</b>	<b>42</b>	<b>0</b>

17. It is encouraging to note, of the 699 actions due to be implemented, that 657 (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:

Service Grouping	Service Area	Audit
Children and Adult Services (CAS)	Adult Services	Adaptations
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Animal Health

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 March 2015 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 31 March 2015 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.

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INTERNAL AUDIT PLAN PROGRESS AS AT 31 MARCH 2015

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	Final Report	Limited
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Environment Partnership	Assurance	Final Report	Moderate
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Community Buildings	Advice & Consultancy	Final Report	N/A
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	Final Report	N/A
Children and Adult Services (CAS)	Children's Services	Secure Services - Contract with Youth Justice Board	Assurance	Final Report	Substantial
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	Final Report	Moderate
Resources	Human Resources and Organisational Development	Comensura (Agency Workers)	Assurance	Final Report	Moderate
Resources	Corporate Finance	Capital Accounting	Assurance	Final Report	Substantial
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	Substantial
Resources	Financial Services	Creditor Payments	Assurance	Final Report	Moderate
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	Final Report	Moderate
Resources	ICT	SQL	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	In Progress	
Assistant Chief Executive (ACE)	Planning and Performance	Data Quality / Performance Management Framework	Key System	In Progress	
Assistant Chief Executive (ACE)	Planning and Performance	Data Protection - Rolling Programme of reviews (One per Quarter)	Assurance	In Progress	
Assistant Chief Executive (ACE)	Planning and Performance	Information Governance Group	Advice and Consultancy	Final Report	N/A
Assistant Chief Executive (ACE)	Planning and Performance	Transparency Agenda Arrangements	Advice and Consultancy	Final Report	N/A
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Area Action Partnerships (AAPs) - Performance Management Framework	Assurance	Deferred	
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Partnerships	Key System	Final Report	Moderate
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	Final Report	N/A
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	Preparation	
Children and Adult Services (CAS)	Children's Services	Establishment Visits and Overall Management Arrangements	Assurance	Preparation	
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	MTFP Saving - Provision of Supervised Contact	Assurance	Deferred	
Children and Adult Services (CAS)	Children's Services	Disability Commissioning Arrangements (Short Breaks)	Assurance	In Progress	
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	Final Report	Substantial
Children and Adult Services (CAS)	Education	School Financial Performance	Assurance	Final Report	Substantial
Children and Adult Services (CAS)	Education	SEN Placement and Provision	Assurance	Deferred	
Children and Adult Services (CAS)	Education	School Organisation and Capital Programme	Assurance	Final Report	Substantial
Children and Adult Services (CAS)	Education / Children's Services	Safeguarding of Children in Schools	Advice and Consultancy	Final Report	N/A
Children and Adult Services (CAS)	Education	Adult Learning Service	Assurance	Deferred	
Children and Adult Services (CAS)	Education	Education and Business Link	Assurance	Deferred	
Children and Adult Services (CAS)	Education	Careers Service	Assurance	Deferred	
Children and Adult Services (CAS)	Education	School's Audit Programme - SLA (51 Schools to complete)	Assurance	Final Reports x 35	15 Substantial 16 Moderate 4 Limited
Children and Adult Services (CAS)	Education	Schools Financial Value Standard (SFVS)	Advice and Consultancy	In Progress	

## INTERNAL AUDIT PLAN PROGRESS AS AT 31 MARCH 2015

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Children and Adult Services (CAS)	Education	Governor Training	Advice and Consultancy	Final Report	N/A
Children and Adult Services (CAS)	Education	School Business Manager Training	Advice and Consultancy	Final Report	N/A
Children and Adult Services (CAS)	Education	Head Teacher Group Attendance	Advice and Consultancy	Final Report	n/a
Children and Adult Services (CAS)	Adult Services	Continuing Health Care and Free Nursing Care	Assurance	Deferred	
Children and Adult Services (CAS)	Adult Services	Establishment Visits and Overall Management Arrangements - Hawthorn House	Assurance	Final Report	Limited
Children and Adult Services (CAS)	Adult Services	Establishment Visits and Overall Management Arrangements - Pathways Ebony Woodwork Unit	Assurance	Final Report	Moderate
Children and Adult Services (CAS)	Adult Services	Adaptations Service	Assurance	Final Report	Limited
Children and Adult Services (CAS)	Commissioning	Community Chest Grant Scheme / Adult Mental Health Capital Grant Scheme	Assurance	In Progress	
Children and Adult Services (CAS)	Commissioning	Social Care Financial Assessments & Reassessments	Assurance	Preparation	
Children and Adult Services (CAS)	Commissioning	Direct Payments	Assurance	Final Report	Moderate
Children and Adult Services (CAS)	Commissioning	Personal Budgets - Commissioned Service	Assurance	Deferred	
Children and Adult Services (CAS)	Commissioning	Management of Client Finances	Assurance	Preparation	
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	Deferred	
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	Final Report	N/A
Children and Adult Services (CAS)	Public Health	Commissioning Arrangements	Assurance	In Progress	
Children and Adult Services (CAS)	Public Health	Pharmoutcomes	Advice and Consultancy	In Progress	
Children and Adult Services (CAS)	Public Health	Health Visitor Transition	Advice and Consultancy	Final Report	N/A
Children and Adult Services (CAS)	Planning and Service Strategy	Caldicott Compliance	Assurance	In Progress	
Children and Adult Services (CAS)	Planning and Service Strategy	Use of Petty Cash and Imprest Accounts	Assurance	Deferred	
Children and Adult Services (CAS)	All CAS Services	CAS - Cash Collection	Key System	In Progress	
Children and Adult Services (CAS)	All CAS Services	CAS - Creditors	Key System	In Progress	
Children and Adult Services (CAS)	All CAS Services	CAS - Debtors	Key System	In Progress	
Children and Adult Services (CAS)	All CAS Services	CAS - Payroll	Key System	In Progress	
Neighbourhood Services (NS)	Culture and Sport Services	Gala Theatre - Catering and Bars	Assurance	Final Report	Substantial
Neighbourhood Services (NS)	Culture and Sport Services	Integrated Leisure Management System	Advice and Consultancy	Final Report	N/A
Neighbourhood Services (NS)	Culture and Sport Services	Stanley Bowls	Advice and Consultancy	Final Report	N/A
Neighbourhood Services (NS)	Culture and Sport Services	Competition Line UK - Income Share Agreement	Assurance	Final Report	N/A
Neighbourhood Services (NS)	Culture and Sport Services	Countryside and Parks Management	Assurance	Final Report	Substantial
Neighbourhood Services (NS)	Culture and Sport Services	Leisure Services Review - Future Service Delivery	Advice and Consultancy	Cancelled	
Neighbourhood Services (NS)	Culture and Sport Services	Libraries - Review of Procurement, Payments and Custody of Assets	Assurance	Final Report	Moderate
Neighbourhood Services (NS)	Culture and Sport Services	Freemans Quay - Income and Banking	Assurance	Final Report	Substantial
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	Final Report	Moderate
Neighbourhood Services (NS)	Direct Services	Catering Service	Advice and Consultancy	Final Report	N/A
Neighbourhood Services (NS)	Direct Services	Fleet	Assurance	Final Report	Limited
Neighbourhood Services (NS)	Direct Services	Development of New Fleet Management System	Advice and Consultancy	Final Report	N/A
Neighbourhood Services (NS)	Direct Services	Grounds Maintenance Charging (inc Clean and Green Follow Up)	Assurance	Deferred	
Neighbourhood Services (NS)	Direct Services	Allotments Management	Assurance	Draft Report	
Neighbourhood Services (NS)	Direct Services	Trade Waste - Follow Up	Assurance	Final Report	Moderate
Neighbourhood Services (NS)	Direct Services	Computerised Repairs and Maintenance System	Advice and Consultancy	Preparation	
Neighbourhood Services (NS)	Direct Services	Quality Management System (QMS) - Period 1	Assurance	Final Report	N/A
Neighbourhood Services (NS)	Direct Services	Quality Management System (QMS) - Period 2	Assurance	Final Report	N/A
Neighbourhood Services (NS)	Direct Services	Durham Crematorium - Joint Committee	Assurance	Final Report	Substantial
Neighbourhood Services (NS)	Direct Services	Mountsett Crematorium - Joint Committee	Assurance	Final Report	Substantial
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Markets Strategy	Assurance	Deferred	
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Fair Trading	Assurance	Final Report	Moderate
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Animal Health	Assurance	Final Report	Limited
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Premises Licensing - Fee Setting	Assurance	Final Report	Substantial
Neighbourhood Services (NS)	Technical Services	Winter Maintenance	Assurance	Final Report	Substantial
Neighbourhood Services (NS)	Technical Services	Design Services	Assurance	Cancelled	
Neighbourhood Services (NS)	Technical Services	Flooding Mitigation	Assurance	In Progress	
Neighbourhood Services (NS)	Technical Services	Strategic Transport	Assurance	Cancelled	
Neighbourhood Services (NS)	Technical Services	Compliance with Construction, Design and Maintenance Procedures	Advice and Consultancy	Deferred	
Neighbourhood Services (NS)	Technical Services	Capital Project Review	Assurance	Preparation	
Neighbourhood Services (NS)	Technical Services	Stores	Assurance	Final Report	Moderate
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 31 MARCH 2015

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Neighbourhood Services (NS)	Projects and Business Services	Customer Access Points	Assurance	Cancelled	
Neighbourhood Services (NS)	Projects and Business Services	Garden Waste Collection Scheme	Advice and Consultancy	Final Report	N/A
Neighbourhood Services (NS)	Projects and Business Services	Fly Tipping	Advice and Consultancy	Final Report	N/A
Neighbourhood Services (NS)	Projects and Business Services	NS - Cash Collection	Key System	In Progress	
Neighbourhood Services (NS)	Projects and Business Services	NS - Creditors	Key System	In Progress	
Neighbourhood Services (NS)	Projects and Business Services	NS - Debtors	Key System	In Progress	
Neighbourhood Services (NS)	Projects and Business Services	NS - Payroll	Key System	In Progress	
Regeneration and Economic Development (RED)	Planning and Assets	Planning System	Assurance	In Progress	
Regeneration and Economic Development (RED)	Planning and Assets	Spatial Policy	Assurance	Cancelled	
Regeneration and Economic Development (RED)	Planning and Assets	Asset Management - Follow Up	Assurance	Final Report	Moderate
Regeneration and Economic Development (RED)	Planning and Assets	Community Infrastructure Levy	Advice and Consultancy	Final Report	N/A
Regeneration and Economic Development (RED)	Planning and Assets	Energy Management - Warm Up North	Advice / Grant Cert	Deferred	
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	In Progress	
Regeneration and Economic Development (RED)	Strategy, Programmes and Performance	RED - Creditors	Advice and Consultancy	In Progress	
Regeneration and Economic Development (RED)	Strategy, Programmes and Performance	RED - Debtors	Advice and Consultancy	In Progress	
Regeneration and Economic Development (RED)	Strategy, Programmes and Performance	RED - Payroll	Advice and Consultancy	Final Report	Moderate
Regeneration and Economic Development (RED)	Transport and Contract Services	Traffic Accident Data Unit (TADU) - Prevention and Investigation	Assurance	Final Report	Substantial
Regeneration and Economic Development (RED)	Transport and Contract Services	Transport - Contractual Arrangements	Assurance	In Progress	
Regeneration and Economic Development (RED)	Transport and Contract Services	Transport - Safeguarding Arrangements	Assurance	In Progress	
Regeneration and Economic Development (RED)	Economic Development and Housing	Housing Stock Transfer	Advice and Consultancy	Final Report	N/A
Regeneration and Economic Development (RED)	Economic Development and Housing	Housing Solutions (include Housing Advice, Homelessness & Family Intervention)	Assurance	Preparation	
Regeneration and Economic Development (RED)	Economic Development and Housing	Economic Development - Apprenticeship Programme	Assurance	Final Report	Substantial
Regeneration and Economic Development (RED)	Economic Development and Housing	Regeneration and Development - Heart of Teesdale Landscape Partnership	Assurance	Final Report	Substantial
Regeneration and Economic Development (RED)	Economic Development and Housing	Choice Based Letting Scheme	Advice and Consultancy	Preparation	
Resources	Human Resources and Organisational Development	Attendance Management Framework	Assurance	Draft Report	
Resources	Human Resources and Organisational Development	Disciplinary Procedures	Assurance	Draft Report	
Resources	Human Resources and Organisational Development	Violent Persons Register	Assurance	Preparation	
Resources	Human Resources and Organisational Development	Health and Safety	Key System	Preparation	
Resources	Human Resources and Organisational Development	Payroll	Key System	In Progress	
Resources	Human Resources and Organisational Development	Agency Workers	Key System	Deferred	
Resources	Legal and Democratic Services	Registrars	Assurance	Draft Report	
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	Final Report	Moderate
Resources	Legal and Democratic Services	RIPA Group	Advice and Consultancy	Final Report	N/A
Resources	Legal and Democratic Services	Members Allowances	Assurance	Preparation	
Resources	Corporate Finance	VAT Arrangements	Assurance	Final Report	Substantial
Resources	Corporate Finance	Bank Reconciliation	Key System	Final Report	Substantial
Resources	Corporate Finance	Treasury Management	Key System	Final Report	Substantial
Resources	Corporate Finance	New Banking Contract	Advice and Consultancy	Final Report	N/A
Resources	Corporate Finance	Collection Fund	Key System	In Progress	
Resources	Corporate Finance	General Ledger	Key System	Final Report	Substantial
Resources	Corporate Finance	Contract Register	Assurance	Final Report	Moderate
Resources	Corporate Finance	Contract Management	Assurance	Final Report	Moderate
Resources	Corporate Finance	Variations	Assurance	Final Report	Substantial
Resources	Corporate Finance	Specifications	Assurance	Final Report	Substantial
Resources	Corporate Finance	Oracle Development - Project Board	Advice and Consultancy	Final Report	N/A
Resources	Financial Services	Budgetary Control	Key Systems	Final Report	Substantial
Resources	Financial Services	Revenues and Benefits - Reconciliation	Key Systems	Final Report	Substantial
Resources	Financial Services	Business Improvement Districts	Assurance	Final Report	Substantial
Resources	Financial Services	Creditors	Key Systems	In Progress	
Resources	Financial Services	Debtors	Key Systems	In Progress	
Resources	Financial Services	Council Tax	Key Systems	In Progress	
Resources	Financial Services	Business Rates	Key Systems	In Progress	
Resources	Financial Services	Housing Benefit and Council Tax Reduction	Key Systems	Final Report	Moderate
Resources	Financial Services	Cash Collection	Key Systems	In Progress	
Resources	Financial Services	PCI Compliance - Follow Up	Assurance	Final Report	Substantial
Resources	Financial Services	PCI Working Group	Advice and Consultancy	In Progress	
Resources	Financial Services	School Financial Performance	Assurance	Final Report	Substantial
Resources	Financial Services	Welfare Rights	Assurance	In Progress	

## INTERNAL AUDIT PLAN PROGRESS AS AT 31 MARCH 2015

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Financial Services	Welfare Assistance Scheme - Follow Up	Assurance	Final Report	Moderate
Resources	Financial Services	Creditors Working Group	Advice and Consultancy	Final Report	N/A
Resources	Financial Services	Debtors Working Group	Advice and Consultancy	Final Report	N/A
Resources	Financial Services	Bailiff Service	Assurance	In Progress	
Resources	Internal Audit, Risk and Fraud	Risk Management	Key System	Final Report	Moderate
Resources	Internal Audit, Risk and Fraud	Insurance	Assurance	Draft Report	
Resources	Internal Audit, Risk and Fraud	Counter Fraud Arrangements	Key System	Deferred	
Resources	Internal Audit, Risk and Fraud	Review of Ethics	Assurance	Preparation	
Resources	Information and Communication Technology	Asset Management	Assurance	Final Report	Moderate
Resources	Information and Communication Technology	Change Control	Assurance	Final Report	Moderate
Resources	Information and Communication Technology	ISP Compliance Reviews	Assurance	In Progress	
Resources	Information and Communication Technology	Oracle Database	Assurance	Final Report	Moderate
Resources	Information and Communication Technology	ICT Business Continuity Plan	Assurance	Deferred	
Resources	Information and Communication Technology	Design and Print Service	Assurance	Deferred	
Resources	Information and Communication Technology	Mobile Phones - Allocation and Usage	Advice and Consultancy	In Progress	
<b>2014 / 2015 Audits Added to the Plan</b>					
Assistant Chief Executive (ACE)	Planning and Performance	Data Quality - 3 Specific Performance Indicators - Follow Up Audit	Follow Up	In Progress	
Children and Adult Services (CAS)	Commissioning	Direct Payments - Introduction of Pre Paid Cards	Advice and Consultancy	Draft Report	
Children and Adult Services (CAS)	Education	Specific School Review	Assurance	Final Report	Limited
Children and Adult Services (CAS)	Public Health	Data Quality - Performance Indicators Mapping Exercise	Advice and Consultancy	Preparation	
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	Final Report	N/A
Regeneration and Economic Development (RED)	Economic Development and Housing	Community Association Review	Advice and Consultancy	Final Report	N/A
Regeneration and Economic Development (RED)	Economic Development and Housing	Review of Gypsy, Roma, Traveller Service	Advice and Consultancy	Final Report	N/A
Regeneration and Economic Development (RED)	Transport and Contract Services	Strategic Transport - Integrated Transport Block	Assurance	Final Report	Substantial
Resources	Information and Communication Technology	Password Management	Assurance	In Progress	
Resources	Information and Communication Technology	Digital Durham	Advice and Consultancy	In Progress	

**FINAL REPORTS ISSUED IN PERIOD ENDING 31 MARCH 2015**

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
<b>ASSISTANT CHIEF EXECUTIVE (ACE)</b>		
Partnership Governance Framework	Assurance review of the arrangements in place to mitigate against the risk of the partnership governance framework being ineffective.	Moderate
Transparency Agenda	Advice & consultancy review to provide assistance in verifying that DCC is complying with the requirements of Local Government Transparency Code 2014.	N/A
<b>CHILDREN AND ADULT SERVICES (CAS)</b>		
Think Families Programme	<p>An Assurance review to consider the effectiveness of the processes for managing the following risks:</p> <ul style="list-style-type: none"> <li>• Families have already received funding from other programmes e.g. European Social Fund, Government's Work Programme, Early Intervention Grants.</li> <li>• The household composition changes during the course of the year and the Council are not aware of these changes.</li> <li>• Funding is not used for the purpose intended.</li> <li>• Targets are not achieved and subsequent funding is not obtained.</li> <li>• Targets are not achieved by required timescales.</li> <li>• Breaches in the legislation relating to the Data Protection Act.</li> <li>• Information is passed using non-secure methods.</li> <li>• The information used by the Council is not up to date and decisions are made based on this data.</li> <li>• Budgetary Control is ineffective.</li> <li>• The information submitted for the declaration is not accurate.</li> <li>• The deadline for submission has not been met.</li> <li>• The declaration has not been authorised by Internal Audit prior to it being submitted, and as such delaying the authorisation process.</li> <li>• Staff engagement with families is not effective.</li> </ul>	Substantial
School Financial Performance Management	<p>An Assurance review to consider the effectiveness of the processes for managing the following risks:</p> <ul style="list-style-type: none"> <li>• Schools do not receive adequate support from the School Funding Team (SFT) and Educational Development Partners (EDP's).</li> </ul>	Substantial

<b>AUDIT AREA</b>	<b>BRIEF DESCRIPTION OF SCOPE OF THE AUDIT</b>	<b>FINAL OPINION</b>
Direct Payments	<p>An Assurance review to consider the effectiveness of the processes for managing the following risks:</p> <ul style="list-style-type: none"> <li>• Inability to support service users with Direct Payments.</li> <li>• Inability to provide an efficient and effective Direct Payments Service.</li> <li>• Inaccurate reporting of performance.</li> <li>• Information and data are not protected from loss, damage or unauthorised disclosure</li> </ul>	Moderate
Schools Organisation and Capital Programme	<p>An Assurance review to consider the effectiveness of the processes for managing the following risks:</p> <ul style="list-style-type: none"> <li>• The number of school places available does not match local need.</li> <li>• Project over spend creates pressure elsewhere on the programme</li> <li>• Information reported to CMT, Cabinet and the DfE is inaccurate.</li> <li>• Work is undertaken which is not in line with the budget / timescales</li> </ul>	Substantial
Adaptations Service	<p>An Assurance review to consider the effectiveness of the processes for managing the following risks:</p> <ul style="list-style-type: none"> <li>• Inability to identify and assess the needs of service users.</li> <li>• Inability to respond appropriately to the needs of service users and meet their assessed needs.</li> <li>• Inaccurate reporting of performance.</li> <li>• Information and data are not protected from loss, damage or unauthorised disclosure.</li> <li>• Staff are unaware of their responsibilities and there is an inconsistent approach resulting in the service being challenged.</li> </ul>	Limited

<b>NEIGHBOURHOOD SERVICES (NS)</b>		
Durham Crematorium	An annual assurance review of key systems in accordance with agreed SLA.	Substantial
Mountsett Crematorium	An annual assurance review of key systems in accordance with agreed SLA.	Substantial
Gala Theatre Catering and Bars	<p>To ensure that:</p> <ul style="list-style-type: none"> <li>• The Catering and Bar facilities are delivered at a surplus.</li> <li>• Income is appropriately identified, collected, recorded and securely handled.</li> <li>• Supplies and services are appropriately ordered and maintained.</li> </ul>	Substantial



AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
Fair Trading	<p>To provide assurance on the management of the following risks:</p> <ul style="list-style-type: none"> <li>• Agreed actions are not implemented by businesses.</li> <li>• Prosecuted businesses continue to trade, or trade under another name.</li> <li>• Persistent offending businesses are not identified.</li> <li>• Complaints lost / not received / not considered.</li> <li>• Referrals from Citizens Advice Bureau contain inadequate information.</li> <li>• Conduct / level of the investigations is unsatisfactory / inconsistent.</li> <li>• Visiting / inspection officers placed in threatening situations.</li> <li>• Investigation records and evidence files are inadequate.</li> <li>• Complaints not investigated in a timely manner.</li> <li>• Breaches of the Data Protection Act.</li> <li>• Lack of information / advice available to consumers and businesses.</li> <li>• Effectiveness of service is not known.</li> <li>• Investigations are closed prematurely.</li> <li>• Enforcement action is inadequate / inappropriate.</li> <li>• Decision to investigate or not is incorrect.</li> <li>• Access to IT systems by unauthorised officers.</li> </ul>	Moderate
Animal Health and Welfare	<p>To provide assurance on the management of the following risks:</p> <p><u>Licensing</u></p> <ul style="list-style-type: none"> <li>• Licenses are not issued in accordance with stated legislation.</li> <li>• Non-payment of renewals / annual fees.</li> <li>• License fees and conditions set by the authority are discriminatory and unjustifiable.</li> <li>• Contraventions of license conditions not enforced.</li> <li>• Inadequate performance monitoring.</li> </ul> <p><u>Welfare Compliance</u></p> <ul style="list-style-type: none"> <li>• Expected outcomes from partnership working are not delivered.</li> </ul>	Limited

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
Countryside and Parks Management	<p>To provide assurance on the management of the following risks:</p> <ul style="list-style-type: none"> <li>• Records of land owned are incomplete.</li> <li>• Damage to bio-diverse habitats through neglect, pollution, crime or fire.</li> <li>• Breaches of countryside legislation.</li> <li>• Severe weather emergency.</li> <li>• Grant conditions are breached.</li> <li>• Inappropriate site working arrangements.</li> <li>• Reduced funding through reduced budgets and loss of grants.</li> <li>• Failure to identify potential grants.</li> <li>• Paths and boundaries become neglected, damaged or inaccessible.</li> <li>• Volunteers are not recruited or retained.</li> <li>• Volunteers are not suitably skilled or supervised.</li> <li>• Unsafe structures.</li> <li>• Inadequate drainage systems.</li> <li>• Dangerous trees.</li> <li>• Damage to adjoining properties.</li> <li>• Inadequate facilities are available to the public.</li> <li>• Lack of co-ordination with other council services.</li> <li>• Potential partnerships are not identified.</li> </ul>	Substantial

<b>REGENERATION AND ECONOMIC DEVELOPMENT (RED)</b>		
Strategic Transport – Integrated Transport Block	Assurance review of the arrangements in place to mitigate the risk of the objectives of the Local Transport Plan not being delivered.	Substantial
Heart of Teesdale Landscape Partnership	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Officers and applicants involved in the process are not aware of what is required of them.</li> <li>• Funding for each project is not spent in accordance with the Grant Terms and Conditions.</li> <li>• Projects fail to deliver on objectives.</li> </ul>	Substantial

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
RED - Payroll	<p>Key financial system review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Staff are unaware of the procedures to follow and do not carry out, or incorrectly carry out tasks.</li> <li>• Payments are not in accordance with the authorised establishment.</li> <li>• Inadequate financial management within the service.</li> <li>• Deductions are made which are not authorised / not correct</li> <li>• Payments are made that have not been correctly calculated and validated following input and / or are not supported by appropriate documentation</li> <li>• The identity of the employee and appropriateness for the post has not been confirmed.</li> <li>• Information and data are not protected from loss, damage or unauthorised disclosure</li> </ul>	Moderate
Gypsy, Roma, Traveller Sites	Advice & consultancy review of the arrangements in place to manage income collection at Gypsy and Roma Traveller sites.	N/A

<b>RESOURCES</b>		
PCI Compliance – Follow Up	This was a follow up assurance review to ensure that the action plan, created following an audit in December 2013, had been implemented.	Substantial
Treasury Management	<p>Assurance review of the arrangements in place to mitigate against the risks of:-</p> <ul style="list-style-type: none"> <li>• The Treasury Management function does not comply with internal policies, professional guidance, statute and regulations.</li> <li>• Inappropriate investments are made / Investments made are not repaid.</li> <li>• Investment opportunities are not taken / DCC is unable to meet its obligations due to poor planning.</li> <li>• Poor decisions are made due to a lack of appropriate technical skills in the analysis of money markets, etc.</li> <li>• Treasury Management targets, e.g. for budgeted investment income, are not achieved.</li> </ul>	Substantial

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
Specifications	<p>Assurance review of the arrangements in place to mitigate against the risks of:-</p> <ul style="list-style-type: none"> <li>• Greatest VFM solution is not selected due to alternative solutions not being examined.</li> <li>• Sourcing strategy is ill-considered or has a pre-determined outcome.</li> <li>• Specifications are not clear on what is required.</li> <li>• The specification limits competition.</li> <li>• Poor drafting of specifications.</li> </ul>	Substantial
School Financial Performance Management	<p>Assurance review of the arrangements in place to mitigate against the risk that schools do not receive adequate support from the School Funding Team and Educational Development partners in relation to their budgets</p>	Substantial
Bank Reconciliation	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Material errors / fraudulent activities within bank accounts. and / or the General Ledger are not identified and corrected in a timely manner.</li> <li>• Theft or misuse of Council funds and/or bank accounts.</li> <li>• Transaction errors made by the bank go unnoticed.</li> <li>• Inaccurate or misleading financial information.</li> <li>• Performance is not properly managed or monitored.</li> <li>• Reconciliations are not complete due to issues following an upgrade / enhancement to the IT system.</li> </ul>	Substantial
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 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> <li>• The budget within the system does not reflect the approved budget.</li> </ul>	Substantial

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
Budgetary Control	<p>Assurance review of the arrangements in place to mitigate against the risks of:-</p> <ul style="list-style-type: none"> <li>• Budget targets are not communicated to budget holders.</li> <li>• Budgets are not broken down to an appropriate level.</li> <li>• Staff do not have the skills to carry out their budget monitoring responsibilities.</li> <li>• The accounting system does not have the appropriate functionality to enable effective monitoring of the budget.</li> <li>• Budgets are significantly over or under spent.</li> <li>• Inaccurate budgets, and or budget profiles, are set that are not realistic.</li> <li>• Deliberate financial misstatement to conceal irregularities and fraudulent transactions.</li> <li>• Financial information reported to CMT and cabinet is inaccurate.</li> <li>• Variances are not reported or acted upon, including those at the year-end.</li> <li>• Budget reports are not easily understood.</li> </ul>	Substantial
Pension Fund – Admitted Bodies	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• The admission agreement does not contain all relevant information.</li> <li>• Staff are not aware of the process for the admission of a new contractor into the LGPS.</li> <li>• Admission is delayed.</li> <li>• New regulations are not applied to new admitted bodies.</li> </ul>	Moderate
Disciplinary Procedures	<p>Assurance review of the arrangements in place to mitigate against the risks of:-</p> <ul style="list-style-type: none"> <li>• Policies and procedures are not in place / are not fit for purpose.</li> <li>• Breach of legislation / policies and procedures.</li> <li>• Information governance is not properly managed.</li> <li>• Inappropriate advice and guidance is provided.</li> </ul>	Moderate

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
Elections	<p>Assurance review of the arrangements in place to mitigate against the risks of:-</p> <ul style="list-style-type: none"> <li>• The election is not managed effectively</li> <li>• Staff are unaware of procedures to follow</li> <li>• Payments are not in accordance with the authorised staff list</li> <li>• The organisation does not comply with HMRC, Department for Work and Pensions and superannuation scheme requirements</li> <li>• Payments are not made on a timely basis</li> <li>• Continuity arrangements are not in place</li> <li>• Information and data are not protected from loss, damage or unauthorised disclosure.</li> </ul>	Moderate
Housing Benefit and CTR	<p>Assurance review of the arrangements in place to mitigate against the risks of:-</p> <ul style="list-style-type: none"> <li>• Claims cannot be processed due to insufficient information.</li> <li>• Claimants valuables, documentation and cheques go missing.</li> <li>• Benefit claims are not processed promptly, are not accurate and assessments are made incorrectly.</li> <li>• Payments are incorrectly calculated.</li> <li>• Council Tax Reduction Scheme is not implemented effectively. Persons entitled to CTRS discount are not awarded the discount and persons not entitled are awarded the discount.</li> <li>• Inaccurate figures are submitted on the housing benefit subsidy grant form.</li> <li>• DHP grant is not spent in the financial year.</li> <li>• DHP awards are not made to the people who need them most.</li> <li>• DWP data is accessed inappropriately.</li> <li>• Benefit fraud goes undetected.</li> <li>• Performance is not monitored and is inaccurately reported.</li> </ul>	Moderate
Oracle Database	<p>Assurance review of the arrangements in place to mitigate against the risks of:-</p> <ul style="list-style-type: none"> <li>• Unauthorised access is gained to systems, information or data.</li> <li>• Loss or corruption of data.</li> </ul>	Moderate

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
Risk Management	<p>Assurance review of the arrangements in place to mitigate against the risks of:</p> <ul style="list-style-type: none"> <li>• The organisation does not comply with risk management standards and best practice.</li> <li>• Relevant parties are not aware of their risk management duties and responsibilities.</li> <li>• Potential and actual risks are not identified and addressed</li> <li>• The organisation's risk appetite level is not known.</li> <li>• Information, data and supporting documentation are not held securely.</li> </ul>	Moderate

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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>2014/15</b>										
High	1	0	0	0	0	0	0	0	0	0
Medium	8	4	4	0	4	0	0	0	0	0
<b>Total</b>	<b>9</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>9</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CHILDREN AND ADULT SERVICES (CAS)</b>										
<b>2013 / 2014</b>										
High	14	14	14	0	14	0	0	0	0	0
Medium	24	24	23	0	23	1	1	0	0	0
<b>Total</b>	<b>38</b>	<b>38</b>	<b>37</b>	<b>0</b>	<b>37</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2014 / 2015</b>										
High	2	1	1	0	1	0	0	0	0	0
Medium	37	33	32	0	32	1	1	0	0	0
<b>Total</b>	<b>39</b>	<b>34</b>	<b>33</b>	<b>0</b>	<b>33</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>77</b>	<b>72</b>	<b>70</b>	<b>0</b>	<b>70</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NEIGHBOURHOOD SERVICES (NS)</b>										
<b>2012 / 2013</b>										
High	9	9	8	0	8	1	1	0	0	0
Medium	70	70	70	0	70	0	0	0	0	0
<b>Total</b>	<b>79</b>	<b>79</b>	<b>78</b>	<b>0</b>	<b>78</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013 / 2014</b>										
High	8	8	8	0	8	0	1	0	0	0
Medium	40	40	38	0	38	2	2	0	0	0
<b>Total</b>	<b>48</b>	<b>48</b>	<b>46</b>	<b>0</b>	<b>46</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2014 / 2015</b>										
High	3	3	3	0	3	0	0	0	0	0
Medium	60	47	41	0	41	6	5	0	0	0
<b>Total</b>	<b>63</b>	<b>50</b>	<b>44</b>	<b>0</b>	<b>44</b>	<b>6</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>190</b>	<b>177</b>	<b>168</b>	<b>0</b>	<b>168</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	6	6	5	0	5	1	1	0	0	0
Medium	43	40	32	0	32	8	8	0	0	0
<b>Total</b>	<b>49</b>	<b>46</b>	<b>37</b>	<b>0</b>	<b>37</b>	<b>9</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2014/2015</b>										
High	1	0	0	0	0	0	0	0	0	0
Medium	25	18	16	0	16	2	2	0	0	0
<b>Total</b>	<b>26</b>	<b>18</b>	<b>16</b>	<b>0</b>	<b>16</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>75</b>	<b>64</b>	<b>53</b>	<b>0</b>	<b>53</b>	<b>11</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>RESOURCES</b>										
<b>2012 / 2013</b>										
High	31	31	29	0	29	2	2	0	0	0
Medium	121	121	119	0	119	2	2	0	0	0
<b>Total</b>	<b>152</b>	<b>152</b>	<b>148</b>	<b>0</b>	<b>148</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013 / 2014</b>										
High	19	19	19	0	19	0	0	0	0	0
Medium	109	109	103	0	103	6	6	0	0	0
<b>Total</b>	<b>128</b>	<b>128</b>	<b>122</b>	<b>0</b>	<b>122</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2014 / 2015</b>										
High	7	7	7	0	7	0	0	0	0	0
Medium	126	95	85	0	85	10	10	0	0	0
<b>Total</b>	<b>133</b>	<b>102</b>	<b>92</b>	<b>0</b>	<b>92</b>	<b>10</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Total</b>	<b>413</b>	<b>382</b>	<b>362</b>	<b>0</b>	<b>362</b>	<b>20</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL COUNCIL</b>										
<b>2012 / 2013</b>										
High	40	40	37	0	37	3	3	0	0	0
Medium	191	191	189	0	189	2	2	0	0	0
<b>Total</b>	<b>231</b>	<b>231</b>	<b>226</b>	<b>0</b>	<b>226</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2013 / 2014</b>										
High	47	47	46	0	46	1	2	0	0	0
Medium	216	213	196	0	196	17	17	0	0	0
<b>Total</b>	<b>263</b>	<b>260</b>	<b>242</b>	<b>0</b>	<b>242</b>	<b>18</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2014 / 2015</b>										
High	14	11	11	0	11	0	0	0	0	0
Medium	256	197	178	0	178	19	18	0	0	0
<b>Total</b>	<b>270</b>	<b>208</b>	<b>189</b>	<b>0</b>	<b>189</b>	<b>19</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OVERALL TOTAL</b>	<b>764</b>	<b>699</b>	<b>657</b>	<b>0</b>	<b>657</b>	<b>42</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>0</b>

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Performance Indicators as at 31 March 2015

<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	96% at 31 March (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) Exercise to be completed again in 2015/2016

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