



## **Audit Committee**

**Date**        **Monday 30 November 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 30 September 2015 (Pages 1 - 6)
3. Declarations of interest, if any
4. Whole of Government Accounts - Implications for Technical Services - Presentation by Head of Technical Services, Neighbourhood Services
5. Annual Audit Letter 2014/2015 - Report of External Auditor (Pages 7 - 24)
6. Strategic Risk Management - Progress Report for the quarter ended 30 September 2015 - Report of Corporate Director Resources (Pages 25 - 38)
7. IT Audit Review Completed by Mazars - Report of Head of ICT (Pages 39 - 102)
8. Framework for Delivering Good Governance in Local Government - Report of Corporate Director Resources (Pages 103 - 132)
9. Work of the Audit Committee - Report to Council - Report of the Chair of the Audit Committee (Pages 133 - 144)
10. Internal Audit Progress Report for the quarter ended 30 September 2015 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 145 - 168)
11. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
12. 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)**

13. Internal Audit Progress Report for the quarter ended 30 September 2015 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 169 - 170)
14. Overdue Audit Recommendations - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 171 - 180)
15. Protecting the Public Purse - Activity Update as at 30 September 2015 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 181 - 200)
16. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration

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

County Hall  
Durham  
20 November 2015

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

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

Councillors L Armstrong, C Carr, J Carr, M Davinson, J Robinson,  
O Temple 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 1B, County Hall, Durham on **Wednesday 30 September 2015 at 10.00 am**

**Present:**

**Councillor E Bell (Chairman)**

**Members of the Committee:**

Councillors J Rowlandson (Vice-Chairman), L Armstrong, J Carr and M Davinson

**Co-opted Members:**

Ms K Larkin-Bramley

**1 Apologies for absence**

Apologies for absence were received from Councillors C Carr, J Robinson, W Stelling and O Temple, and Mr T Hoban

**2 Minutes**

The minutes of the meeting held on 27 July 2015 were agreed and signed by the Chairman as a correct record, with the addition of Mr T Hoban shown in the attendance.

**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 Statement of Accounts for the year ended 31 March 2015**

The Committee considered a report of the Corporate Director, Resources which presented the Statement of Accounts for the year ended 31 March 2015 (for copy see file of Minutes).

The Corporate Director, Resources advised Members that once approved the accounts would be published on the Council's website and that some amendments had been made to the accounts in collaboration with the External Auditor. He advised that the External Auditor would be issuing an unqualified opinion on the Council and Pension Fund Accounts and that a certificate would be issued on the Whole of Government Accounts.

**Resolved:**

That the statement of accounts for the County Council for the financial year ended 31 March 2015 be approved.

**5 Audit Completion Report 2014/2015 - Durham County Council**

The Committee considered the Audit Completion Report of the External Auditor relating to Durham County Council for the year ended 31 March 2015 (for copy see file of Minutes).

Catherine Banks, Mazars presented the report to the Committee and circulated a letter for the information of the Committee which provided an update on outstanding matters and conclusions reached on the audit since the report was circulated to the Committee (for copy see file of Minutes).

Ms K Larkin-Bramley asked if the issue with garages would impact on next year's financial statements. The Assistant Finance Manager - Corporate Finance advised that this would make a big impact on the 2015/16 accounts but assured the Committee that the Assets Team had all garages included in a registered system

**Resolved:**

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

**6 Audit Completion Report 2014/2015 - Pension Fund**

The Committee considered the Audit Completion Report of the External Auditor relating to Durham County Council Pension Fund for the year ended 31 March 2015 (for copy see file of Minutes).

Catherine Banks, Mazars presented the report to the Committee and circulated a letter for the information of the Committee which provided an update on outstanding matters and conclusions reached on the audit since the report was circulated to the Committee (for copy see file of Minutes).

Referring to the material misclassifications in section 4 of the report, the Corporate Director, Resources explained that last year was unusual for the Service in that they changed from 1 global equity manager to three. The Committee were assured that although a lot of work needs to be carried out in this area, that work was progressing.

**Resolved:**

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

**7 CAS Local Test of Assurance**

The Committee considered a report of the Head of Planning and Service Strategy, Children and Adult Services that sought approval of the Local Test of Assurance

(LToA) developed in May 2015 by Children and Adults Services (for copy see file of Minutes).

Further to the meeting of 27 July 2015, the Strategic Manager Service Support, Children and Adults Services informed Members that there had been only one previous version of the document when CAS was established and had been very light touch. He assured Members that the document had been approved by CAS Management and Corporate Management Team and consultation had taken place with the three Cabinet Portfolio holders. He stressed that benchmarking had proved difficult as it was not a statutory document however, they did look at 8 other local authorities and assessed the inspection outcomes before and after the new guidelines were introduced. It had been found that the regime included much harder inspections and improvements that were required had been highlighted.

The Strategic Manager Service Support advised that there was an imminent Ofsted inspection due and it would be helpful for them to see the document.

Councillor L Armstrong asked if this should be approved by Scrutiny before the Audit Committee, and mentioned that Scrutiny was referred to on page 1 of the document. The Strategic Manager Service Support advised that Scrutiny are informed of plans and strategies but that it was not necessary for this document to be reported to them. The Chief Internal Auditor and Corporate Fraud Manager added that as this was a governance document the best avenue was for the Audit Committee to see it. He assured Members that Scrutiny would have sight of plans and strategies.

**Resolved:**

That the report be noted.

## **8 An Introduction to the Pension Fund**

The Committee received a presentation from the Strategic Finance Manager - Corporate Finance that gave an introduction to the Pension Fund (for copy see file of Minutes).

The Strategic Finance Manager - Corporate Finance gave a detailed presentation that highlighted the following:-

- Legal Framework
- Pension Fund in Context
- Pension Fund Committee
- Local Pension Board
- LGPS Benefits and Administration
- Active Members
- Membership Summary
- Valuation
- LGPS Benefit Structure
- Pension Fund Investments
- Management Arrangements

- Statement of Investment Principles
- Funding Strategy Statement
- Review of Management Arrangements

Referring to a question about Dynamic Asset Allocation from Councillor L Armstrong, the Strategic Finance Manager explained that as it can take a long time to move assets we have a manager who looks after a wide range of assets, including equities, bonds and property. They have the flexibility to move funds more quickly.

The Chairman asked about the risk profile and he was informed that managers will assess risks before any movements and that they work within the risk profile.

Members were advised that the Pension Fund had a separate remit and role to procure, from that of the County Council, that was best for their members and that they have their own asset allocation to follow.

The Chairman thanked the Strategic Finance Manager for her presentation.

**Resolved:**

That the presentation be noted.

**9 Annual Governance Statement for the year April 2014 to March 2015**

The Committee considered a report of the Corporate Director, Resources that sought approval of the final Annual Governance Statement to be published as part of the Council's audited Statement of Accounts 2014/15 (for copy see file of Minutes).

**Resolved:**

That the final Annual Governance Statement be approved as part of the Council's audited Statement of Accounts 2014/15 and the amendments made to the draft Annual Governance Statement as reported to Council be noted.

**10 Internal Audit - CIPFA Benchmarking Analysis**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which presented a summary of findings from the Chartered Institute of Public Finance and Accountancy (CIPFA) 2015 benchmarking group exercise for the Internal Audit Service (for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager informed the Committee that a good set of comparators had been from authorities of a similar size to Durham. He said that it was important to note that the focus was about ensuring the service was fit for purpose. In relation to sickness absence he advised that significant improvements had been made over the last months and was hopeful of a positive outlook for 2015/16 and beyond.

In relation to training he advised that there were many opportunities given to staff with 2 employees studying for their Institute of Internal Auditor (IIA) qualifications,

one of which qualified in the Summer. He was pleased to inform the Committee that the IT Trainee Auditor had passed his final exams and would take up the post of Principal IT Auditor from 1 October 2015.

Ms Larkin-Bramley said that the figures were really good and that it was encouraging to hear that the IT Trainee Auditor had qualified. She asked if junior members of staff would receive any training and was advised that employees had been asked if they wanted to take up the opportunity of taking up the trainee position.

Councillor L Armstrong asked why there always seemed to be a different comparative local authority group used and was informed that it depended upon which local authorities buy into different questionnaires.

**Resolved:**

That the report be noted.

**11 Internal Audit Progress Report for the quarter ended 30 June 2015**

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period April to June 2015 ( for copy see file of Minutes).

The Audit and Fraud Manager highlighted the movements in the plan, removed audits and unplanned reviews added to the plan. The service had completed 23% of the total plan, and were on target. The Committee were advised that there were no draft audit reports outstanding and that 96% of actions had been implemented. New to the report were results of the Service groupings response rate, and although there was only a 40% return, the service had scored on average 4.9 out of 5. There had been one audit finalised in the quarter that had been given a limited assurance opinion.

Ms K Larkin-Bramley asked if the Committee would receive reports on fraud and if the service promoted fraud awareness. The Chief Internal Auditor and Corporate Fraud Manager advised that the Committee receive 6 monthly reports, with the next one due in November. With regards to promoting fraud awareness, he advised that the Committee were presented with the Confidential Report Code and Whistleblowing Policy in June 2015.

**Resolved:**

- (i) That the amendments made to the 2015/2016 Annual Audit Plan, be noted.
- (ii) That the work undertaken by Internal Audit during the period ending 30 June 2015 and the assurance on the control environment provided, be noted.
- (iii) That the performance of the Internal Audit Service during the period, be noted.
- (iv) That the progress made by service managers in responding to the work of Internal Audit, be noted.

## **12 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.

## **13 Internal Audit Progress Report for the quarter ended 30 June 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 was one audit finalised in the quarter that had been issued with a limited assurance opinion.

### **Resolved:**

That the report be noted.



**Audit Committee**

**30 November 2015**

**Annual Audit Letter 2014/2015**



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**Report of the External Auditor**

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**Purpose of the Report**

1. The Audit Committee is asked to note the contents of the attached External Auditor's Annual Audit Letter for Durham County Council and the Pension Fund for 2014/2015.

**Summary**

2. The Audit Letter (attached at Appendix 2) provides a summary of the work and findings of the External Auditor in the 2014/2015 audit period and summarises many of the points raised in the Audit Completion Reports presented to Audit Committee on 30 September.
3. The report sets out:
  - Overall messages from the audit work that has been completed.
  - The challenges and areas of focus in the future.
  - Illustrates the fees for the work completed.

**Recommendation**

4. Members are requested to note the comments and fees illustrated within the annual audit letter and report (at Appendix 2).

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**Contact: Catherine Banks**

**Tel: 03000 267452**

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**Appendix 1: Implications**

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**Finance**

No direct implications as a result of this report.

**Staffing**

None

**Risk**

None

**Equality and Diversity/Public Sector Equality Duty**

None

**Accommodation**

None

**Crime and disorder**

None.

**Human rights**

None

**Consultation**

None

**Procurement**

None

**Disability Discrimination Act**

None

**Legal Implications**

Statutory approval of the statement of accounts.

# Annual Audit Letter 2014/15

Durham County Council including Durham County Council Pension Fund

October 2015



Mazars LLP  
Rivergreen Centre  
Aykley Heads  
Durham  
DH15 5TS

Members  
Durham County Council  
County Hall  
Durham  
DH1 5UE

October 2015

Dear Members

**Annual Audit Letter 2015**

I am delighted to present to you this year's Annual Audit Letter.

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

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

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 383 6314 or [cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk).

Yours faithfully

Cameron Waddell  
Partner  
Mazars LLP

# Contents

01 Key messages .....	4
02 Financial statements.....	5
03 VFM conclusion.....	6
04 Future challenges .....	11
05 Fees.....	13

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

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# 01 Key messages

Our Annual Audit Letter provides a summary of our work and findings for the 2014/15 audit period for Durham County Council and Durham County Council Pension Fund for Members and other interested parties.

In addition to this letter, we issued and presented our Audit Completion Reports for Durham County Council and Durham County Council Pension Fund to the Audit Committee on 30 September 2015 which, together with the follow up letters we issued, provide more detail of the work we have undertaken as the Council's external auditor in 2014/15. The key conclusions for each element of our audit are summarised below.

## **Our audit of the statement of accounts**

We issued an audit report including an unqualified opinion on the Council's financial statements, including Durham County Council Pension Fund on 30 September 2015. Further details are provided in section 02 of this letter.

## **Our Value for Money (VfM) conclusion**

We performed our work in line with the Audit Commission's Code of Audit Practice for Local Government bodies and the Commission's guidance on the Value for Money conclusion for 2014/to provide us with sufficient assurance that the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our work in this area focussed on the two criteria specified by the Audit Commission and we issued an unqualified value for money conclusion on 30 September 2015. Further details are provided in section 03 of this letter.

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

We provide assurance to the National Audit Office (NAO), as the auditor of central government departments, in relation to the consistency of your WGA consolidation pack with the audited statement of accounts. We reported that your consolidation pack was consistent with the audited statement of accounts on 30 September 2015.

## **Our other responsibilities**

As the Council's appointed external auditor, we have other powers and responsibilities as set out in the Audit Commission Act 1998. These include responding to questions on the accounts raised by local electors as well as a number of reporting powers such as reporting in the public interest. We did not receive any formal objections or questions in relation to the 2014/15 accounts from local electors and we did not need to exercise our wider reporting powers.

# 02 Financial statements

## Audit of the financial statements

We audited the financial statements in line with auditing standards and we reported the detailed findings of the audit in our Audit Completion Report to the Audit Committee on 30 September 2015 which, together with the follow up letter we issued, provides more detail of the work we have undertaken as the Council's external auditor in 2014/15. We issued an audit report, including an unqualified opinion, on the statement of accounts on 30 September 2015.

## Preparation of the accounts

The Council presented us with draft accounts in accordance with the national deadline. Working papers and other supporting evidence were produced on a timely basis throughout the audit.

## Issues arising from the audit of the accounts

We would like to highlight the following key points:

- Good quality draft financial statements and working papers were provided by the Council.
- Our work identified very few errors, with no material errors that impacted upon the Council's General Fund balance.
- All errors were corrected other than two non-trivial misstatements that management assessed as not being material either individually or in aggregate to the financial statements.
- The audit progressed well and there were no significant difficulties encountered. We received the full co-operation of officers.
- We did not identify any significant deficiencies in internal controls during the course of the audit (our work is not intended to express an opinion on the effectiveness of the system of internal control). We made some recommendations based upon our work on the Council's IT controls.

## Annual Governance Statement (AGS)

The AGS is drafted by the Council to provide assurance to the reader over how it is managed and how it has dealt with risks in the year. We reviewed the AGS to see whether it complied with relevant guidance and whether it was misleading or was inconsistent with what we know about the Council. We found no areas of concern to report in this context.

## Durham County Council Pension Fund

We presented the detailed findings from our audit of the Durham County Council Pension Fund in a separate Audit Completion Report to the Council at the Audit Committee on 30 September 2015. These findings are summarised as follows:

- Good quality draft financial statements and working papers were provided by the Council.
- There were no non trivial misstatements to the Fund Account or Net Assets Statement but we identified material misstatements to the notes that were corrected.
- All errors (including disclosure errors) were corrected.
- The audit progressed well and there were no significant difficulties encountered. We received the full co-operation of officers.
- We did not identify any significant deficiencies in internal controls during the course of the audit (our work is not intended to express an opinion on the effectiveness of the system of internal control).

## 03 VFM conclusion

We performed our work in line with the Audit Commission's Code of Audit Practice for Local Government bodies and the Commission's guidance on the VFM conclusion for 2014/15. Our audit report included a conclusion that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

Criteria	Focus of the criteria
<b>The Council has proper arrangements in place for securing financial resilience.</b>	The Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
<b>The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</b>	The Council is prioritising resources within tighter budgets, for example, by achieving cost reductions and by improving efficiency and productivity.

As part of our work, we also:

- reviewed your Annual Governance Statement;
- considered the work of other relevant regulatory bodies or inspectorates to the extent the results of the work have an impact on our responsibilities; and
- carried out any risk-based work we determined to be appropriate.

Like other public sector bodies, the Council faces a number of challenges and in light of these we reviewed the Council's arrangements for managing financial risks and securing a stable financial position.

We considered the risks that are relevant to our value for money conclusion at planning stage and we did not identify any significant risks that needed to be addressed specifically through additional work. Securing financial resilience into the medium term is one of the Council's top priorities. 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.

We focussed our audit 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. We reviewed the following to inform our understanding of the Council's arrangements:

- 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.

Our work in relation to financial resilience for 2015/16 did not highlight any issues to bring to your attention.



We acknowledge that work is underway on proposed savings plans for future years in accordance with the Council's timetable and that the Council is closely monitoring recent developments which have added to the financial pressures.

The table below shows commentary alongside each aspect of the two criteria and we have indicated alongside each if arrangements are in place. This is followed by a reality check section. All are marked as 'yes' indicating that the expected arrangements were found to be in place in each area and an unqualified Value for Money conclusion has been issued.

### Arrangements for how the Council secures financial resilience

Aspect	Comments	Arrangements in place?
Financial Governance	<p>The Council appreciates the significant financial pressures it faces in coming years. Systems and processes to manage the financial risks are in place to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p> <p>The medium term financial plan (MTFP) shows the Council needs to achieve savings of £87.6 million between 2015/16 and 2017/18 which would bring the total level of savings since 2011/12 to £224.5 million. The achievement of efficiency savings continues to be a priority. There is recognition that to achieve this, senior management and Members need to review all areas of potential efficiency.</p> <p>Through prudent financial management, at 31 March 2015, the Council has increased:</p> <ul style="list-style-type: none"> <li>• earmarked reserves to £214.6 million; and</li> <li>• the general fund balance to £28.9 million.</li> </ul> <p>This will help the Council to manage the impact of expected future reductions in funding and reserves and the Council has planned to utilise reserves in a structured way to support MTFP (5). This includes the planned delivery programme reserve which is intended to reduce the burden of savings in 2015/16 and 2016/17. Other reserves, such as the Adult Demographic Reserve are intended to delay the impact of cost pressures. The Council keeps earmarked reserves under review on a regular basis. As part of its budget setting the Council reviews reserves to ensure that balances earmarked for specific schemes are still relevant, where they are not, the reserve is released.</p> <p>Within the Council, the statutory s151 officer (Corporate Director Resources) is a key part of the management team, contributing to strategic decisions.</p>	Yes

Aspect	Comments	Arrangements in place?
Financial Planning	<p>There are robust arrangements in place for planning for the medium and longer-term. The Council has identified savings for 2016/17 and officers and members are discussing savings plans for 2017/18. Workshops are held throughout the year with members and officers.</p> <p>The Council has been successful in achieving significant savings in recent years. There is recognition that efficiencies are becoming more difficult to achieve and requiring longer-lead in times. The Council recognises this and is planning on a worse case scenario. Senior Officers monitor progress of identified savings.</p> <p>The MTFP includes a risk assessment. This is linked to the Council Strategic Risk Management. Risk one in the Strategic Risk Register relates to the achievement of MTFP savings.</p> <p>Equality Impact assessments are completed for savings with the aim to assess the likely impact of individual savings proposals. Performance is monitored and reported to Cabinet on a regular basis. The Council has a good history of consultation with staff and the public.</p>	Yes
Financial Control	<p>Underspends and the achievement of significant savings in recent years reflect the Council's good record of financial management. Revenue and capital budgets are regularly reported to Senior Officers and Cabinet. This allows any budget pressures to be identified at an early stage and where required remedial actions to be taken. The MTFP and savings plans are closely monitored with a traffic light system used to identify any high risk areas. The council has a good record of identifying mitigating actions where planned savings are not going to be achieved at the required levels.</p> <p>As noted above the Council has maintained adequate levels of reserves.</p> <p>The authority maintain a Treasury Management Strategy and a mid year treasury review is reported to the Audit Committee. The Treasury Management Strategy notes the primary principle governing the Council's investment criteria is the security of its investments.</p>	Yes

## Arrangements for challenging how the Council secures economy, efficiency and effectiveness

Aspect	Comments	Arrangements in place?
Prioritising resources	<p>The MTFP demonstrates the leadership of the Council understand the future environment and are putting in place plans to address the identified risks. The first risk in the risk register relates to failure to achieve MTFP savings. This demonstrates the prominence of savings to the council.</p> <p>Significant efficiencies have been delivered in recent years. The Council is prioritising its resources within tighter budgets, and seeking to achieve cost reductions by improving efficiency and productivity. However the Council acknowledges that efficiencies alone will not bridge the funding gaps identified. There is an acknowledgment by management and members that tough decisions will be required if the Council is to achieve its future financial targets.</p> <p>Consultations are carried out with staff and the public.</p>	Yes
Improving efficiency and productivity	<p>The Council has some challenging financial targets to meet in the coming years. Arrangements are in place to evaluate options for making efficiencies and meet savings targets. The Council has access to good quality information and uses comparative information available. The council are members of benchmarking clubs and uses this information to identify potential areas for efficiencies.</p> <p>Performance management is monitored on a regular basis allowing the council to identify any consequences of decisions made. Significant savings have already been made, and service performance has been maintained.</p>	Yes

## Overall assessment

Having gathered evidence of the Council's arrangements for each criterion we conducted a 'reality check', building upon our existing knowledge of the Council and considering the robustness of our assessment by referring to:

- reports by statutory inspectorates or other regulators;
- achievement of performance and other targets; and
- performance against budgets and other financial targets.

Evidence	Auditor assessment
Reports by statutory inspectorates or other regulators	We considered reports by statutory or other regulatory bodies during the year which might impact on our conclusion. We also reviewed the value for money profiles (based on data previously maintained by the Audit Commission, but now available on the Public Sector Audit Appointments website). Based on this review, there were no indicators which would suggest significant weaknesses in the Council's arrangements, or any information contrary to our knowledge of the Council.
Achievement of performance and other targets	There are no significant issues arising from our review of the Council's quarter one performance report impacting on our VfM conclusion.
Performance against budgets and other financial targets	The Council has a history of achieving budget targets and a balanced budget has been set for 2015/16. No issues identified from review of the quarter 1 2015/16 outturn report which impact on our VfM conclusion.

## Annual Governance Statement

We reviewed the Council's Annual Governance Statement to identify if there were any issues disclosed by the Council that would lead us to consider that the Council did not have proper arrangements for securing economy, efficiency and effectiveness. Our review did not identify any such issues.

## Overall Conclusion

Our overall conclusion, having carried out a 'reality check', is that the Council had adequate arrangements in place for each criterion and an unqualified VFM conclusion was issued.

# 04 Future challenges

## Financial challenges

The Council has made good progress in addressing its biggest challenges to date and has a proven track record of strong budget management and delivering planned budget reductions. The Council's budget for 2014/15 reflected £23 million of savings and savings for 2015/16 are estimated at £16.3 million. The Council has identified a significant overall savings target for the period from 2011/12 to 2019/20 of around £260 million.

The difficulty in maintaining good service performance levels at the same time as reducing budgets is recognised by the Council. Performance assessment arrangements are in place and outcomes are regularly reported to and monitored by Members.

## Other challenges

The Council faces a number of other challenges in the coming year which include:

- better care funding and associated pooled budgets;
- joint working with health and others; and
- the ongoing impact of the Welfare Reform Act.

With a financial outlook that is increasingly challenging, to develop locally responsive services that maintain standards of access and quality, the Council will need to continue to:

- carefully forecast and effectively monitor budgets;
- identify and address financial pressures as they emerge;
- deliver a long term financial strategy that addresses immediate pressure while allowing scope for strategic service change;
- maintain effective arrangements for public engagement; and
- use constructive relationships with partners to safeguard service quality and resilience.

We will focus our 2015/16 audit on the risks that these challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

We will also share with you relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise. A key area in this respect includes liaising with officers as they make preparations for the change in valuation basis for transport infrastructure required by the accounting Code. This will require significant changes in the 2016/17 financial statements and we are already working with both finance and highways officers to ensure all required systems are in place.

## Audit regime changes

Earlier in the year we briefed Members of the Audit Committee on changes to the framework for external audit in local government, with the abolition of the Audit Commission on 31 March 2015 and, under the Local Audit and Accountability Act 2014, new provisions including:

- the National Audit Office to oversee the Code of Audit Practice and issue guidance to auditors;
- the establishment of a new company, Public Sector Audit Appointments Ltd (PSAA Ltd) to appoint auditors and manage the existing contracts with firms of private sector auditors until they expire; and
- the requirement for Councils to appoint their own auditors when the current contracts end.

## **Extension of current local government contracts by one year**

The Department for Communities and Local Government recently announced that the external audit contracts for local authorities (except parishes in the limited assurance regime) will be extended for one year to include the 2017/18 audit. The legislation requires the Council to have appointed the auditor for the 2018/19 audit by 31 December 2017. The Chartered Institute of Public Finance and Accountancy is preparing guidance for local authorities to support them in this process.

# 05 Fees

As outlined in our Audit Strategy Memoranda for Durham County Council and Durham County Pension Fund presented to the Audit Committee on 17 April 2015, the Audit Commission sets a scale fee for our audit and certification work. The fees applicable to our work in 2014/15 are summarised below.

Element of work	2013/14 Final Fee	2014/15 Scale Fee (as previously reported)	2014/15 Final Fee
<b>Durham County Council</b>			
Code audit work	£333,720	£334,250	£334,250
Certification work	£26,995	£32,210	£32,210*
Non-audit work for certification of grants outside the Audit Commission regime	£5,900	TBC	£5,900**
Non audit work – officer attendance at Transport Infrastructure workshop	-	-	£400
<b>Total</b>	<b>£366,615</b>	<b>£366,460</b>	<b>£372,760</b>
<b>Durham County Pension Fund</b>			
Code audit work	£25,918	£25,918	£25,918

\* The fee outlined above in relation to certification work is an estimate as we are yet to complete our work on certifying the Council's Housing Benefit claim.

\*\* We are yet to complete the non-audit work agreed to date for the certification of the Teacher's Pensions return and the Pooling of Housing Capital Receipts return.

We will confirm the final fees charged for certification work when we issue our Certification Report.

During the audit year we have continued to support the Council in other ways, including:

- Attendance at Audit Committee meetings where we inform the Committee about progress on the audit, report our key findings and provide updates about developments in the public sector and the wider environment; and
- Hosting briefing events for finance staff, such as our Accounts workshops, and more focused Accounts update sessions, as appropriate.

Further detailed findings, conclusions and recommendations in the areas covered by the audit are included in the reports issued to the Council during the year, which are summarised below.

Report	Date issued
2014/15 Audit Fee Letter	April 2014
Audit Strategy Memorandum	March 2015
Progress reports to Audit Committee	To each meeting
Audit Completion report, including follow up letter	September 2015
Auditors Report	September 2015
Annual Audit Letter	October 2015

The Council and management have taken a positive and constructive approach to our audit and I wish to thank them and the Audit Committee for their support and co-operation during our audit.

**Cameron Waddell**

**Partner**

**October 2015**



Should you require any further information on this letter or on any other aspects of our work, please contact:

**Cameron Waddell**

Partner

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DH15 5TS

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## **Audit Committee**

**30 November 2015**

### **Strategic Risk Management Progress Report for the Quarter period 1 July to 30 September 2015**



## **Report of Corporate Management Team**

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### **Don McLure, Corporate Director Resources**

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#### **Purpose of the Report**

- 1 To highlight the strategic risks facing the Council and to give an insight into the work carried out by the Corporate Risk Management Group during the period July to September 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 30 September 2015, there were 26 strategic risks, one less than as at 30 June 2015. Since then two risks have been added and three removed, as detailed in Appendix 3.
- 5 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 more 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) 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.

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

- 6 Appendix 4 of this report lists all of the Council's strategic risks as at 30 September 2015.
- 7 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.
- 8 A recent internal audit report concluded that risks included in the Community Risk Register; such as severe weather events, network power losses and flu epidemics should be reported to members on a regular basis. The information needed to meet this requirement is readily available on the web page of the County Durham and Darlington Local Resilience Forum. A link to this page, which includes an explanation of the arrangements for managing these risks and a copy of the latest Community Risk Register, is provided in Appendix 2.

#### **Recommendation and reasons**

- 9 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** – None

**Accommodation** - None

**Crime and disorder** - None

**Human rights** - None

**Consultation** – None

**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.

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## **Appendix 2: How the Council manages the Risk Management Framework**

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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 Chief Internal Auditor and Corporate Fraud Manager, 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 monitors the progress of risk management across the Council, advises on strategic risk issues, identifies and monitors corporate cross-cutting risks, and agrees 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.

The Council is also jointly responsible for responding to civil emergencies such as severe weather events, network power losses and flu epidemics through the County Durham and Darlington Local Resilience Forum. An explanation of the arrangements for managing the risk of such events and a copy of the latest Community Risk Register can be found on the web page of the County Durham and Darlington [Local Resilience Forum](#).

### Appendix 3: Progress on the management of the Council's Strategic Risks

Risks are assessed at two levels:

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

As at 30 September 2015, there were 26 strategic risks, one less than as at 30 June 2015.

The following matrix categorises the strategic risks according to their Net risk evaluation as at 30 September 2015. To highlight changes in each category during the last quarter, the number of risks as at 30 June 2015 is shown in brackets.

#### Overall number of Strategic Risks as at 30 September 2015

Impact					
Critical	1 (1)	1 (1)	2 (2)		1 (1)
Major		6 (4)	3 (4)	0 (1)	
Moderate			8 (8)	4 (4)	0 (1)
Minor					
Insignificant					
Likelihood	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."

These risks are reported in more detail in section 10 below.

In summary, key points to draw to Members' attention are:

#### New Risks

- 1 A review of the risk, '*Failure to prepare for, respond to and recover from a major incident or interruption, and to provide essential services*' has concluded that there should be separately managed risks to take account of two distinct issues that impact on different Council objectives.

Consequently, the existing risk has been revised to create the following two risks for inclusion in the Strategic Risk Register:-

- *'Breach of duty under Civil Contingencies Act by failing to prepare for, respond to and recover from a major incident'*, which impacts the objective to 'Protect vulnerable people from harm' and is managed jointly through the Local Resilience Forum. This has been evaluated as a **Major** impact with a **Possible** likelihood of occurrence.
- *'Failure to prepare for, respond to and recover from a disruptive event, leading to a major business interruption in the provision of essential services'*, impacts the objective 'Altogether Better Council / Effective Use of Resources' and is managed internally. This has been evaluated as a **Major** impact with an **Unlikely** chance of occurrence.

- 2 The risk, *'The financial pressures experienced by Residential/Nursing and Domiciliary Care providers as a result of changes to the National Minimum/Living Wage could put the continued operation of some providers at risk'* has been assessed as **Moderate** impact with a **Possible** likelihood of occurrence.

The above risk affects the Council's duty to ensure that there is a stable and diverse market for the delivery of social care services within the County to meet the assessed needs of vulnerable adults and children. There are a number of pressures facing the sector, which increase the likelihood of providers exiting the market including:

- Changes to the National Living Wage/Minimum Wage;
- Changes to the Care Quality Commission methodology; and
- Recruitment and retention of staff, especially qualified nurses.

### Increased Risks

- 3 No significant risks have increased during the quarter.

### Removed Risks

- 4 The *'Risk of poor implementation of the Transforming Rehabilitation programme leading to fragmented offender management services and a rise in re-offending'* has been removed as the Transforming Rehabilitation programme has now been completed and the project board has been stood down. The likelihood of the risk occurring has been assessed as **Remote**.
- 5 The risk, *'Adverse financial and operational impact of the Care Act 2014 on adult social care services'* has been removed. Many of the issues were in relation to the financial reforms for 2016/17, which have since been postponed by the Government to 2020. The Social Care Reform Board, which was the accountable body for Care Act implementation, has since been stood down. The likelihood of the risk occurring has been assessed as **Remote**.



- 6 As a settlement has now been agreed '*The potential restitution of search fees going back to 2005*' risk has been removed.

### **Reduced Risks**

- 7 The Council will be withdrawing the current County Durham Plan, following the Government's decision that the planning inspector's interim report be set aside and an amended, refreshed version will be submitted. These issues change substantially the nature of the strategic risk, '*The future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.*' Consequently, the likelihood of the risk has been downgraded from Probable to Unlikely.

### **Emerging Risks**

- 8 The Council has recently provisionally signed up to the Government's 'Devolution Deal' in its capacity as a member of the North East Combined Authority (NECA). The Deal potentially includes significant additional decision making powers, funding and responsibilities to the region. The agreement remains subject to the Government's spending review and the legislative process and is also conditional upon further public consultation and the formal agreement of the seven local councils which make up the combined authority.
- 9 Either outcome will present risks to the Council. If the agreement is declined by NECA, County Durham would potentially miss out on opportunities to improve economic development and transport through devolved powers and greater co-ordination across the North East Local Enterprise Partnership area. If the agreement is approved, there is a risk that re-designed economic development and transport services could be less favourable for County Durham than the status quo position.

## Key Risks

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

### Key Risks Matrix

Net Impact					
Critical			Risk 1 MTFP Slippage Risk 3 PSN Code of Connection		Risk 2 Ongoing Government funding cuts
Major					
Moderate					
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	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.		The Government set criteria for the PSN CoCo compliance has changed again, one of the requirements being the need to submit a risk register. A meeting has been arranged between the Risk Officer and ICT to commence work on compiling the register to comply with PSN CoCo format.

## **Appendix 4: List of all Strategic Risks By Corporate Theme**

Based on the **Net** risk assessment as at September 2015, the following tables highlight the risks for each Corporate Theme.

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

Ref	Service	Risk
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	If we were to fail to comply with Central Government's Public Services Network Code of Connection criteria, this would put some of our core business processes at risk, such as Revenues and Benefits, which rely on secure transfer of personal data
4	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.
5	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.
6	NS	The Council will not be able to maintain its non-educational and non-housing buildings to current repairs standards.
7	ACE	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
8	ACE	Risk that the Council does not respond to the Government's changes to Welfare Reform
9	RES	The Council could suffer significant adverse service delivery and financial impact if the new banking contract is not properly implemented.
10	ACE	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
11	RES	Major Interruption to IT Service Delivery
12	ACE	Failure to prepare for, respond to and recover from a disruptive event, leading to a major business interruption in the provision of essential services
13	RES	Serious breach of Health and Safety Legislation

Ref	Service	Risk
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.

### **Altogether Greener**

No significant strategic risks have been identified under this theme.

### **Altogether Healthier**

	Service	Risk
17	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.
18	CAS	The financial pressures experienced by Residential/Nursing and Domiciliary Care providers as a result of changes to the National Minimum/Living Wage could put the continued operation of some providers at risk.

### **Altogether Safer**

	Service	Risk
19	CAS	Failure to protect child from death or serious harm (where service failure is a factor or issue)
20	ACE	Breach of duty under Civil Contingencies Act by failing to prepare for, respond to and recover from a major incident
21	CAS	A service failure of Adult Safeguarding leads to death or serious harm to a service user.
22	NS	Damage to Highways assets as a result of a severe weather event.

23	RED	Serious injury or loss of life due to Safeguarding failure (Transport Service)
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### Altogether Wealthier

	Service	Risk
24	RED	The future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.
25	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.
26	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.

## Appendix 5: Performance of Risk Management

### Performance Indicators - Tangible Measures

Objective: To demonstrate that risks are being effectively managed				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	2015/16 Q1 Actual	2015/16 Q2 Actual
All risks are reviewed on a continual cycle	Service Risk Review completed each quarter	100% (Quarterly)	100%	100%
Risk mitigation is being implemented as planned	Risk actions on high-scoring risks implemented within target date	Target N/A (Quarterly)	No Outstanding Actions	No Outstanding Actions
Risks are being effectively managed	Number of <b>current</b> risks where Net risk scores have reduced over the quarter	Target N/A (Quarterly)	None	None
To provide informed decision making	Key decisions reports with a risk assessment	100% (Quarterly)	100%	100%
The delivery of Council services via Significant partnerships is effectively risk managed	Significant partnerships with joint risk management arrangements in place within 6 months of being established	90% (Quarterly)	N/A	N/A
Contributing to effective corporate governance	Meeting CIPFA governance principles and objectives on risk management	Confirmed in the annual review of the effectiveness of corporate governance (Annual)	The 2014/15 review is complete. Draft Annual Governance Statement will be submitted to Audit Committee for approval on 29 June 2015.	The 2014/15 review is complete. The Annual Governance Statement was approved by Audit Committee on 30 September 2015.
Objective: To ensure that Officers and Members are appropriately skilled in risk management				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	2015/16 Q1 Actual	2015/16 Q2 Actual
Appropriate staff are adequately skilled in risk management	Tier 4 managers attending risk management training course	Target N/A (Quarterly)	No training provided in this quarter.	No training provided in this quarter.
Appropriate staff are adequately skilled in risk management	Tier 5 managers attending risk management training course	Target N/A (Quarterly)	No training provided in this quarter.	No training provided in this quarter.
Members are adequately skilled in risk management	New Members (including co-opted members) attending risk management training course within 6 months of being elected/appointed.	75% (Quarterly)	No training provided in this quarter.	No training provided in this quarter.

## Intangible Measures

Objective: To demonstrate that risks are being effectively managed and adding value			
KPI	Measure of Assessment	Frequency of Measurement	2015/16 Q2 Evidence
Good governance maintained	Gather information on risk management successes, and beneficial outcomes the Council achieve in managing risks	Reported quarterly	Through effective management of the <i>'Risk of poor implementation of the Transforming Rehabilitation programme leading to fragmented offender management services and a rise in re-offending'</i> , the Council has maintained good, partnership working arrangements for statutory responsibilities and has helped minimise re-offending rates.
Successfully delivered projects	As above	As above	A two year, £3.4 million programme of repairs to Seaham North Pier, which is nearing completion, will protect the town from flooding and the risk of erosion.
Reputation protected	As above	As above	Proactive management of the risk, <i>'Gypsy Roma Travellers set up camp/ events on Council land without permission'</i> has helped to maintain the quality of life for residents and avoid negative publicity for the Council.
Innovative decisions that were risk managed	As above	As above	
Financial return for the Council	As above	As above	Proactive management of the risk, <i>'The potential restitution of search fees going back to 2005'</i> has helped to minimise the financial impact of claims.



**Audit Committee**

**30 November 2015**

**IT Audit Review Completed by Mazars**



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**Report of Technical Services Manager, ICT Services**

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**Purpose of the Report**

1. To update the Audit Committee on the recent audit completed by Mazars of the general controls relating to the authority's financial/pension IT systems.
2. Copies of the full reports are attached at Appendix 1 and 2 but are summarised within this report.

**Background**

3. The purpose of the audit was to:
  - (a) Understand the ICT environment.
  - (b) Review the general ICT controls that are in place.
  - (c) Recommend how ICT controls could be improved.
4. Mazars LLP were engaged to carry out the work, supported by appropriate DCC managers and officers.

**Process**

5. Over the course of 2 months, beginning in April 2015, three auditors from Mazars worked closely with DCC staff from ICT Services and Financial Services to:
  - (a) Detail applications and map data flows between them.
  - (b) Understand the Oracle transition project and review data migration.
  - (c) Evaluate internal ICT controls relating to:
    - i. Physical Security
    - ii. Backup and Disaster Recovery
    - iii. Access Management and Logical Security
    - iv. Strategy and Internal Controls
    - v. Change Management

6. Many tests were undertaken to seek evidence of the effectiveness of controls including:
  - (a) Physical Access
  - (b) Access Management:
    - i. Granting Access
    - ii. Terminating Access
    - iii. Changing Access
  - (c) Application Access
  - (d) Antivirus Systems
  - (e) Daily Checks
  - (f) Data Protection
  - (g) Change Management
7. Documentation was produced detailing the process, findings and recommendations of the audit.
8. This process was carried out for ICT controls for both the financial system and for the Pension Fund system.

## Findings

9. These detailed reports are available as appendices to this report and include DCC management responses to each recommendation.
10. For each system, a RAG risk identifier was assigned to indicate High, Medium and Low risks.
11. The financial system general controls, results are set out below:

Domain	Risk Rating
Disaster Recovery Plan	Medium
Logical Security – Network	Medium
Logical Security – Network and Applications	Medium
Logical Security – Applications	Medium / Low
Change Management – Hardware	Medium
Change Management – Software	Medium
Oracle Migration Project	Low

12. The Pension Fund system results are set out below:

Domain	Risk Rating
Logical Security (UPM)	Medium / Low
Change Management (UPM)	Medium / Low
Disaster Recovery Plan	Medium
Logical Security – Network	Medium
Logical Security – Applications	Medium
Logical Security – Oracle	Medium
Change Management – Applications	Medium
Change Management – Oracle	Medium
Oracle Migration Project	Low

13. As an overall view, the lead auditor reported:

“Our final conclusion was that **we can rely on IT General Controls**, and although findings and recommendations were raised for some of the tested aspects, no major issues with impact on the financial accounts were found.”

### Progress

14. To date, all of the recommended actions have either been completed or are on track to be completed by the agreed dates.

### Recommendation

15. The Audit Committee are asked to note the contents of this report and the attached appendices.

16. From the recommendations made, actions are to be added to the ICT Services Audit Action Log and will be monitored as part of the regular service management team meetings on a monthly basis.

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**Contact: Steve Hodgson****Tel: 07946 483564**

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## **Appendix 1: Implications**

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### **Finance**

No direct implications as a result of this report.

### **Staffing**

None

### **Risk**

None

### **Equality and Diversity/Public Sector Equality Duty**

None

### **Accommodation**

None

### **Crime and disorder**

None.

### **Human rights**

None

### **Consultation**

None.

### **Procurement**

None

### **Disability Issues**

None

### **Legal Implications**

None

IT Audit Services

**Durham County Council**

# IT Audit Review – 2014/2015

# Limited IT system review - 31st March 2015

## Durham County Council

Engagement Summary	3
Overall findings	5
IT Systems Mapping	12
Oracle Migration Project Overview	24
IT General Controls	27

# Engagement Summary

## Engagement Summary

International Standards on Auditing require us to obtain an understanding of the control environment in place at Durham County Council ('the Council'), including the risks arising from its use of IT. This report summarises the work we have undertaken and conclusions reached in respect of our work on the general IT control environment as part of our work on the 2014/15 financial statements.

The principal objectives of our work were to:

- update our understanding of the Council's IT environment;
- undertake a review of the general IT controls in place; and
- make recommendations as to how the general IT controls could be improved.

## Scope of our work

We have undertaken work in the following areas:

### *IT mapping and data flow*

We have updated our understanding of the IT applications relevant to the Council's financial statements.

### *IT Oracle transition project understanding*

We obtained an understanding of the project by documenting the project overview and completing data migration testing.

### *IT general controls*

We have carried out walked-through and evaluated the internal controls within the Council's IT environment (local applications and infrastructure) in relation to:

- physical security;
- back-up and disaster recovery plan;
- access management and logical security;
- strategy and internal control; and
- change management.

### *IT general controls testing*

We have assessed the operating effectiveness of controls relating to:

- physical access;
- access management;
  - granting access;
  - terminating access; and
  - changing access.
- application access;
- anti-virus system;
- daily checks;
- data protection; and
- change management.

We have not undertaken any testing of application specific controls and this report should not be considered a comprehensive record of all potential weaknesses that exist within the Council's IT systems.

## Limitations of use

This report is designed to provide an analysis of our findings for IT officers and is not a public report. The contents of this report are confidential and are not for distribution to anyone other than Durham County Council. Third parties cannot be made aware of this document without the prior written consent of Mazars. Mazars declines all responsibilities regarding third parties who may choose to use or rely on the information contained within this document.

# Engagement summary

Page 46

As part of our review, we conducted a series of interviews with Council officers and would like to thank them for the time they committed to our work and the positive manner that they approached the review. A list of officers involved in this work is provided below.

Name	Role
Bernard Haston	IT Project Manager
Steve Hodgson	Technical Services Manager
Norman Maccoy	ICT Project Leader Internal Applications
Keith Munroe	Finance Manager – Systems Development
Michael Ross	Financial Systems Support Manager



# Summary of our findings – IT General Controls (1/7)

Domain	Weaknesses	Identified Risks	Recommendations
<b>Disaster Recovery Plan</b>	<p>No formalised Disaster Recovery Plan (DRP) was identified at the time of our review. Nevertheless the DRP was under development and a Business Continuity Place was formalised and is annually reviewed and tested.</p>	<p>Loss of data</p> <p>Impossibility of data recovery and business continuity</p>	<p>To ensure proper and timely support of the Council's operational activity in the event of a major incident or disaster, we recommend:</p> <ul style="list-style-type: none"> <li>documenting a formalised Disaster Recovery Plan suitable for the Council's systems and operations;</li> <li>ensuring the Disaster Recovery Plan is acknowledged by all relevant staff; and</li> <li>periodically testing the Disaster Recovery Plan; business users should also be included in the testing, and a formalised test report should be documented for monitoring and audit purposes.</li> </ul> <p><b>Client comments:</b></p> <p>The DRP is made up from elements of the ICT Business Continuity Plan and the Backup/Restore Policies. These documents have been developed and reviewed recently (in line with the review policy). A test plan is being developed in conjunction with the Corporate Business Continuity Board and will take place by the end of November 2015.</p>
<b>Logical Security (network)</b>	<p>From a total number of 19,842 users, 762 generic accounts were identified at domain level (including 1 account with administrative privileges).</p>	<p>Unauthorised access</p> <p>Lack of traceability and accountability for network operations</p>	<p>In order to avoid unauthorised access to the Council's network and data we recommend disabling generic accounts when they are inactive. Also, in order to ensure proper traceability and accountability for operations, we recommend replacing all internal generic accounts with privileged rights to nominal accounts.</p> <p><b>Client comments:</b></p> <p>Generic accounts are now reviewed regularly and any activity by accounts with administrator privileges is logged using the corporate logging system (Logpoint).</p>

# Summary of our findings – IT General Controls (2/7)

Page 48

Domain	Weaknesses	Identified Risks	Recommendations
<b>Logical Security</b> (network)	No regular user review is in place at domain level.	Unauthorised access	<p>To ensure access to the Council's network is appropriately restricted, we recommend disabling generic accounts when they are inactive .</p> <p>We also recommend implementing a periodic review aiming to determine if their accounts are still required, covering:</p> <ul style="list-style-type: none"> <li>• users that have not logged on for more than 30-90 days;</li> <li>• generic accounts; and</li> <li>• administrative accounts.</li> </ul> <p><b><u>Client comments:</u></b></p> <p>This recommendation will be implemented by the end of November 2015</p>
<b>Logical Security</b> (network and applications)	During our user access management testing, from the 40 selected leavers, we were not provided with evidence supporting the process for 36.	<p>Unauthorised access</p> <p>Lack of a unitary performance of the process</p> <p>Lack of audit and monitoring</p>	<p>In order to avoid unauthorised access, and to enforce proper monitoring and compliance with the user access management processes, we recommend ensuring that:</p> <ul style="list-style-type: none"> <li>• disabling access for leavers is requested on a timely basis;</li> <li>• all leavers have disabling requests; and</li> <li>• access is restricted to a need-to-have basis.</li> </ul> <p><b><u>Client comments:</u></b></p> <p>The 'leavers process' has been reviewed recently and Senior Managers have disabled and deleted accounts to ensure that inappropriate access is no longer available. This activity is now being carried out on a regular (monthly) basis.</p>

## Summary of our findings – IT General Controls (3/7)

Domain	Weaknesses	Identified Risks	Recommendations
<b>Logical Security</b> (applications)	No formalised periodic review is in place at applications level.	Unauthorised access	<p>In order to avoid unauthorised access to the Council's programs and data, we recommend implementing a periodic review of the following, to determine if the accounts are still needed:</p> <ul style="list-style-type: none"> <li>• users that have not logged on for more than 30-90 days;</li> <li>• generic accounts; and</li> <li>• administrative accounts.</li> </ul> <p><b><u>Client comments:</u></b></p> <p>This recommendation will be implemented by the end of August 2015.</p>

# Summary of our findings – IT General Controls (4/7)

Page 50

Domain	Weaknesses	Identified Risks	Recommendations
<b>Logical Security</b> (applications)	<p>Generic accounts were identified at application level during our review, as follows:</p> <ul style="list-style-type: none"> <li>• <b>Oracle EBS:</b> From 2,200 users, we identified 143 generic accounts;</li> <li>• <b>Northgate:</b> From 486 users, we identified 69 generic accounts;</li> <li>• <b>ResourceLink_Bureau:</b> From 158 users, we identified 7 generic accounts;</li> <li>• <b>ResourceLink_Salaries:</b> From 357 users, we identified 9 generic accounts;</li> <li>• <b>ICON:</b> From 1,862 users, we identified 7 generic accounts (including 1 administrator).</li> <li>• <b>IPF:</b> From 165 users, 4 generic accounts were identified (including 2 with administrative rights). Also, 35 users have not logged on to IPF for more than one year (including one generic account);</li> </ul> <p>No information was provided for Financial Director, Civica Revenues &amp; Benefits, Orchard, Civica Housing.</p>	<p>Unauthorised access</p> <p>Lack of traceability and accountability</p>	<p>To ensure access to the Council's programs and data is appropriately restricted, we recommend disabling generic accounts when not used.</p> <p>We also recommend implementing a periodic review aiming to determine if their accounts are still required, covering:</p> <ul style="list-style-type: none"> <li>• users that have not logged on for more than 30-90 days;</li> <li>• generic accounts; and</li> <li>• administrative accounts.</li> </ul> <p><b>Client comments:</b></p> <p>Generic accounts have been reviewed and disabled/deleted as appropriate. Generic accounts will be reviewed on a quarterly basis.</p>

## Summary of our findings – IT General Controls (5/7)

Domain	Weaknesses	Identified Risks	Recommendations
Logical Security (applications)	No formalised policy/procedure was documented for governing the user access management at application level.	Lack of a unitary understanding and performance of the process	<p>To ensure formal responsibility and commitment, we recommend implementing a formalised procedure/policy governing user access management. This should cover all process steps, including:</p> <ul style="list-style-type: none"> <li>• access request initiation;</li> <li>• access request authorisation;</li> <li>• access granting/disabling;</li> <li>• review and monitoring.</li> </ul> <p><u>Client comments:</u></p> <p>This process is now managed through the ICT Service Desk with periodic reviews in line with the recommendations above.</p>
Logical Security (applications)  Page 51	<p>Deficiencies were identified with application password settings, as follows:</p> <ul style="list-style-type: none"> <li>• <b>minimum length:</b> the system default credentials are used for Resource Link, 7 characters (complexity enforced) are used for IPF and Northgate Housing;</li> <li>• <b>no information</b> regarding password settings was provided for Financial Director, Civica Benefits &amp; Revenues, Orchard, Civica Housing; and</li> <li>• <b>no information</b> regarding the account lockout settings was provided for SSID.</li> </ul>	Unauthorised access	<p>In order to ensure access to the Council's programs and data is appropriately restricted, we recommend considering the best practices for password settings:</p> <ul style="list-style-type: none"> <li>• <b>minimum length:</b> 8 characters, complexity enabled;</li> <li>• <b>Account lockout:</b> user account should be automatically locked after several unsuccessful logon attempts.</li> </ul> <p><u>Client comments:</u></p> <p>Agreed.</p>

# Summary of our findings – IT General Controls (6/7)

Page 52

Domain	Weaknesses	Identified Risks	Recommendations
<b>Change Management</b> (network and infrastructure)	It was noted that no standardised change management procedure is in place for registering, classifying and tracking the network change requests; however monitoring is performed through the Network Configuration Management Systems program, keeping logs for changes performed, including historical configuration and user who performed the change.	Unauthorised access  Lack of traceability and accountability	To ensure no unauthorised changes are implemented affecting the Council's network and infrastructure, we recommend implementing a standardised process. This should be managed through a dedicated system that would allow categorising, tracing and monitoring changes. The process should be formalised under dedicated procedures/policies and acknowledged by all relevant staff.  <u><b>Client comments:</b></u> The ICT Management Team is reviewing change management. Given the scale, complexity and interdependency of the ICT systems, networks and service platforms, it is likely that it will take some time to develop a fully coordinated change management procedure. This recommendation is agreed and will be completed by the end of March 2016.
<b>Change Management</b> (applications)	No proper segregation of duties is enforced for change management processes, as the same team (applications super users) perform both development and migration into production of changes.	Unauthorised changes	To avoid unauthorised changes being deployed on the Council's systems, we recommend ensuring proper segregation of duties between development and migration into production of changes.  If the limitation or allocation of resources does not allow full segregation of duties, we recommend ensuring close monitoring of changes being deployed on the Council's systems.  <u><b>Client comments:</b></u> This separation of duties is difficult when budgets and staff numbers are reducing. However, by maintaining separation of operational activities and higher level system administrative functions, logging can be used to track and monitor changes in system state. This separation and logging is in place.

# Summary of our findings – IT General Controls (7/7)

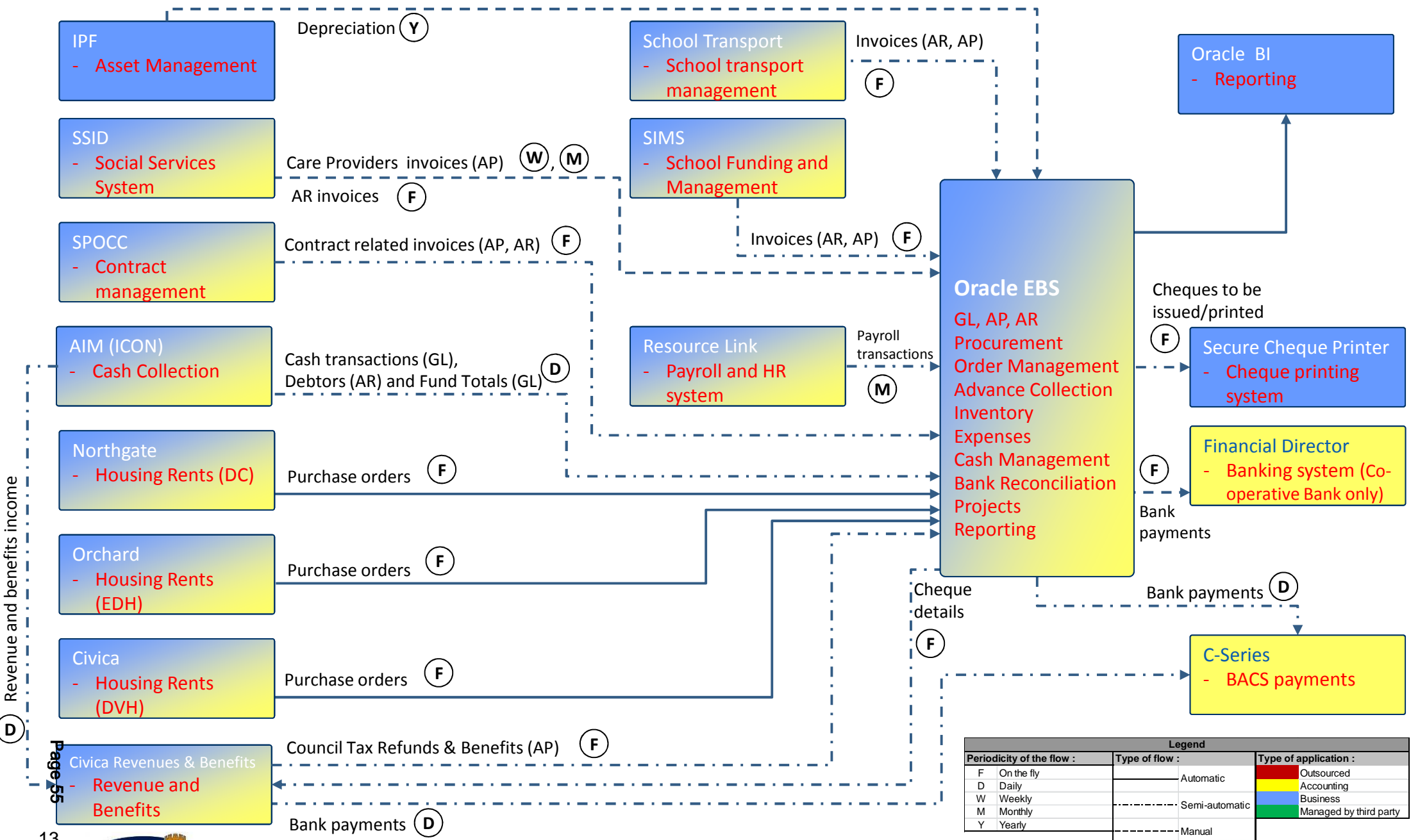
Domain	Weaknesses	Identified Risks	Recommendations																																																																											
<div>Oracle Migration Project</div> <div>Page 53</div>	<p>Although the project has been performed to a good standard of quality, the data reconciliation strategy was not identified at the beginning of the project, leading to data reconciliation during live migration has not fully covered completeness and accuracy of transactions. The number of transaction has not been reconciled and the deficiencies identified needed further detailed investigation.</p> <p>Detailed testing was performed by the financial audit team. The risk level was assessed as low.</p> <table><tr><th colspan="5">Accounts Receivables</th></tr><tr><th>Op Unit</th><th>Report</th><th>Pre Upgrade</th><th>Post Upgrade</th><th>Difference</th></tr><tr><td>DUR</td><td>Receipts Register</td><td>51,069,333.66</td><td>51,064,382.76</td><td>4,950.90</td></tr><tr><td>DUR</td><td>Tax Rec - Gross</td><td>50,756,529.67</td><td>50,733,493.58</td><td>23,036.09</td></tr><tr><td>FRA</td><td>Receipts Register</td><td>2,963,291.10</td><td>3,564,660.61</td><td>-601,369.51</td></tr><tr><th colspan="5">Accounts Payables</th></tr><tr><th>Op Unit</th><th></th><th>Pre Upgrade</th><th>Post Upgrade</th><th>Difference</th></tr><tr><td>DCC</td><td>Posted Payments Register</td><td>106,532,374.83</td><td>106,573,520.42</td><td>-41,145.59</td></tr><tr><td>DCCT</td><td>Tax Audit Trail</td><td>1,315.74</td><td>1,425.74</td><td>-110.00</td></tr><tr><td>DCC</td><td>Tax Audit Trail</td><td>51,905,632.73</td><td>51,412,672.20</td><td>492,960.53</td></tr><tr><td>DVH</td><td>Tax Audit Trail</td><td>146,557.27</td><td>146,111.42</td><td>445.85</td></tr><tr><td>FRA</td><td>Tax Audit Trail</td><td>1,872,494.59</td><td>1,875,607.79</td><td>-3,113.20</td></tr><tr><th colspan="5">CM Report Comparison - LIVE</th></tr><tr><th>Op Unit</th><th>Bank Account</th><th>Pre Upgrade</th><th>Post Upgrade</th><th>Difference</th></tr><tr><td>DUR</td><td>County Fund</td><td>- 520,503,775.09</td><td>-519,338,649.06</td><td>- 1,165,126.03</td></tr></table>	Accounts Receivables					Op Unit	Report	Pre Upgrade	Post Upgrade	Difference	DUR	Receipts Register	51,069,333.66	51,064,382.76	4,950.90	DUR	Tax Rec - Gross	50,756,529.67	50,733,493.58	23,036.09	FRA	Receipts Register	2,963,291.10	3,564,660.61	-601,369.51	Accounts Payables					Op Unit		Pre Upgrade	Post Upgrade	Difference	DCC	Posted Payments Register	106,532,374.83	106,573,520.42	-41,145.59	DCCT	Tax Audit Trail	1,315.74	1,425.74	-110.00	DCC	Tax Audit Trail	51,905,632.73	51,412,672.20	492,960.53	DVH	Tax Audit Trail	146,557.27	146,111.42	445.85	FRA	Tax Audit Trail	1,872,494.59	1,875,607.79	-3,113.20	CM Report Comparison - LIVE					Op Unit	Bank Account	Pre Upgrade	Post Upgrade	Difference	DUR	County Fund	- 520,503,775.09	-519,338,649.06	- 1,165,126.03	<div>Compromising the data integrity through migration process</div>	<p>To ensure data is correctly and completely migrated between systems/ versions, we recommend ensuring proper testing/reconciliation is performed. This should include:</p> <ul style="list-style-type: none"><li>Cross-checking the number of transactions between the systems;</li><li>Cross-checking amounts per detailed category (e.g. per account), not limited to totals.</li></ul> <p><u>Client comments:</u></p> <p>Agreed. Clear testing and reconciliation procedures will be included in the scope of future system migrations/upgrades.</p>
Accounts Receivables																																																																														
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## I. IT Systems Mapping



# I. IT SYSTEMS MAPPING – Durham County Council, 2<sup>nd</sup> April 2015



# IT SYSTEMS MAPPING – Details (1/3)

Page 56

Application	Functionalities	Users	Maintenance contract
<b>Oracle EBS</b> Editor: Oracle Database: Oracle	Enterprise Resource Planning (ERP) system, managing: <ul style="list-style-type: none"> <li>• GL, AP, AR;</li> <li>• Procurement;</li> <li>• Order Management;</li> <li>• Advance Collection;</li> <li>• Inventory;</li> <li>• Expenses;</li> <li>• Cash Management;</li> <li>• Bank Reconciliation;</li> <li>• Projects;</li> <li>• Reporting.</li> </ul>	2 466 users	<ul style="list-style-type: none"> <li>• Software contracts: Oracle;</li> <li>• Hardware contracts: Dell.</li> </ul>
<b>Civica Revenues &amp; Benefits</b> Editor: Civica	Revenues & Benefits system, managing: <ul style="list-style-type: none"> <li>• Council Tax (CTAX) contributors;</li> <li>• National Non-Domestic Rates (NNRD) contributors;</li> <li>• Payments and rates for CTAX and NNDR.</li> </ul>		<ul style="list-style-type: none"> <li>• Software contracts: Civica;</li> <li>• Hardware contracts: Dell.</li> </ul>
<b>ICON (AIM)</b> Editor: Capita	System used for cash collection, fed from: <ul style="list-style-type: none"> <li>• Paye.net – on-line payments from individuals;</li> <li>• Capita – pay point cash payments from individuals (ACR – Cash Receipting).</li> </ul>	1 005 users	<ul style="list-style-type: none"> <li>• Software contracts: Capita;</li> <li>• Hardware contracts: Dell.</li> </ul>

# I. IT SYSTEMS MAPPING – Details (2/3)

Application	Functionalities	Users	Maintenance contract
<b>Northgate</b> Editor: Northgate	<p>Pre LSVT - Housing system used covering <b>Durham City</b> area.</p> <p>The system manages:</p> <ul style="list-style-type: none"> <li>• Housing rents;</li> <li>• Properties;</li> <li>• Applicants.</li> </ul>	492 users	<ul style="list-style-type: none"> <li>• Software contracts: Northgate;</li> <li>• Hardware contracts: Dell.</li> </ul>
<b>Orchard</b> Editor: Orchard	<p>Pre LSVT - Housing system used covering <b>East Durham</b> area.</p> <p>The system manages:</p> <ul style="list-style-type: none"> <li>• Housing rents;</li> <li>• Properties;</li> <li>• Applicants.</li> </ul>		<ul style="list-style-type: none"> <li>• Software contracts: Orchard;</li> <li>• Hardware contracts: Dell.</li> </ul>
<b>Civica Housing</b> Editor: Civica Page 57	<p>Pre LSVT - Housing system used covering <b>Dale &amp; Valley</b> area.</p> <p>The system manages:</p> <ul style="list-style-type: none"> <li>• Housing rents;</li> <li>• Properties;</li> <li>• Applicants.</li> </ul>		<ul style="list-style-type: none"> <li>• Software contracts: Civica;</li> <li>• Hardware contracts: Dell.</li> </ul>

# IT SYSTEMS MAPPING – Details (3/3)

Page 58

Application	Functionalities	Users	Maintenance contract
<b>IPF</b> Editor: CIPFA	Fixed Assets Management system.  The system does not feed directly into the GL, and issues no journal entries. The only impact upon the Council's accounts is the yearly depreciation manually transferred into the GL.	165 users	<ul style="list-style-type: none"> <li>• Software contracts: CIPFA;</li> <li>• Hardware contracts: Dell.</li> </ul>
<b>SSID</b>	Adult and Children Social Care Management System , managing: <ul style="list-style-type: none"> <li>• Contracts and referrals;</li> <li>• Assessment plans;</li> <li>• Care commissioning;</li> <li>• Personal budgets;</li> <li>• Adult social care payments;</li> <li>• Foster care payments;</li> </ul>	2 837 users	<ul style="list-style-type: none"> <li>• Software contracts: No information provided;</li> <li>• Hardware contracts: Dell.</li> </ul>
<b>Resource Link</b> Editor: Northgate	Integrated HR and Payroll system, managing: <ul style="list-style-type: none"> <li>• Recruitment process;</li> <li>• Human resources information (jobs, employees details, pay scale, etc.);</li> <li>• Payroll;</li> <li>• Pensions and absence information;</li> </ul>	357 users	<ul style="list-style-type: none"> <li>• Software contracts: Northgate;</li> <li>• Hardware contracts: Dell.</li> </ul>
<b>Financial Director</b> Editor: Co-op Bank	Banking system used for Co-operative Bank transactions.  The system will be out of use in the next financial year.	N/A	<ul style="list-style-type: none"> <li>• Software contracts: Co-operative Bank;</li> <li>• Hardware contracts: Dell.</li> </ul>

# I. IT SYSTEMS MAPPING – Details (3/3)

Application	Functionalities	Users	Maintenance contract
SPOCC	Contract Management system.		<ul style="list-style-type: none"> <li>• Software contracts: No information provided;</li> <li>• Hardware contracts: Dell.</li> </ul>
School Transport	School Transport Management system, managing funds and costs for school transportation.	N/A	<ul style="list-style-type: none"> <li>• Software contracts: N/A;</li> <li>• Hardware contracts: N/A.</li> </ul>
SIMS	System used by schools in order to manage allocated budget and related expenses. Feeds expenses and invoices information into Council's accounts.	N/A	<ul style="list-style-type: none"> <li>• Software contracts: N/A;</li> <li>• Hardware contracts: N/A.</li> </ul>
C-Series Editor: Xpress Software Solutions	Banking system used for BACS transactions.		<ul style="list-style-type: none"> <li>• Software contracts: Xpress Software Solutions;</li> <li>• Hardware contracts: Dell.</li> </ul>
Secure Print Cheque	System used for cheque printing. Cheques information is received from Oracle EBS, and the system is used for automatically arranging the information in a cheque printable format.	N/A	<ul style="list-style-type: none"> <li>• Software contracts: N/A;</li> <li>• Hardware contracts: Dell.</li> </ul>

# IT SYSTEMS MAPPING – Interfaces description (1/3)

Page 60

Outgoing application	Incoming application	Data stream type	Flow periodicity	Data stream and monitoring description	Control manager
IPF	Oracle	Manual	Yearly	Fixed assets depreciation is manually input into Oracle based on IPF calculations.	N/A
School Transport	Oracle	Semi-automated	Ad-hoc	Schools transport invoices (AP, AR) data is transferred towards Oracle.	N/A
SIMS	Oracle	Semi-automated	Ad-hoc	Schools expenses and invoices are transferred into the Schools costs (GL accounts).	N/A
AIM	Civica Benefits & Revenues	Semi-automated	Daily	Collection data regarding Council Tax and National Non-Domestic Rates is transferred to the Revenues & Benefits system.	N/A

# I. IT SYSTEMS MAPPING – Interfaces description (1/3)

Outgoing application	Incoming application	Data stream type	Flow periodicity	Data stream and monitoring description	Control manager
SSID	Oracle	Manual	Weekly, Monthly	Care providers AP invoices information is fed into GL.	N/A
SSID	Oracle	Semi-automated	Ad-hoc	Care providers AR invoices information is fed into GL.	N/A
SPOCC	Oracle	Semi-automated	Ad-hoc	Contract related invoices information is fed into GL semi-automated.	N/A
AIM	Oracle	Semi-automated	Daily	Cash transactions information (amount, debtors, fund totals) is fed into Oracle on a daily basis.	N/A

# IT SYSTEMS MAPPING – Interfaces description (1/3)

Page 62

Outgoing application	Incoming application	Data stream type	Flow periodicity	Data stream and monitoring description	Control manager
Resource Link	Oracle	Semi-automated	Monthly	Payroll transactions generated in Resource Link are transferred monthly into GL.	N/A
Northgate	Oracle	Automated	Ad-hoc	Housing purchase orders for Durham City area are automatically fed into Oracle.	N/A
Orchard	Oracle	Automated	Ad-hoc	Housing purchase orders for East Durham area are automatically fed into Oracle.	N/A
Civica Housing	Oracle	Automated	Ad-hoc	Housing purchase orders for Dale & Valley area are automatically fed into Oracle.	N/A



# I. IT SYSTEMS MAPPING – Interfaces description (1/3)

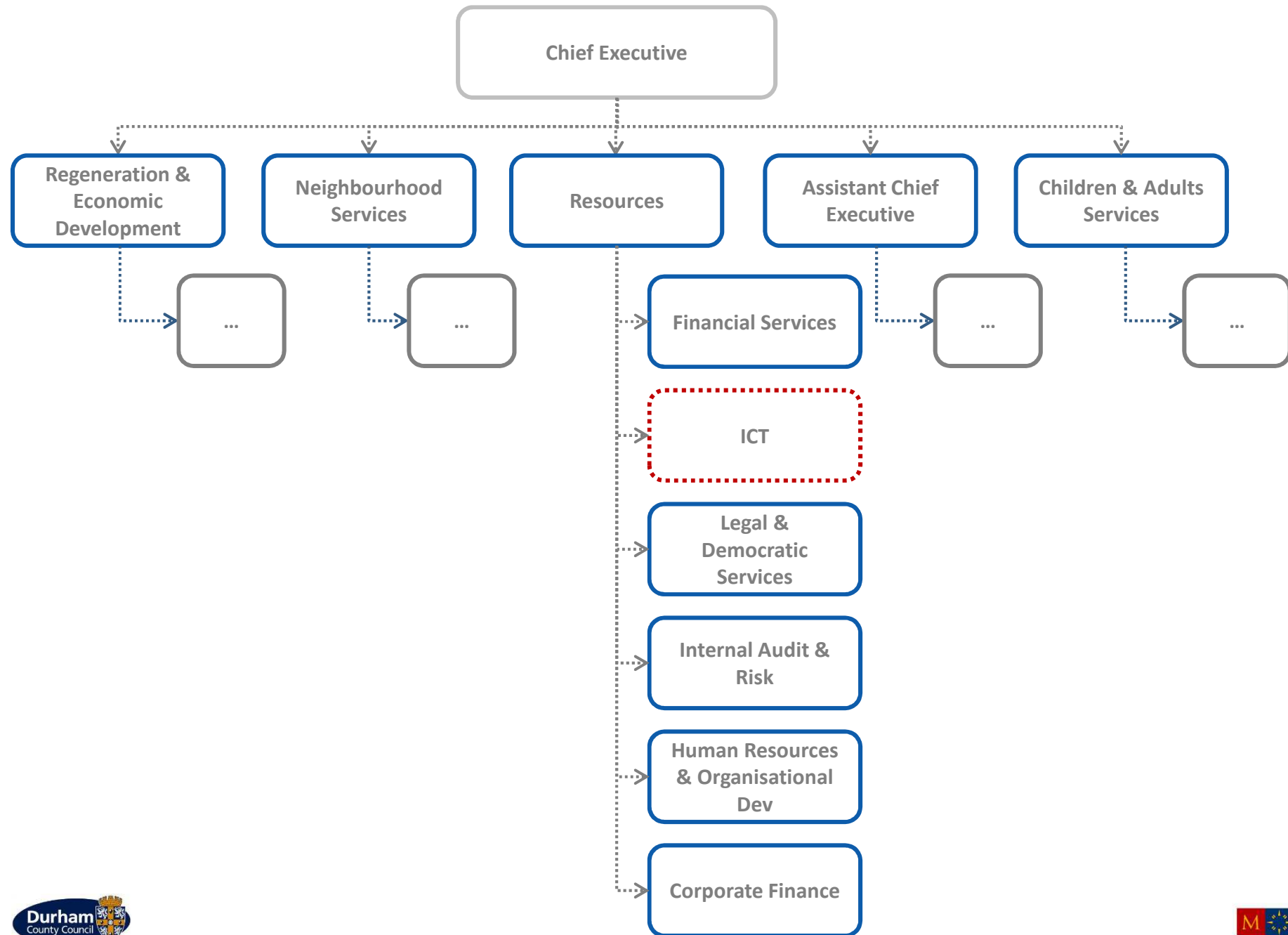
Outgoing application	Incoming application	Data stream type	Flow periodicity	Data stream and monitoring description	Control manager
<b>Civica Revenues &amp; Benefits</b>	<b>Oracle</b>	Semi-automated	Ad-hoc	Council Tax and Non-Domestic Rates refunds are fed into Oracle.	N/A
<b>Oracle</b>	<b>Civica Revenues &amp; Benefits</b>	Semi-automated	Ad-hoc	Cheque details are transferred from Oracle to the Revenues & Benefits system.	N/A
<b>Civica Revenues &amp; Benefits</b>	<b>C-Series</b>	Semi-automated	Daily	Bacs transactions to the Co-operative Bank are generated in Civica Revenues & Benefits and sent to C-Series for bank transfer.	N/A
<b>Oracle</b>	<b>C-Series</b>	Semi-automated	Daily	Bacs transactions to the Co-operative Bank are generated in Oracle and sent to C-Series for bank transfer.	N/A

# IT SYSTEMS MAPPING – Interfaces description (1/3)

Page 64

Outgoing application	Incoming application	Data stream type	Flow periodicity	Data stream and monitoring description	Control manager
Oracle	Financial Director	Semi-automated	Daily	Bacs transactions to the Co-operative Bank are generated in Oracle and sent to Financial Director for bank transfer.	N/A
Oracle	Secure Cheque Printer	Semi-automated	Daily	<p>Cheques information is generated in Oracle and sent to Secure Cheque Printer, where it is formatted in order for the cheque to be printed. No data alteration is possible in Secure Cheque Printer – only formatting and printing functions.</p> <p><b>Control:</b> Cheques amounts are reconciled with Oracle transactions.</p>	Finance Department

# I. Organisation chart





## II. Oracle migration Project Overview

# Oracle Migration Project Overview

## Control Objective

To ensure that migration project has been appropriately planned, managed and performed.

## Risks/Possible implications

- Business risks: profitability, reputation , regulation;
- IT Risks: data loss, application stability, cut-over aborts, extended downtime, budget overruns, delays; and
- Data Migration Risks: completeness risk, semantic risks, corruption risks, stability risks, execution time risks.

## Work detail

### Migration background

Until 2014 the Council had been using Oracle EBS version 11.5.10. Extended support for 11.5.10 ended in December 2013. Oracle had provided exceptional extended support to it's clients until December 2014. The need to migrate to version 12.1.3 was considered by the Council in 2013. The actual migration occurred in November 2014.

### Project Review

We obtained and reviewed the project documentation supporting the main stages of the project, namely:

- **Planning:** A project plan was designed at the beginning of the project, clearly stating all activities to be undertaken, assigning an owner and estimated time for completion - the plan was regularly reviewed and updated as required;
- **Project meetings:** Regular project meetings were conducted with all relevant teams, including Pension Fund team members;
- **Testing:** two test iterations were performed and documented; during both test phases the Council performed test migration of data;
- **Go-live and project monitoring:** A fault register was issued and permanently monitored in order to ensure issues and risks are timely identified and appropriately addressed; and
- **Reconciliation of transferred data:** The Council has reconciled the transferred data by totals in divisions by operational units and accounting areas. There were several differences found during the reconciliation, which the Council has addressed but not documented the solution process and results.

Please refer to the following slide for the testing details and the main conclusions.

# Oracle Migration Project Overview

Page 68

## Work detail

### Reconciliation of Accounts Payables, Accounts Receivables, Inventory, Transaction log and Projects:

#### Accounts Receivables

Op Unit	Report	Pre Upgrade	Post Upgrade	Comments
CDDC	Aging 7 Buckets - By Account	-2.22	-2.22	OK
CDDC	Transaction Register	No Data	No Data	OK
CDDC	Receipts Register	-5869.51	-5,869.51	OK
CDDC	Tax Rec - Gross	-4,997.42	-4,997.42	OK
CDDC	Tax Rec - Tax	-872.09	-872.09	OK
DCCT	Aging 7 Buckets - By Account	0	0	OK
DCCT	Transaction Register	No Data	No Data	OK
DCCT	Receipts Register	1,178.74	1,178.74	OK
DCCT	Tax Rec - Gross	1,178.74	1,178.74	OK
DCCT	Tax Rec - Tax	0.00	0.00	OK
DDC	Aging 7 Buckets - By Account	Not run	Not run	OK
DDC	Transaction Register	Not run	Not run	OK
DDC	Receipts Register	Not run	Not run	OK
DDC	Tax Reconciliation	Not run	Not run	OK
DUR	Aging 7 Buckets - By Account	18,020,809.70	18,020,809.70	OK
DUR	Transaction Register	6,712,355.88	6,712,355.88	OK
DUR	Receipts Register	51,069,333.66	51,064,382.76	4,950.90
DUR	Tax Rec - Gross	50,756,529.67	50,733,493.58	23,036.09
DUR	Tax Rec - Tax	135,124.77	135,124.77	OK
DVH	Aging 7 Buckets - By Account	321,471.29	321,471.29	OK
DVH	Transaction Register	1,907,761.20	1,907,761.20	OK
DVH	Receipts Register	1,401,929.94	1,401,929.94	OK
DVH	Tax Rec - Gross	1,033,786.14	1,033,786.14	OK
DVH	Tax Rec - Tax	312,331.44	312,331.44	OK
FRA	Aging 7 Buckets - By Account	770,136.28	770,136.28	OK
FRA	Transaction Register	287,170.10	287,170.10	OK
FRA	Receipts Register	2,963,291.10	3,564,660.61	-601,369.51
FRA	Tax Rec - Gross	3,182,237.23	3,182,237.23	OK
FRA	Tax Rec - Tax	47,744.52	47,744.52	OK
PEN	Aging 7 Buckets - By Account	218,822.43	218,822.43	OK
PEN	Transaction Register	440,391.56	440,391.56	OK
PEN	Receipts Register	7,937,825.06	7,937,825.06	OK
PEN	Tax Rec - Gross	7,911,084.54	7,911,084.54	OK
PEN	Tax Rec - Tax	2,864.31	2,864.31	OK
SDC	Aging 7 Buckets - By Account	8,543.67	8,543.67	OK
SDC	Transaction Register	101,778.06	101,778.06	OK
SDC	Receipts Register	119,144.72	119,144.72	OK
SDC	Tax Rec - Gross	124,356.93	124,356.93	OK
SDC	Tax Rec - Tax	16,899.69	16,899.69	OK

#### Accounts Payables

Op Unit	Pre Upgrade	Post Upgrade	Difference
CDDC	Accounts Payable Trial Balance	-6	-6.00
DCCT	Accounts Payable Trial Balance	0	0.00
DCC	Accounts Payable Trial Balance	3,339,365.13	3,339,365.13
DVH	Accounts Payable Trial Balance	1,175.36	1,175.36
FRA	Accounts Payable Trial Balance	95,434.43	95,434.43
PEN	Accounts Payable Trial Balance	0.00	0.00
SDC	Accounts Payable Trial Balance	0.00	0.00
CDDC	Posted Invoice Register	0	0.00
DCCT	Posted Invoice Register	14,104.53	14,104.53
DCC	Posted Invoice Register	106,454,217.23	-106,454,217.23
DVH	Posted Invoice Register	992,082.36	-992,082.36
FRA	Posted Invoice Register	4,921,410.62	-4,921,410.62
PEN	Posted Invoice Register	6,695,051.59	-6,695,051.59
SDC	Posted Invoice Register	118,737.61	-118,737.61
CDDC	Posted Payments Register	0.00	0.00
DCCT	Posted Payments Register	15,548.45	15,548.45
DCC	Posted Payments Register	106,532,374.83	106,573,520.42
DVH	Posted Payments Register	1,044,200.77	1,044,200.77
FRA	Posted Payments Register	4,855,973.55	4,855,973.55
PEN	Posted Payments Register	6,695,051.59	6,695,051.59
SDC	Posted Payments Register	141,302.62	141,302.62
CDDC	Invoice Aging Report	-6	-6.00
DCCT	Invoice Aging Report	405.14	405.14
DCC	Invoice Aging Report	8,162,388.04	8,162,388.04
DVH	Invoice Aging Report	-11,169.76	-11,169.76
FRA	Invoice Aging Report	154,428.86	154,428.86
PEN	Invoice Aging Report	27,253.19	27,253.19
SDC	Invoice Aging Report	22,372.06	22,372.06
CDDC	Tax Audit Trail	0.00	0.00
DCCT	Tax Audit Trail	1,315.74	1,425.74
DCC	Tax Audit Trail	51,905,632.73	51,412,672.20
DVH	Tax Audit Trail	146,557.27	146,111.42
FRA	Tax Audit Trail	1,872,494.59	1,875,607.79
PEN	Tax Audit Trail	1,263,974.62	1,263,974.62
SDC	Tax Audit Trail	44,490.34	44,490.34

#### CM Report Comparison - LIVE

Op Unit	Bank Account	Pre Upgrade	Post Upgrade	Comments
CDDC	CDDC	87,051.41	87,051.41	OK
DCCT	DCCT	85,793.43	85,793.43	OK
DDC	DDC	Not Run	Not Run	OK
DUR	County Fund	-520,503,775.09	-519,338,649.06	1,165,126.03
DUR	Income Account	426,699,451.08	426,699,451.08	OK
DVH	DVH	3,807.05	3,807.05	OK
FRA	Co-op	115,062.13	115,062.13	OK
FRA	HSBC	878,460.44	878,460.44	OK
PEN	PEN	86,131,296.72	86,131,296.72	OK
SDC	SDC	677,361.10	677,361.10	OK

#### Inventory Checks

Op Unit	Pre Upgrade	Post Upgrade	Difference
FRA	514,187.49	514,187.49	0.00
ICT	149,820.61	149,820.61	0.00
ITS	124,458.84	124,458.84	0.00
SDI	1,769,068.19	1,769,068.19	0.00

#### Transaction Register

Op Unit	Month	Pre Upgrade	Post Upgrade	Difference
FRA	June	12,337.19	12,337.19	0.00
FRA	July	-25,616.61	-25,616.61	0.00
ICT	June	-13,169.76	-13,169.76	0.00
ICT	July	23,484.28	23,484.28	0.00
ITS	June	22,866.83	22,866.83	0.00
ITS	July	49,791.82	49,791.82	0.00
SDI	June	-139,911.74	-139,911.74	0.00
SDI	July	26,097.94	26,097.94	0.00

#### Projects

Category	Formula	Pre Upgrade	Post Upgrade	Difference
Count of Open Projects		92,583.00	92,583.00	0.00
count and sum of project expenditures	count(expenditure_item_id)	4,401,911.00	4,401,911.00	0.00
count and sum of project expenditures	sum(raw_cost)	793,688,422.62	793,688,422.62	0.00
count and sum of project expenditures	sum(burden_cost)	811,431,182.11	811,431,182.11	0.00
count and sum of events	count(event_id)	137,377.00	137,377.00	0.00
count and sum of events	sum(bill_amount)	49,773,349.04	49,773,349.04	0.00
count and sum of events	sum(revenue_amount)	45,982,213.14	45,982,213.14	0.00
count and sum of revenue	count(project_id)	28,710.00	28,710.00	0.00
count and sum of revenue	sum(unbilled_receivable_dr)	49,349,125.47	49,349,125.47	0.00
count and sum of revenue	sum(unearned_revenue_cr)	3,357,404.54	3,357,404.54	0.00
count and sum of invoices	count(project_id)	25,143.00	25,143.00	0.00
count and sum of invoices	sum(unearned_revenue_cr)	-3,350,911.08	-3,350,911.08	0.00
count and sum of invoices	sum(unbilled_receivable_dr)	-47,991,623.92	-47,991,623.92	0.00

## Conclusion and recommendations

Low

Although the project has been performed with a good standard of quality, the data reconciliation strategy was not identified at the beginning of the project, leading to data reconciliation during live migration which has not fully covered completeness and accuracy of transactions. The number of transactions has not been reconciled and the deficiencies identified needed further detailed investigation.

We recommend that substantive testing over data migration process is performed – this has been performed already by the financial audit team.



### III. IT General Controls

# Physical Security (1/3)

Page 70

#	Sub-Domain	Question		Comments
PS1	Access to the data center	There is a room dedicated to servers	Yes	Servers are located in a dedicated room in one of the Council's buildings.
PS2		The Data Centre is not vulnerable in any way	Yes	No windows, inflammable materials or other aspects that would make the Data Centre vulnerable were identified at the time of our review.
PS3		The doors to the Data Centre are always locked	Yes	The access is restricted via a swipe card system.
PS4		There is a protection system able to detect intruders (alarms, camera...)	Yes	Alarms and CCTV systems are in place throughout the building, including the Data Centre. Alarms are linked to the police and a security guard who would be alerted in case of intruders.
PS5		There is a procedure for granting and revoking physical access to the data centre	Yes	Physical access is granted/restricted by Facilities Management based on the authorisation of the IT Department representatives.
PS6		Only authorised personnel have access to the Data Centre	Yes	Access is restricted to 8 members of the Facilities team and 42 members of the IT Department.



## Physical Security (2/3)

#	Sub-Domain	Question		Comments
PS7	Access to the data centre (cont'd)	The IT department manages visitor authorisations (people who are temporarily authorised to access these rooms)	Yes	The IT department authorises temporary access, which is granted by the Facilities Team. Visitors are escorted by a member of the IT Department.
PS8	Fire alarm devices	A fire detector is installed inside the Data Centre	Yes	Smoke and fire detection sensors are placed under the raised floor and on the ceiling of the Data Centre.
PS9		There is a fire extinguisher inside the Data Centre	Yes	An automatic fire extinguishing system is installed in the Data Centre, and manual fire extinguishers are placed throughout the building.
PS10		The Data Centre is equipped with an automatic fire-extinguishing device	Yes	Cf. PS9.
PS11		Specialised companies audit the devices at regular intervals	Yes	Annual testing and recertification is performed for all Data Centre equipment and controls.
PS12 Page 71	Devices protecting against power surges and power cuts	A device protects (servers and workstations) against power surges and power cuts (uninterruptible power supply)	Yes	One Gamatronic UPS is in place for the data centre, that would keep the equipment running for ~10 minutes. Also, 3 generators are installed: 2 of them supporting the entire building, including the Data Centre equipment, and one on stand-by for back-up purposes. The generators could run continuously for 7 days (based on the fuel reserve the Council has installed).

# Physical Security (3/3)

Page 72

#	Sub-Domain	Question		Comments
PS13	Devices protecting against power surges and power cuts (cont'd)	Tests are conducted regularly	Yes	Annual testing and recertification is performed for all Data Centre equipment and controls.
PS14	Other security devices	The Data Center is always kept clean (there are no papers near the servers)	Yes	The Data Centre is kept clean. No papers or other inflammable materials were found in the Data Centre at the time of our review.
PS15		The room where the servers are located is well ventilated and has air conditioning	Yes	2 air conditioning systems are in place for the Data Centre.
PS16		Servers are installed in such a way that they do not come into contact with the ground	Yes	Servers are placed on dedicated racks, that prevent them from taking direct contact with the ground.
PS17		Servers are not located inside the Council building but are located inside the offices of an outside service provider (e.g.: ISO27001 certified or acknowledged structure)	N/A	
PS18		The Data Center is not located in a potential flood-risk area (basement, attic, water main above the servers etc.)	Yes	The Data Centre is located at the ground floor of the building.
PS19		The Data Center has a raised flooring	Yes	The Data Centre has a raised flooring.

# Back-up and Disaster Recovery Plan (1/5)

#	Sub-Domain	Question		Comments
BD1	Back up management	There is a procedure defining back up management	Yes	<p>A daily back up is in place for Durham County Council's programs and data.</p> <ul style="list-style-type: none"> <li><b>Oracle:</b> incremental back-up is performed daily using Oracle Recovery Manager for disk back-up, and TSM for tapes back-up;</li> <li><b>SQL Servers:</b> incremental back-up is performed daily on tapes.</li> </ul> <p>Tapes are taken on a daily basis off-site, to Sunderland (more than 5 miles away from the primary location), and retained for 100 days and for tapes and disk data.</p>
BD2		The procedure is formalised	Yes	The back up policy was formalised.
BD3		The procedure specifies the type of data that must be backed up	Yes	Cf. BD1.
BD4		There is a back up procedure for laptops	No	No business/operational data is stored on the users' local drives.

# Back-up and Disaster Recovery Plan (2/5)

Page 74

#	Sub-Domain	Question		Comments
BD5	Back up management (cont'd)	Back ups are automated	Yes	Scheduled jobs are setup for performing daily back-up.
BD6		Back up logs are systematically monitored	Yes	The back-up job issues history logs, including the results (failure, success).
BD7		All back up failures are documented	Yes	Besides the back-up logs, in case of back-up failure the IT Department representatives are automatically notified via e-mail .
BD8		Back ups are kept in a separate room from the servers	Yes	Back-ups are kept in a locked safe in a dedicated room, separate from the servers, until picked up as for transfer to a locked safe in the secondary site (Sunderland).
BD9		Back ups are kept in a protected environment (such as a fire-proof vault)	Yes	Cf. BD8.

# Back-up and Disaster Recovery Plan (3/5)

#	Sub-Domain	Question		Comments
BD10	Back up management (cont'd)	A spare copy of the Back ups is kept outside Council walls	Yes	Cf. BD8.
BD11		Complete data restoration is tested regularly	Yes	Production data restoration tests are performed every 2 months.
BD12		Restoration tests will include operational users	Yes	Operational users are involved in testing.
BD13		In case back-ups are externalised, the contract has defined the service provider's agreement to all of the preceding points (back-up plan, number of generations and their life cycles, media stored in a secure place, restoration procedures, back-up plan update procedure, periodic test of full data restoration in test environment for critical applications and/or servers, reporting procedure)	N/A	

# Back-up and Disaster Recovery Plan (4/5)

Page 76

#	Sub-Domain	Question		Comments
BD14	Back up management (cont'd)	Does the Back up strategy guarantee a limited loss of data acceptable to the Council?	Yes	1 day.
BD15	Financial obligations	Back ups are archived long enough to answer to obligations linked to tax investigations	Yes	100 days.
BD16	Disaster recovery plan	There is a formalised Disaster Recovery Plan	No	No formalised Disaster Recovery Plan (DRP) was identified at the time of our review. Nevertheless, the DRP was under development, and a Business Continuity Plan was formalised and is annually reviewed and tested.
BD17		Rescue equipment is available	No	Cf. BD16.
BD18		There is a rescue site (Relocation arrangements have been made if need be)	No	Cf. BD16.

# Back-up and Disaster Recovery Plan (5/5)

#	Sub-Domain	Question		Comments
BD19	Disaster recovery plan (cont'd)	The Disaster Recovery Plan is tested at least once every year	No	Nevertheless, the business continuity plan is tested yearly.
BD20		A formal report of the test is made	No	Cf. BD20.
BD21		The Council has an insurance policy which covers the hardware	Yes	The insurance policy covers the hardware equipment.
BD22		The Council has a maintenance contract for the servers	Yes	Hardware support and maintenance contract in place with DELL.

# Logical Security (1/17)

Page 78

#	Sub-Domain	Question		Comments
LS1	Network security	There is a user management procedure (user profile, creating a user, modifying a user, deleting a user)	Yes	<p>The user access management process is performed as follows:</p> <ul style="list-style-type: none"> <li>• <b>Starters/ Access change:</b> For network access, a dedicated form is filled in by the line manager for the new/changed user through a dedicated Service Desk ticketing tool. The IT Department analyses the request and proceeds to access granting/changing;</li> <li>• <b>Leavers:</b> The HR Department provides the IT Department with a list of leavers on a monthly basis, and the IT representatives proceed to disable the accounts.</li> </ul>
LS2		The procedure is formalised	Yes	A dedicated procedure was formalised as for governing the user access management process.
LS3		Access to the network is protected by a password	Yes	Active Directory.
LS4		Passwords contain at least 8 complex characters	Yes	8 characters, complexity enabled.
LS5		The first password will be attributed individually to each user by IT services (random password)	Yes	A random password is assigned individually to the user when joining the Council.
LS6		The first password must be modified by the user upon the user's first connection	Yes	Users are prompted to change their password at first logon.
LS7		Passwords are renewed regularly	Yes	Every 60 days.
LS8		Users are not allowed to use the same password several times in a row	Yes	24 passwords remembered.



# Logical Security (2/17)

#	Sub-Domain	Question		Comments
LS9	Network security (cont'd)	After several unsuccessful access attempts, the user account is locked out	Yes	3 unsuccessful attempts.
LS10		After a pre-determined time of inactivity, the workstation goes into sleep mode (automatic disconnection and/or password protection)	Yes	30 minutes.
LS11		There are different profiles for each type of user	Yes	Profiles are assigned according to the required access, and administrative privileges are segregated from operational users.
LS12		There are no generic accounts (traceability breach)	No	From a total number of 19,842 users, 762 generic accounts were identified at domain level (including 1 account with administrative privileges).
LS13		A regular review of user access rights is made and formalised	No	No regular review is in place at network level.
LS14		Remote access is secured and protected by a password (VPN...)	Yes	Juniper SSL VPN is used for secure remote access.
LS15		WIFI access and data transfer are encrypted	Yes	Wifi connections are used; data transfer is encrypted. Public Wifi is password restricted, and corporate Wifi is certificate-based and password restricted.
Page 39 LS16		Laptop hard-drives are encrypted	Yes	Safend is used for laptop hard-drives encryption.

# Logical Security (3/17)

Page 80

#	Sub-Domain	Question		Comments
LS17	Outside links	Network access is protected from outside intrusions: e.g.: Internet by a proxy, local network by a firewall	Yes	Network controls (e.g. firewalls, etc.) are in place.
LS18	Security measures concerning applications with financial impact	There is a user management procedure (user profile, creating a user, modifying a user, deleting a user)	Yes	<ul style="list-style-type: none"> <li>• <b>Starters/ Access change:</b> A dedicated form is filled in by the line manager for the new/changed user through a dedicated Service Desk ticketing tool. The IT Department/system administrator analyses the request and proceeds to access granting/changing;</li> <li>• <b>Leavers:</b> The HR Department provides the IT Department and system administrators with a list of leavers on a monthly basis, and the IT representatives proceed to disabling the accounts.</li> </ul>
LS19		The procedure is formalised	No	No formalised procedure was identified during our review.
LS20		Access to applications is protected by password	No	<ul style="list-style-type: none"> <li>• <b>Oracle:</b> Yes;</li> <li>• <b>Resource Link:</b> Yes;</li> <li>• <b>IPF:</b> Yes;</li> <li>• <b>Financial Director:</b> No – no evidence was provided;</li> <li>• <b>CIVICA Revenues &amp; Benefits:</b> No – no evidence was provided;</li> <li>• <b>ICON (AIM):</b> No – no evidence was provided;</li> <li>• <b>SSID:</b> Yes;</li> <li>• <b>Orchard:</b> No – no evidence was provided;</li> <li>• <b>Northgate:</b> Yes;</li> <li>• <b>Civica Housing:</b> No – no evidence was provided.</li> </ul>

# Logical Security (4/17)

#	Sub-Domain	Question		Comments
LS21	Security measures concerning applications with financial impact (cont'd)	Passwords contain at least 8 complex characters	No	<ul style="list-style-type: none"> <li>• <b>Oracle:</b> Yes – 8 characters, complexity enabled;</li> <li>• <b>Resource Link:</b> No – system default credentials are used;</li> <li>• <b>IPF:</b> No – no evidence provided;</li> <li>• <b>Financial Director:</b> No – no evidence was provided;</li> <li>• <b>CIVICA Revenues &amp; Benefits:</b> No – no evidence provided;</li> <li>• <b>ICON (AIM):</b> No – no evidence provided;</li> <li>• <b>SSID:</b> Yes – 8 characters, standard Oracle password verify function script is used;</li> <li>• <b>Orchard:</b> No – no evidence was provided;</li> <li>• <b>Northgate:</b> No – 7 characters, complexity enforced;</li> <li>• <b>Civica Housing:</b> No – no evidence was provided.</li> </ul>

# Logical Security (5/17)

Page 82

#	Sub-Domain	Question		Comments
LS22	Security measures concerning applications with financial impact (cont'd)	The first password will be attributed individually to each user by IT services (random password)	No	<ul style="list-style-type: none"> <li>• <b>Oracle:</b> Yes;</li> <li>• <b>Resource Link:</b> Yes;</li> <li>• <b>IPF:</b> Yes;</li> <li>• <b>Financial Director:</b> No – no evidence was provided;</li> <li>• <b>CIVICA Revenues &amp; Benefits:</b> No – no evidence was provided;</li> <li>• <b>ICON (AIM):</b> No – no evidence was provided;</li> <li>• <b>SSID:</b> Yes;</li> <li>• <b>Orchard:</b> No – no evidence was provided;</li> <li>• <b>Northgate:</b> Yes;</li> <li>• <b>Civica Housing:</b> No – no evidence was provided.</li> </ul>

# Logical Security (6/17)

#	Sub-Domain	Question		Comments
LS23	Security measures concerning applications with financial impact (cont'd)	The first password must be modified by the user upon user's first connection	No	<ul style="list-style-type: none"> <li>• <b>Oracle:</b> Yes;</li> <li>• <b>Resource Link:</b> Yes;</li> <li>• <b>IPF:</b> Yes;</li> <li>• <b>Financial Director:</b> No – no evidence was provided;</li> <li>• <b>CIVICA Revenues &amp; Benefits:</b> No – no evidence was provided;</li> <li>• <b>ICON (AIM):</b> No – no evidence was provided;</li> <li>• <b>SSID:</b> Yes;</li> <li>• <b>Orchard:</b> No – no evidence was provided;</li> <li>• <b>Northgate:</b> Yes;</li> <li>• <b>Civica Housing:</b> No – no evidence was provided.</li> </ul>

# Logical Security (7/17)

Page 84

#	Sub-Domain	Question		Comments
LS24	Security measures concerning applications with financial impact (cont'd)	Passwords are renewed regularly	No	<ul style="list-style-type: none"> <li>• <b>Oracle:</b> Yes – 60 days;</li> <li>• <b>Resource Link:</b> Yes – 90 days;</li> <li>• <b>IPF:</b> Yes – 90 days;</li> <li>• <b>Financial Director:</b> No – no evidence was provided;</li> <li>• <b>CIVICA Revenues &amp; Benefits:</b> No – no evidence was provided;</li> <li>• <b>ICON (AIM):</b> No – no evidence was provided;</li> <li>• <b>SSID:</b> Yes – 63 days;</li> <li>• <b>Orchard:</b> No – no evidence was provided;</li> <li>• <b>Northgate:</b> Yes – 28 days;</li> <li>• <b>Civica Housing:</b> No – no evidence was provided.</li> </ul>

# Logical Security (8/17)

#	Sub-Domain	Question		Comments
LS25	Security measures concerning applications with financial impact (cont'd)	Users are not allowed to use the same password several times in a row.	No	<ul style="list-style-type: none"> <li>• <b>Oracle:</b> Yes – 380 passwords remembered;</li> <li>• <b>Resource Link:</b> Yes – 10 passwords remembered;</li> <li>• <b>IPF:</b> No – no history enforced;</li> <li>• <b>Financial Director:</b> No – no evidence was provided;</li> <li>• <b>CIVICA Revenues &amp; Benefits:</b> No – no evidence was provided;</li> <li>• <b>ICON (AIM):</b> No – no evidence was provided;</li> <li>• <b>SSID:</b> Yes – 5 passwords remembered;</li> <li>• <b>Orchard:</b> No – no evidence was provided;</li> <li>• <b>Northgate:</b> Yes – 8 passwords remembered;</li> <li>• <b>Civica Housing:</b> No – no evidence was provided.</li> </ul>

# Logical Security (9/17)

Page 86

#	Sub-Domain	Question		Comments
LS26	Security measures concerning applications with financial impact (cont'd)	After several unsuccessful access attempts, the user account is locked out	No	<ul style="list-style-type: none"> <li>• <b>Oracle:</b> Yes – 3 unsuccessful attempts;</li> <li>• <b>Resource Link:</b> Yes – 3 unsuccessful attempts;</li> <li>• <b>IPF:</b> Yes – 3 unsuccessful attempts;</li> <li>• <b>Financial Director:</b> No – no evidence was provided;</li> <li>• <b>CIVICA Revenues &amp; Benefits:</b> No – no evidence was provided;</li> <li>• <b>ICON (AIM):</b> No – no evidence was provided;</li> <li>• <b>SSID:</b> No – no evidence was provided;</li> <li>• <b>Orchard:</b> No – no evidence was provided;</li> <li>• <b>Northgate:</b> Yes – 4 unsuccessful attempts;</li> <li>• <b>Civica Housing:</b> No – no evidence was provided.</li> </ul>



# Logical Security (10/17)

#	Sub-Domain	Question		Comments
LS27	Security measures concerning applications with financial impact (cont'd)	The application will automatically disconnect users after a predetermined time of inactivity	Yes	<ul style="list-style-type: none"> <li>• <b>Oracle:</b> Yes – session timeout set to 30 minutes;</li> <li>• <b>Resource Link:</b> Yes – session timeout set to 30 minutes;</li> <li>• <b>IPF:</b> Yes – session timeout set to 30 minutes;</li> <li>• <b>Financial Director:</b> Yes – compensating control: screensaver;</li> <li>• <b>CIVICA Revenues &amp; Benefits:</b> Yes – compensating control: screensaver;</li> <li>• <b>ICON (AIM):</b> Yes – compensating control: screensaver;</li> <li>• <b>SSID:</b> Yes – compensating control: screensaver;</li> <li>• <b>Orchard:</b> Yes – compensating control: screensaver;</li> <li>• <b>Northgate:</b> Yes – compensating control: screensaver;</li> <li>• <b>Civica Housing:</b> Yes – compensating control: screensaver.</li> </ul>

# Logical Security (11/17)

Page 88

#	Sub-Domain	Question		Comments
LS28	Security measures concerning applications with financial impact (cont'd)	There are different profiles for each type of user	Yes	<ul style="list-style-type: none"> <li>• <b>Oracle:</b> Yes;</li> <li>• <b>Resource Link:</b> Yes;</li> <li>• <b>IPF:</b> Yes;</li> <li>• <b>Financial Director:</b> No – no evidence was provided;</li> <li>• <b>CIVICA Revenues &amp; Benefits:</b> No – no evidence was provided;</li> <li>• <b>ICON (AIM):</b> No – no evidence was provided;</li> <li>• <b>SSID:</b> Yes;</li> <li>• <b>Orchard:</b> No – no evidence was provided;</li> <li>• <b>Northgate:</b> Yes;</li> <li>• <b>Civica Housing:</b> No – no evidence was provided.</li> </ul>

# Logical Security (12/17)

#	Sub-Domain	Question		Comments
LS29	Security measures concerning applications with financial impact (cont'd)	Administrator rights on application level are granted only to a limited number of application managers	No	<ul style="list-style-type: none"> <li>• <b>Oracle:</b> Yes – 4 administrators;</li> <li>• <b>Resource Link:</b> No – no evidence provided;</li> <li>• <b>IPF:</b> Yes - 16 administrators;</li> <li>• <b>Financial Director:</b> No – no evidence provided;</li> <li>• <b>CIVICA Revenues &amp; Benefits:</b> No – no evidence provided;</li> <li>• <b>ICON (AIM):</b> No – 20 admin accounts;</li> <li>• <b>SSID:</b> No – no evidence provided;</li> <li>• <b>Orchard:</b> No – no evidence provided;</li> <li>• <b>Northgate:</b> Yes - 95 administrators;</li> <li>• <b>Civica Housing:</b> No – no evidence provided;</li> </ul>

# Logical Security (13/17)

Page 90

#	Sub-Domain	Question		Comments
LS30	Security measures concerning applications with financial impact (cont'd)	There are no generic accounts (traceability breach)	No	<ul style="list-style-type: none"> <li>• <b>Oracle:</b> No – 144 generic accounts;</li> <li>• <b>Resource Link:</b> No – 7 generic accounts;</li> <li>• <b>IPF:</b> No – 4 generic accounts (including 2 with administrative rights);</li> <li>• <b>Financial Director:</b> No – no information provided;</li> <li>• <b>CIVICA Revenues &amp; Benefits:</b> No –no information provided;</li> <li>• <b>ICON (AIM):</b> No – 7 generic accounts (including 1 with administrative rights);</li> <li>• <b>SSID:</b> Yes;</li> <li>• <b>Orchard:</b> No – no evidence was provided;</li> <li>• <b>Northgate:</b> No – 69 generic accounts;</li> <li>• <b>Civica Housing:</b> No – no evidence was provided.</li> </ul>

# Logical Security (14/17)

#	Sub-Domain	Question		Comments
LS31	Security measures concerning applications with financial impact (cont'd)	The Council has conducted a study concerning the segregation of duties leading to user profiles identifying their associated rights, which are formalised in a document that has obtained head office approval	Yes	<ul style="list-style-type: none"> <li>• <b>Oracle:</b> Access rights are granted according to the user's job description;</li> <li>• <b>Resource Link:</b> Access rights are granted according to the user's job description;</li> <li>• <b>IPF:</b> Access rights are granted according to the user's job description;</li> <li>• <b>Financial Director:</b> Access rights are granted according to the user's job description;</li> <li>• <b>CIVICA Revenues &amp; Benefits:</b> Access rights are granted according to the user's job description;</li> <li>• <b>ICON (AIM):</b> Access rights are granted according to the user's job description;</li> <li>• <b>SSID:</b> Access rights are granted according to the user's job description;</li> <li>• <b>Orchard:</b> Access rights are granted according to the user's job description;</li> <li>• <b>Northgate:</b> Access rights are granted according to the user's job description;</li> <li>• <b>Civica Housing:</b> Access rights are granted according to the user's job description.</li> </ul>

# Logical Security (15/17)

Page 92

#	Sub-Domain	Question		Comments
LS32	Security measures concerning applications with financial impact (cont'd)	A regular review of user access rights is made and formalised	No	<ul style="list-style-type: none"> <li>• <b>Oracle:</b> Yes – monthly review of access rights is performed, focusing on leavers and access rights.</li> <li>• <b>Resource Link:</b> No;</li> <li>• <b>IPF:</b> No;</li> <li>• <b>Financial Director:</b> No;</li> <li>• <b>CIVICA Revenues &amp; Benefits:</b> No;</li> <li>• <b>ICON (AIM):</b> No;</li> <li>• <b>SSID:</b> No;</li> <li>• <b>Orchard:</b> No;</li> <li>• <b>Northgate:</b> No;</li> <li>• <b>Civica Housing:</b> No;</li> </ul>
LS33	Extra	Workstations and servers are equipped with antivirus software that is updated regularly	Yes	Kaspersky anti-virus program is used for workstations and servers.

# Logical Security (16/17)

#	Sub-Domain	Question		Comments
LS34	Extra (cont'd)	Antivirus software is activated on all workstations and cannot be deactivated by users	Yes	Regular users are not able to disable/change the settings.
LS35		Messages and attached files are also decontaminated	Yes	Messages and attached files are also scanned.
LS36		Anti-spam software is installed	Yes	Kaspersky software is used for anti-spam.
LS37		Users do not have administrator rights on their workstation	Yes	Administrative privileges are restricted to 9 users within the IT Department.

# Logical Security (17/17)

Page 94

#	Sub-Domain	Question		Comments
LS38	Extra (cont'd)	Administrator rights are granted to a limited number of IT staff	Yes	There are 8 users with domain administration rights and one generic Administrator account.
LS39		Database access is only permitted for database administrators	Yes	IT Department.
L40		The server has the latest Service Packs and relevant security updates installed	Yes	MS SCM is used. Critical security updates are installed at all Windows servers.
L41		An information security policy is adopted and formalised	Yes	Information security policy is in place.



# Strategy and Internal Control (1/4)

#	Sub-Domain	Question		Comments
S11	IT Master Plan	An Information System Master Plan has been formalised	Yes	IT Strategy is elaborated using a 3-year perspective.
S12		The Information System Master Plan is coherent with Council strategy. It is regularly updated	Yes	The IT Strategy is elaborated as for supporting the operational business, and reviewed/updated annually, or in case of major changes.
S13		The Information System Master Plan is budgeted over a several year time span. A budget comparative is made and presented at least once a year	Yes	The IT Strategy has a perspective of 3 years, and is reviewed annually or in case of major changes.
S14		Operational managers are involved in the elaboration process and updating of the Information System Master Plan	Yes	Operational managers are responsible for elaborating the project plans and business cases also reflecting the need of IT services/projects.
SI Page 95	Internal control of IT processing	The IT department does not carry out operational tasks (e.g.: invoicing entry, etc.)	Yes	IT Department's tasks are limited to administration and support.

# Strategy and Internal Control (2/4)

Page 96

#	Sub-Domain	Question		Comments
SI6	Internal control of IT processing (cont'd)	The IT department's prerogatives are limited in terms of investment and strategy	Yes	The Strategic Board perform analysis and prioritisation of the projects, with limited participation of IT Department representatives.
SI7		There is a procedure log book describing the main process operations, acknowledged practices and operating mode	No	Nevertheless, all users that require information call Service Desk, who further direct them towards the key representatives.
SI8		Expertise is shared and documented within the IT department	Yes	
SI9		There is a training plan for the IT department	Yes	The IT Manager is in charge of planning the training for the IT Department. Both internal and external training is performed, depending on the needs and requirements of the IT Team.
SI10		The procedure managing incidents allows to categorise, trace, analyse and follow-up solutions (e.g. incident registration tool)	Yes	An Incident management procedure is in place, also including categorisation, tracing and monitoring of incidents. The process is managed through the IT Service Desk.
SI11		The procedure is formalised	Yes	Incident Management procedure was formalised for governing the process.

# Strategy and Internal Control (3/4)

#	Sub-Domain	Question		Comments
SI12	IT Charter	There is an Information Technology Charter signed by the users, legally validated and appended to the Council's rules and regulations	Yes	When joining the Council, employees sign the Acceptable Use Policy, committing to understanding and respecting the Council's policies, including data privacy.
SI13		The Information Technology Charter defines the rules concerning IT use (applications, data), workstations and/or servers, email, and the internet	Yes	
SI14		The Information Technology Charter is approved by the works council / staff committee	Yes	
SI15	Financial obligations	Data is stored for a period of time in adequacy with regulation concerning tax investigations (e.g.: 3 years + current year excluding fiscal year showing deficit - in France)	Yes	100 days.
SI16	Data privacy	The data stored complies with instructions given by the agency for Information Technology and the defense of files and liberties (France: CNIL / UK: Information Commissioner's Office / Canada: Privacy Commission...)	N/A	

# Strategy and Internal Control (4/4)

Page 98

#	Sub-Domain	Question		Comments
SI17	Managing license agreements	All the software installed on the computers have registered licensed products	Yes	Regular audits are performed for licenses checks by Microsoft. The software installation process is managed by the IT Department, and regular users are not allowed to install software on their workstations.
SI18	Managing maintenance contracts	All critical hardwares have a maintenance contract with a guaranteed recovery time or a guaranteed intervention time	Yes	Hardware support and maintenance contract in place with DELL.
SI19		Applications have corrective and upgrading maintenance contracts	Yes	A dedicated contract library is in place for ensuring proper monitoring of software contracts. All in scope systems are covered by valid maintenance and support contracts.
SI20		As far as hosting is concerned, there is a service contract defining: the kind of provision of service, service quality monitored by adequate indicators, prices, delays, end of contract conditions, management and security procedures, and responsibilities incumbent upon both parties	N/A	

# Change Management (1/3)

#	Sub-Domain	Question		Comments
CM1	Change Management	There is a procedure managing changes (developments)	No	<p><b>Infrastructure:</b> the IT Department is in charge of the Infrastructure Change Management process. The process is deficient in terms of registering and tracking the change requests, however the monitoring is performed through Network Configuration Management Systems program, keeping a log for changes performed, including historical configuration and the users who performed the change);</p> <p><b>Applications:</b> changes may occur as a result of planned development or bugs/faults requiring fixing. The process is managed through a dedicated ticketing tool, as below:</p> <ul style="list-style-type: none"> <li>• <b>Change request</b> is initiated by business users; major changes are supported by more detailed business cases; The change requests/business cases are collected and centralised throughout the year into an Enhancement Register;</li> <li>• <b>Authorisation</b> is performed through annual meetings of managers, IT Department and members of the Board, in order to analyse and prioritise the projects/change requests that would be implemented throughout the next year;</li> <li>• <b>Development and testing</b> is performed externally (if third party development is required) and internally (by developers and business users);</li> <li>• <b>Go-live approval</b> is offered by the users who requested the change once the test results are satisfactory.</li> </ul>
CM2		The procedure is formalised	No	No formalised procedure was identified during our review.

# Change Management (2/3)

Page 100

#	Sub-Domain	Question		Comments
CM3	Change Management (cont'd)	Management validates demands for functional developments	No	<b>Infrastructure:</b> No; <b>Applications:</b> Yes - Management representatives analyse all change requests and prioritise/approve the changes to be developed throughout the year.
CM4		The procedure includes registering and formalising the change requests	No	<b>Infrastructure:</b> No; <b>Applications:</b> A dedicated ticketing tool is used.
CM5		The formalised change request is validated by the requestor	No	<b>Infrastructure:</b> No; nevertheless, network change history logs are kept by the Network Configuration Management System, enforcing traceability and accountability of changes; <b>Applications:</b> Yes - A dedicated ticketing tool is used.
CM6		Changes are documented	Yes	Cf. CM5.
CM7		Changes are tested by developers and are submitted to regression tests	Yes	<b>Infrastructure:</b> Changes are tested, however no documentation or evidence is retained; <b>Applications:</b> Changes are tested by developers and business users.
CM8		The requestor conducts a series of tests, reports and validation before the implementation of the development in production environment	Yes	Cf. CM7.

# Change Management (3/3)

#	Sub-Domain	Question		Comments
CM9	Change Management (cont'd)	The procedure includes the special case of upgrades to superior versions of applications and/or basic software that must be managed like a development project	Yes	Application upgrades and bug fixing are covered by the contract with the software providers.
CM10		There is a special procedure for emergency changes	No	Cf. CM2.
CM11		The application software environment for development and production are segregated	Yes	Development, testing and production environments are segregated.
CM12		Privileges to migrate changes to the production environment are strictly restricted	Yes	Migration of changes into production is restricted to database administrators and applications super users.
CM13		The segregation of duties is respected within the IT department: developers do not have access to the production environment	No	The same team (applications super users) can perform both development and migration to production of changes.

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## Audit Committee

30 November 2015



## Framework for Delivering Good Governance in Local Government

### Report of Corporate Management Team

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Don McLure, Corporate Director Resources

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#### Purpose of the Report

- 1 To inform Audit Committee of consultation, by CIPFA and SOLACE, on their revised Framework for Delivering Good Governance in Local Government and to present for information our response to the consultation, which was sent on 28 September 2015.

#### Background

- 2 The Accounts and Audit Regulations 2011 require all relevant bodies to prepare an Annual Governance Statement (AGS), which is to accompany the Statement of Accounts.
- 3 For the purposes of developing and maintaining a locally adopted code of governance, and reviewing the effectiveness of its governance arrangements, the Council follows *Delivering Good Governance in Local Government: Guidance Note for English Authorities*. This was first published in 2007 and was updated in 2012.
- 4 CIPFA and SOLACE are undertaking a fundamental review of the Framework to ensure that it remains fit for purpose. The Council's response to the consultation was required by **28 September 2015**.

#### The Draft Framework

- 5 A copy of the full consultation document, which incorporates our response to the consultation questions, starting on page 6, is attached as **Appendix 2**.
- 6 Sections 1 (Introduction) & 2 (Review of the CIPFA/SOLACE Framework) describe the changes and why they are necessary.
- 7 Although the format and most of the content is very similar, the following changes are most prominent:-
  - a. Whereas the Current Framework is based on a list of apparently independent principles, the principles in the Draft Framework are shown to be related and flowing logically as a continuous process, as illustrated on page 14.
  - b. Sub-principles, in narrative form, have been added to clarify the meaning of each principle and expected behaviours/outcomes.

c. Two 'new' principles have been introduced, although they are both represented to some degree in the Current Framework:-

- i. Principle D: Determining the interventions necessary to optimize the achievement of the intended outcomes; and
- ii. Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

8 Guidance notes will be developed by CIPFA/SOLACE to accompany the revised Framework and will include principles underlying who should be nominated by the authority to take responsibility for the governance review and the scope given.

### **Potential Implications**

9 If the Draft Framework were implemented in its current form, it would have only a limited impact on the Council's current governance review process and workload:-

- The Council's current Local Code of Corporate Governance could easily be modified to incorporate the revised principles.
- Some additional work may be required to pin point the evidence that demonstrates compliance with the new principle D, *Determining the interventions necessary to optimize the achievement of the intended outcomes*.

10 The consultation document highlights local authorities' increasing use of collaboration; developing role as 'enablers' and making use of alternative delivery vehicles for public service provision. Our governance arrangements will increasingly need to demonstrate assurance of these alternative delivery vehicles and this should be a key part of the framework. Further clarification and guidance in this area is being sought through our responses to questions 4 and 7 (item g) on pages 7 and 8.

### **Other Internal Consultation**

11 The Chair and Vice-Chair of the Audit Committee, and the Portfolio Holder for Corporate Services have been afforded the opportunity to comment on the consultation document.

12 The consultation document was considered by RMT on 9 September 2015, by IPG on 17 September 2015 and by CMT on 30 September 2015. Resulting feedback is reflected in the response to consultation questions in **Appendix 2**.

### **Recommendations and reasons**

13 Audit Committee is requested to note the content of this report.

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<b>Contact:</b>	<b>Kevin Roberts</b>	<b>Tel:</b>	<b>03000 269657</b>
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## Appendix 1: Implications

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

**Staffing** - Ensuring the adequate capability of staff meets a core principle of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) guidance.

**Risk** – Delivery of the corporate governance action plan will strengthen the decision making and strategic and operational management of the Council's business.

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

**Accommodation** – None directly, although asset management is a key component of effective corporate governance

**Crime and Disorder** – None.

**Human Rights** - None.

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

**Procurement** – None.

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

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



# **Delivering Good Governance in Local Government: a Framework**

## **Consultation**

July 2015

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

SOLACE (Society of Local Authority Chief Executives and Senior Managers) is the representative body for senior strategic managers working in the public sector. We are committed to public sector excellence. We provide our members with opportunities for personal and professional development and seek to influence the debate about the future of public services to ensure that policy and legislation reflect the experience and expertise of our members.

## CONSULTATION QUESTIONS

We are seeking views on the draft Framework. In particular we would welcome comments on the following:

1. Would this framework *Good Governance in Local Government* assist you in developing and modernising your own local code of governance/governance arrangements?

Yes, the draft framework is welcomed for its' holistic approach and increased focus on long-term outcomes and ensuring the Council does the right things as well as doing things in the right way. If the revised principles are accepted by the Council, they could easily be incorporated into the existing format of the Local Code of Governance without a major re-design exercise.

### Developing

The framework is now a unified structure based on a complete set of related principles that flow logically as a continuous process. There is a new, concise definition of "governance", which incorporates the importance of the role of all employees in delivering good governance. Narrative sub-principles have also been added to clarify the meaning of each principle and expected behaviours/outcomes.

These features will be helpful in developing the Local Code of Corporate Governance. They will assist the Council, senior officers and other employees to gain a common understanding of good governance and to fulfil their respective responsibilities. They will also help the Council to communicate to service users and other stakeholders, through the Annual Governance Statement, the evaluation of its effectiveness in delivering good governance.

The structure of the Framework includes the following four tiers: Principle, Sub-principle, Behaviours and Outcomes. Having adopted the main principles of the Framework, the Council can then develop its own Local Code by tailoring the Framework at the detailed level (i.e. Behaviours and Outcomes) and inserting references to its own strategies and policies.

### Modernising

The framework addresses the importance of keeping governance arrangements up to date because of current issues such as further reductions in government spending; trends for delivering services in collaboration with partners; and new challenges around transparency, accountability and managing risk. Two new principles have been introduced:

Principle D: Determining the interventions necessary to optimize the achievement of the intended outcomes; and

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

2. Would this draft Framework assist you in establishing governance arrangements for collaborative working (alternative delivery vehicles, partnerships etc)?

Yes, although it is not a significant improvement on the current framework. The review is welcomed, particularly during current times when collaborative working is more prevalent and there is a need to be clear on the associated benefits.

The Framework principles can be applied to all local authorities and associated organisations and systems.

It is acknowledged that not all parts of the Framework will be directly applicable to all types and size of structures so, for example, implementing human resource policies would be the responsibility of each individual's parent organisation. However, the list of behaviours and outcomes that demonstrate good governance in practice provides a useful checklist of issues to be considered.

3. Are there any parts of the Framework that you would find difficult to follow/comply with?

Further clarification would be helpful on the outcome: "Publishing separately an assessment of governance arrangements for jointly managed organisations". (Principle G, last bullet point under the behaviour "Implementing good practices in reporting")

Also, a definition of "jointly managed organisations" would be helpful.

4. Have we got the terminology right, with particular reference to collaborative working? If not, how could it be improved?

Commercial partners/suppliers should be distinguished from other institutional stakeholders using appropriate terminology. There is an increasing use of and, therefore, dependence on, third party suppliers (other public sector organisations through a service level agreement or private sector organisations under a contract). The Framework should reflect that a key part of the annual review of governance arrangements is gaining assurance that risks are adequately managed in the supply chain (more than just performance monitoring) and being able to demonstrate evidence of this through the Annual Governance Statement and Local Code of Corporate Governance.

5. Principle E looks at the relationship between members and officers. Have we got the tone and balance right? If not, how could it be improved?

No issues identified.

6. Is any further guidance is required with regard to the development of a local code?

Clarity on the relationship between the annual governance statement and other statutory assurance e.g. Local Test of Assurance, which must be completed where additional responsibilities are combined with the statutory post of the Director for Children's Services

7. What further guidance is required with regard to the preparation of the annual governance statement?

Guidance should include:-

- a. Ways of making the annual governance review process less onerous and less time-consuming.
- b. The officers and members (by reference to their roles) from whom assurance should be sought for the annual governance review and the types of assurance. Example questionnaire templates would be helpful.
- c. The annual review and approval process, with timescales leading to 30 September, when the Annual Governance Statement is approved with the Statement of Accounts. An example action plan template would be helpful.

- d. Other example templates e.g. Local Code of Corporate Governance; Annual Governance Statement; Assurance Questionnaires to Heads of Service; Partnership/Co-operation Agreements; Information/Data Sharing Agreements; Exit Strategies.
- e. Case studies illustrating continuous assurance arrangements.
- f. Case studies illustrating combined assurance arrangements.
- g. A definition of 'significant improvement' to help determine which actions should be included in the Annual Governance Statement improvement plan.
- h. Examples of the types of assurance to seek from third parties delivering services on behalf of the Council.
- i. A template or minimum checklist for the content of a partnership/cooperation agreement, and/or examples of "alternative delivery vehicles", which could be considered when developing collaborative governance arrangements.
- j. Guidance on what level of assurance is deemed "high level" when compiling the Annual Governance Statement.

8. Are there any other aspects of governance that are not in the draft Framework which you believe should be addressed?

#### Principle D

- Consider including "research and benchmarking exercises" as good practice processes to assist with decision making and for determining interventions.
- Consider including feedback surveys and exit or decommissioning strategies within "optimising achievement of intended outcomes" to demonstrate if, for example, projects or partnerships should be changed, terminated, etc.

#### Principle E

- Consider including reference to the use/development of technology and efficient systems to support officers in their roles
- In the section "developing the entity's leadership" consider including arrangements for succession planning

9. How might the Framework be improved?

The use of consistent language, e.g. the terms local authorities, authorities, organisations and entities are all used to describe the same thing.

10. Are there any other issues or areas that are not in the draft Framework which you believe should be addressed in the guidance note?

No issues identified.

11. It is envisaged that the revised Framework would apply from the financial year 2015/2016. Please could you let us know if you have any concerns regarding the proposed timetable?

- a. We would need to complete the revised Local Code of Corporate Governance by early November for approval/consultation by Audit Committee in November; Constitution Working Group in December; and Full Council January.
- b. Our governance review will commence before the end of January.



## GUIDANCE

It is our intention to develop separate guidance notes for English, Scottish and Welsh local authorities and for the Police in England and Wales to accompany the revised Framework. The guidance notes will include:

- How the revised Framework can be mapped to the 2007 Framework
- A glossary of terms
- Examples of good practice/case studies
- Examples of the types of systems, processes and documentary evidence that might be cited by an authority to demonstrate compliance with best practice
- The principles underlying who should be nominated by the authority to take responsibility for the review on its behalf and the scope given
- Signposts to other useful tools and sources of guidance available to local authorities for self-assessment purposes.

**We would be very pleased to be made aware of specific examples of good practice/case studies that might be included in the guidance notes.**

## TIMETABLE

Responses and offers to assist with case study material should be sent by **Monday 28<sup>th</sup> September 2015** to: Kerry Ace. Email [kerry.ace@cipfa.org](mailto:kerry.ace@cipfa.org)

## THE WORKING GROUP

CIPFA and SOLACE have drawn together the following members of the Joint Working Group and are grateful to them and to their employing organisations for their time and assistance in preparing this document.

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### *Observer*

Shehla Husain	<i>DCLG</i>
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## **CONTENTS**

- 1 INTRODUCTION
- 2 REVIEW OF THE CIPFA/SOLACE FRAMEWORK
- 3 THE PRINCIPLES OF GOOD GOVERNANCE - APPLICATION
- 4 ANNUAL REVIEW AND REPORTING

## INTRODUCTION

Local authorities are set for further reductions in government funding over the course of this Parliament. To cope in this time of unprecedented change, they will need to continue to adapt the way in which they operate. Local authorities have responded to austerity through increased collaboration; developing their role as 'enablers' and making further use of alternative delivery vehicles (ADVs) for public service provision.

Authorities will need to make difficult decisions which may mean that certain services can no longer be provided, but in doing this they will need to communicate effectively with their communities, service users, stakeholders and individuals to ensure that the most vulnerable citizens continue to be protected. At the same time, local government has been undergoing significant change and the environment in which it works is increasing in complexity. In addition to economic and financial challenge, the integrated health and social care programme, devolution, the Localism Act, the Police Reform and Social Responsibility Act and other key legislation have brought new roles, opportunities and greater flexibility for authorities.

The introduction of new responsibilities and the development of new collaborative structures and ways of working provide challenges for ensuring transparency, demonstrating accountability and, in particular, for managing risk. Whether working with other public sector bodies, the third sector or private sector providers, local authorities must establish robust governance arrangements at the outset. These should include a shared view of expected outcomes supported by effective mechanisms for control and risk management thereby ensuring that the public purse is properly protected.

## REVIEW OF THE CIPFA/SOLACE FRAMEWORK

It is therefore crucial that leaders and chief executives keep their governance arrangements up to date and relevant and in response, CIPFA and SOLACE, are undertaking a fundamental review of the Framework: Delivering Good Governance in Local Government to ensure that it remains 'fit for purpose'. The main principle underpinning the development of the new Framework continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates.

The revised Framework (consultation draft) developed by the CIPFA/SOLACE Joint working Group on Good Governance in Local Government builds on the *International Framework: Good Governance in the Public Sector (CIPFA/IFAC 2014)*. The *International Framework* places sustainable economic, societal and environmental outcomes as a key focus for governance processes and structures. It emphasises the importance of considering the longer term and the links between governance and public financial management – all key considerations for local authorities in today's climate.

The core principles and sub principles from the *International Framework* have been adapted for the local government context and translated into a series of expected behaviours and outcomes which demonstrate good governance in practice. The principles in the consultation draft form a standard for good governance and a shared understanding of what constitutes good governance across local government.

Whatever form of arrangements are in place, authorities are urged to test their governance structures against the principles contained in the Framework by:

- reviewing existing governance arrangements
- developing and maintaining an up-to-date local code of governance including arrangements for ensuring ongoing effectiveness

- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The term 'local code' essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.

The Framework principles are intended to be applicable to all local authorities and associated organisations and systems i.e. combined authorities, joint boards, partnerships and other vehicles established through which authorities now work. However, a one-size-fits-all approach to governance is inappropriate. Not all parts of the Framework will be directly applicable to all types and size of structures and it is therefore up to different authorities and organisations to put the Framework into practice in a way that reflects their structures and is proportionate to their size.

It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone.

### Defining the core principles and sub principles of good governance

The diagram from the *International Framework*, below illustrates how the various principles for good governance in the public sector relate to each other. Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.



To achieve good governance, each local authority should be able to demonstrate that its governance structures are consistent with the core and supporting principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the behaviours and outcomes set out in the next section.

## Defining governance

*"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."*

To deliver good governance in the public sector, both governing bodies<sup>1</sup> and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders. "

*(International Framework: Good Governance in the Public Sector, CIPFA/IFAC, 2014)*

## Principles for Good Governance in Local Government

The core principles and sub principles set out overleaf are taken from *International Framework: Good Governance in the Public Sector (CIPFA/IFAC)*. In turn, they have been translated into a local government context.

It is up to **each local authority or local government organisation** to :

- set out its commitment to the principles of good governance included in this Framework
- determine its own governance structure, or local code, underpinned by these principles
- ensure that it operates effectively in practice.

Principles and sub principles	Behaviours and outcomes that demonstrate
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<sup>1</sup> In local government, the governing body is the full council or authority. In the Police, Police and Crime Commissioners (PCCs) and Chief Constables (CCs) are corporations sole and are jointly responsible for governance.

	<b>good governance in practice</b>
Acting in the public interest requires:	This commitment will require :
<p><b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p> <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>• Ensuring members and officers behave with integrity</li> <li>• Ensuring members and officers lead a culture where acting in the public interest is the norm</li> <li>• Ensuring members take the lead in establishing specific values<sup>2</sup> for the organisation and its staff and that they are communicated and understood</li> <li>• Ensuring members and officers lead by example and demonstrate the organisation's values through their own thinking and behaviours and use them as a guide to decision making and other actions</li> <li>• Demonstrating and communicating values through appropriate policies/processes such as codes of conduct and policies dealing with whistle blowing and conflicts of interest and reviewing such policies and on a regular basis to ensure that they are operating effectively</li> </ul> <p><b>Demonstrating strong commitment to ethical values</b></p> <ul style="list-style-type: none"> <li>• seeking to understand , monitor and maintain the organisation's ethical performance</li> <li>• underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's operation for example, procurement and staff appointments</li> </ul> <p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>• ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and</li> </ul>

<sup>2</sup> These should build on The Nolan Principles – *The Seven Principles of Public Life*



	<p>regulations</p> <ul style="list-style-type: none"> <li>• creating the conditions to ensure that the statutory officers and other key post holders are able to fulfil their responsibilities</li> <li>• striving to use the authority's full powers for the benefit of its citizens, its communities and other stakeholders</li> <li>• Dealing with breaches of legal and regulatory provisions effectively</li> <li>• Ensuring corruption and misuse of power are dealt with effectively</li> </ul>
<p><b>B. Ensuring openness and comprehensive stakeholder engagement</b></p> <p>Local authorities are run for the public good, they therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>• Demonstrating, documenting and communicating the organisation's commitment to openness</li> <li>• making decisions that are open<sup>3</sup> about actions, plans, resource use, forecasts, outputs and outcomes</li> <li>• providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, that they are clear about the impact and consequences of those decisions</li> </ul> <p><b>Engaging comprehensively with institutional stakeholders<sup>4</sup></b></p> <ul style="list-style-type: none"> <li>• effectively engaging with stakeholders to ensure that outcomes are achieved successfully and sustainably</li> <li>• developing formal and informal collaborative</li> </ul>

<sup>3</sup> The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided

<sup>4</sup> The other entities a public sector entity needs to work with to improve services and outcomes or for accountability reasons

	<p>arrangements with other institutional stakeholders ( such as other public sector bodies, third sector or private sector entities) to allow for resources to be used more efficiently and outcomes achieved more effectively</p> <ul style="list-style-type: none"> <li>• defining the purpose, objectives and intended outcomes for each stakeholder relationship</li> <li>• using formal and informal consultation and engagement to determine the most appropriate and effective interventions</li> </ul> <p><b>Engaging stakeholders effectively, including individual citizens and service users</b></p> <ul style="list-style-type: none"> <li>• establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other ) provision is contributing towards the achievement of intended outcomes.</li> <li>• collecting and evaluating the views and experiences of citizens, service users and organisations of different backgrounds</li> <li>• implementing effective feedback mechanisms for those consultees in order to demonstrate what has changed as a result</li> <li>• balancing feedback from more active stakeholder groups with other stakeholder groups to ensure that no one group becomes too dominant</li> <li>• taking account of the interests of future generations of tax payers and service users to ensure intergenerational equity</li> </ul>
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Principles and sub principles	Behaviours and outcomes that demonstrate good governance in practice
<p>In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance in the local government also requires effective arrangements for:</p>	<p>This commitment will require :</p>
<p><b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b></p> <p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available</p>	<p><b>Defining outcomes</b></p> <ul style="list-style-type: none"> <li>• having a clear vision - an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators</li> <li>• ensuring the vision statement provides the basis for the organisation's overall strategy, planning and other decisions</li> <li>• specifying the intended impact on, or changes for, stakeholders including individual citizens and service users. It could be immediately or over the course of a year or longer</li> <li>• delivering defined outcomes on a sustainable basis within the resources that will be available</li> <li>• developing and publishing sustainability indicators in terms of economic, social and environmental benefits as a means of measuring whether intended outcomes have been achieved</li> <li>• identifying and managing risks to the achievement of outcomes as part of delivering goods and services</li> <li>• managing expectations effectively with regard to determining priorities and making the best use of the resources available</li> </ul> <p><b>Sustainable economic, social and</b></p>

	<p><b>environmental benefits</b></p> <ul style="list-style-type: none"> <li>• considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision</li> <li>• taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the authority's intended outcomes and short-term factors such as the political cycle or financial constraints</li> <li>• determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits , through consultation where possible, in order to ensure appropriate trade offs</li> <li>• ensuring equality of access</li> </ul>
<p><b>D. Determining the interventions necessary to optimize the achievement of the intended outcomes</b></p> <p>Local authorities achieve their intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of interventions is a critically important strategic choice and authorities have to make to ensure they achieve their intended outcomes. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimized.</p>	<p><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>• Ensuring decisions makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options</li> <li>• Ensuring best value is achieved however the authority's services are provided</li> </ul> <p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>• Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</li> <li>• Simultaneously engaging with internal and external stakeholders in determining how services and other interventions can best be delivered</li> <li>• Considering and monitoring risks facing each partner when working collaboratively</li> </ul>

	<p>including shared risks</p> <ul style="list-style-type: none"> <li>• Ensuring arrangements are flexible/agile so that the mechanisms for delivering outputs can be adapted to changing circumstances</li> <li>• Establishing appropriate KPIs as part of the planning process in order to assess how the performance of services and projects is to be measured</li> <li>• Ensuring the organisation has the capacity to generate the information required to review service quality regularly</li> <li>• Preparing budgets in accordance with organizational objectives, strategies and the medium term financial plan</li> <li>• Informing medium and long term resource planning by realistic estimates of expenditure and revenue, aiming to develop a sustainable funding strategy that fully supports future expenditure and liabilities in accordance with available funding</li> <li>• Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</li> </ul> <p><b>Optimizing achievement of intended outcomes</b></p> <ul style="list-style-type: none"> <li>• Ensuring the medium term financial strategy integrates and trades off service priorities, affordability and other resource constraints</li> <li>• Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</li> <li>• Ensuring the medium term financial</li> </ul>
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	<p>strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimizing resource usage</p> <ul style="list-style-type: none"> <li>Ensuring the achievement of 'social value' through service planning and commissioning</li> </ul>
<p><b>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</b></p> <p>Local authorities need appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. The authority must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the entity as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of their communities</p>	<p><b>Developing the entity's capacity</b></p> <ul style="list-style-type: none"> <li>Ensuring the capabilities of senior management enable the authority to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks</li> <li>Reviewing operations and performance on a regular basis to ensure their continuing effectiveness and enable organizational learning</li> <li>Improving resource use through appropriate application of benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently</li> <li>Developing and maintaining robust procurement policies and procedures which place emphasis on the organisation's ethical values and objectives and deliver cost effective goods and services</li> </ul> <p><b>Developing the entity's leadership</b></p> <ul style="list-style-type: none"> <li>Ensuring a constructive relationship exists between members and officers by setting out a clear statement of the respective roles and responsibilities of the executive, of the executive's members individually and the authority's approach to putting this</li> </ul>

	<p>into practice</p> <ul style="list-style-type: none"> <li>• Clarifying roles and responsibilities of authority members and management at all levels</li> <li>• Developing protocols to ensure that elected and appointed leaders negotiate their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</li> <li>• publishing a statement that specifies the types of decisions delegated to the executive and those reserved for the collective decision making of the authority</li> <li>• ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority</li> <li>• appointing a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and maintaining an effective system of internal financial control</li> <li>• appointing a senior officer (usually the monitoring officer) is responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</li> <li>• ensuring members and senior officers have the appropriate skills, knowledge resources and support to fulfil their roles and responsibilities</li> <li>• ensuring members are independent of management and free from relationships that would materially interfere with their</li> </ul>
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	<p>role</p> <ul style="list-style-type: none"> <li>• ensuring members receive appropriate induction tailored to their role and ongoing training and development</li> <li>• developing members skills and ensuring that they are able to update their knowledge on a continuing basis</li> <li>• reviewing individual member performance on a regular basis and considering any training or development needs as well as taking account of their attendance record</li> <li>• Regularly assessing skills required by members and making a commitment to fill gaps</li> <li>• Encouraging a wide range of people stand for election and that there are career structures in place to encourage participation and development</li> <li>• taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</li> <li>• ensuring personal, entity and system-wide development through shared learning</li> </ul> <p><b>Developing the capability of individuals within the entity</b></p> <ul style="list-style-type: none"> <li>• implementing appropriate human resource policies and ensuring that they are working effectively</li> <li>• creating an environment where staff can perform well and ideas and suggestions are welcomed</li> <li>• ensuring staff have realistic job descriptions so that their core responsibilities can be carried out effectively and senior managers' core responsibilities are not compromised by having too wide a portfolio of duties.</li> <li>• Appointing and promoting all staff based</li> </ul>
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	<p>on merit</p> <ul style="list-style-type: none"> <li>• Ensuring all new staff receive induction tailored to their role and subsequent training and development matching individual and organisational requirements</li> <li>• Holding staff to account through regular performance reviews which take account of training or development needs</li> <li>• Considering how benefits, personal development opportunities and potential career progression can promote an engaged and competent work force</li> <li>• Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</li> </ul>
<p><b>F. Managing risks and performance through robust internal control and strong public financial management</b></p> <p>Local authorities need to ensure that the entities and governance structures that they oversee have implemented—and can sustain—an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving outcomes.</p> <p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources,</p>	<p><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>• Recognising that risk management is an integral part of all activities and must be regarded as a continuous process</li> <li>• Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</li> </ul> <p><b>Managing performance</b></p> <ul style="list-style-type: none"> <li>• Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</li> <li>• Ensuring at all levels, those making decisions are presented with relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</li> <li>• Ensuring an effective scrutiny or oversight function is in place which encourages</li> </ul>

<p>efficient service delivery and accountability.</p>	<p>constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the authority's performance and that of any organization for which it is responsible</p> <ul style="list-style-type: none"> <li>• providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</li> <li>• ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements )</li> </ul> <p><b>Robust internal control</b></p> <ul style="list-style-type: none"> <li>• Aligning the risk management strategy and policies on internal control with achieving the authority's objectives</li> <li>• Evaluating and monitoring the authority's risk management and internal control on a regular basis</li> <li>• Ensuring effective counter-fraud and anti-corruption arrangements are in place</li> <li>• Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</li> <li>• Ensuring an audit committee or equivalent group or function which is independent of the executive provides a further source of assurance regarding the authority's arrangements for managing risk and maintaining an effective control environment</li> </ul> <p><b>Managing Data</b></p> <ul style="list-style-type: none"> <li>• Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to ensure the security of personal data</li> </ul>
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	<p>used</p> <ul style="list-style-type: none"> <li>• Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring</li> <li>• Ensuring effective arrangements for sharing data with other bodies are in place</li> </ul> <p><b>Strong public financial management</b></p> <ul style="list-style-type: none"> <li>• Ensuring the authority's financial management supports both long term achievement of outcomes and short-term financial and operational performance</li> <li>• Ensuring well-developed financial management is integrated at all organizational levels of planning and control, including management of financial risks and controls</li> </ul>
<p><b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p><b>Implementing good practice in transparency</b></p> <ul style="list-style-type: none"> <li>• Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</li> <li>• Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny whilst not being too onerous for the authority to provide and for users to understand</li> </ul> <p><b>Implementing good practices in reporting</b></p> <ul style="list-style-type: none"> <li>• Reporting at least annually in a timely manner to demonstrate to stakeholders in an understandable way on issues including how the authority is performing, whether it is delivering value for money and the stewardship of its resources</li> <li>• Ensuring members and senior</li> </ul>

	<p>management own the results</p> <ul style="list-style-type: none"> <li>• Assessing the extent that the authority is applying the principles contained in this Framework and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance in action</li> <li>• Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar entities</li> <li>• Publishing separately an assessment of governance arrangements for jointly managed organisations</li> </ul> <p><b>Assurance and effective accountability</b></p> <ul style="list-style-type: none"> <li>• Ensuring that an effective external audit service is in place and acting on recommendations made for corrective action</li> <li>• Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to the authority's governance arrangements and recommendations are acted upon</li> <li>• Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.</li> </ul>
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## ANNUAL REVIEW AND REPORTING

*Delivering Good Governance in Local Government: Framework* urges local authorities to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the corporate governance and internal control framework.

The annual governance statement should provide a brief communication regarding the review of governance that has taken place and the role of the governance structures involved (such as the authority and the audit and other committees). It should be high level, strategic and written in an open and readable style. It should be focused on outcomes and value for money and relate to the authority's vision for the area. As a matter of best practice, the annual governance statement should normally be approved at the same time as, and certainly no later than, the statement of accounts.

The preparation and publication of an annual governance statement in accordance with *Delivering Good Governance in Local Government: Framework* fulfils the statutory requirement for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its statement of accounts.

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**Audit Committee**

**30 November 2015**



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

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

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**Purpose of the Report**

1. The purpose of this report is to present the proposed report summarising the work of the Audit Committee, during the period February 2015 to September 2015, to be presented to Council at its meeting on the 09 December 2015.

**Recommendations and reasons**

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

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**Contact: Paul Bradley Tel: 03000 269645**

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**Appendix 1: Implications**

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**Finance -**

None

**Staffing -**

None

**Risk -**

None

**Equality and Diversity / Public Sector Equality Duty -**

None

**Accommodation -**

None

**Crime and Disorder -**

None

**Human Rights -**

None

**Consultation -**

None

**Procurement -**

None

**Disability Issues -**

None

**Legal Implications -**

None



## Appendix 2

**County Council**



**09 December 2015**

### **Report of the Audit Committee for the Period February 2015 to September 2015**

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

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#### **Purpose of the Report**

1. To inform the Council of the work of the Audit Committee during the period February 2015 to September 2015 and how the Committee continues to provide for good governance across the Council.

#### **Background**

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

5. The membership of the Committee changed in June 2015 and is currently as follows:

Chairman:	Cllr Edward Bell
Vice Chairman:	Cllr James Rowlandson
Members	Cllr Lawson Armstrong Cllr Colin Carr Cllr Joanne Carr Cllr Mark Davinson Cllr John Robinson Cllr Watts Stelling Cllr Owen Temple
Co-opted:	Ms Kathryn Larkin-Bramley Mr Thomas Hoban

6. The committee passes on its thanks to Cllr Jed Hillary, Cllr Sonia Forster and Cllr Tracie Smith for all of their work and contribution to the committee.

### **Summary of meetings**

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

### **How the Audit Committee has made a difference during the period February 2015 to September 2015.**

8. The Committee believe they have made a significant difference to the Council's governance, control and risk framework during the period February 2015 to September 2015 by :
- Striving to help support the Council deliver its objectives and priorities by being both a proactive and reactive body encouraging the early reporting of any risk and control issues to ensure that appropriate and timely action is taken to address them.
  - Continuing to raise the profile of the Internal Audit and Risk Management Service through the Service's reports to Audit Committee.
  - Independent questioning and contributing to the development and control of internal audit plans.
  - Seeking assurance on the effectiveness of corporate risk management arrangements.
  - Improving the accountability of service managers to respond to outstanding internal audit reports and the implementation of agreed internal audit recommendations thereby helping to drive improvement in controls to manage risks effectively.

- Continuing to provide regular challenge and demanding accountability on the effectiveness of the implementation and operation of key financial systems.
- Challenging the level of internal audit resources and their work to ensure that the service is effective and a reliable assurance opinion on the Council's controls framework is provided.
- Challenging how the Council responds to the risk of fraud and the receiving information on the levels of detection of fraud and the Council's response.
- Receiving and commenting on the work of the External Auditor, Mazars.
- Challenging how the Annual Governance Statement has been prepared, reviewing the assurance framework that is in place and ensuring that the Council's corporate governance arrangements are effective.

### **Recommendations and reasons**

9. Members note the report and the work undertaken by the Audit Committee during the period February 2015 to September 2015.

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**Contact: Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager,  
Tel 03000 269645**

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## **Appendix 1: Implications**

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

**Staffing** - None.

**Risk** – Not a key decision

**Equality and Diversity/ Public Sector Equality Duty** - None

**Accommodation** - None

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

**Human rights** - None

**Consultation** - None

**Procurement** – None.

**Disability issues** – None.

**Legal Implications** – None.

## Summary of Meetings of the Audit Committee

### **26 February 2015**

The Committee considered:

- (i) A report of the Corporate Director, Resources which presented the Accounting Policies the Council intends to have in place to prepare the 2014/15 financial statements.
- (ii) A report of the Corporate Director, Resources which detailed the timetable for the preparation of the Council's Final Accounts process for 2014/15 including the key milestones for the completion of the financial statements.
- (iii) A report of the Corporate Director, Resources regarding the changes that have been made nationally to the Code of Practice for Local Authority Accounting in the UK for 2014/15. The changes made to 'the Code' affect the methodology and preparation of the Council's financial statements.
- (iv) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2014/15 audit and updating the Committee on national issues and developments that were worthy of attention.
- (v) A report of the External Auditor, Mazars presenting their findings from their work on grant certification. This included Housing and Council Tax Benefit Subsidy, Housing Capital Receipts, Decent Homes Backlog Programme Funding and European Regional Development Funding (ERDF) for the NETPark Connector Project.
- (vi) A report of the Corporate Director, Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during October to December 2014. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (vii) A report of the Chief Internal Auditor and Corporate Fraud Manager presenting the emergent Internal Audit Plan for the year 2015/2016 for members comments and input. The report detailed the proposed direction and process for the development of the emergent Internal Audit Plan which would be discussed with Senior Management and brought back for the Committee's formal approval in June 2015.

- (viii) 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 and the assurance on the control environment provided.
- (ix) A report from the Head of Commissioning, Children and Adult Services to update the Committee on the progress made in relation to the direct payments process following a further Internal Audit review of the Direct Payments Service, carried out in October 2014.

### **19 May 2015**

- (i) A report of the External Auditor, Mazars detailing their Audit Plan notifying the Committee of the work that they are proposing to undertake in respect of the audit of the financial statements and value for money conclusion for the financial year 2014/15 for the Council.
- (ii) A report of the External Auditor, Mazars detailing their Audit Plan notifying the Committee of the work that they are proposing to undertake in respect of the audit of the financial statements and value for money conclusion for the financial year 2014/15 for the Pension Fund.
- (iii) A report of the Corporate Director, Resources which highlighted the strategic risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during January to March 2015. Members were informed of new risks, those that had been removed and the status of all current key risks
- (iv) 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 January to March 2015 and the assurance on the control environment provided.

### **29 June 2015**

- (i) A report of the Corporate Director, Resources which considered the 'going concern' status of the Council and that the draft Annual Accounts would be prepared on this basis.
- (ii) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Committee with a review of the effectiveness of Internal Audit and assurance that it complies with Public Sector Internal Audit Standards (PSIAS). This review also provided the committee with an action plan for further improvements over the coming 12 months.

- (iii) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Annual Internal Audit Report for 2014/2015 that provided a 'moderate' opinion on the adequacy and effectiveness of the Council's control environment for 2014/2015. The Committee was informed that this was a similar opinion to that in 2013/2014 however acknowledged that improvements had been made during the year and others agreed but were yet to be implemented.
- (iv) A report of the Corporate Director, Resources which presented the draft Annual Governance Statement for approval. The Committee were happy to approve the statement for inclusion in the draft statement of accounts.
- (v) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2014/15 audit and updating the Committee on national issues and developments that were worthy of attention.
- (vi) A report of the of the Chair that provided a response, sent on behalf of the Audit Committee, to a letter from the external auditors, relating to compliance with International Auditing Standards. This was a requirement of the final accounts process, and a response from the Corporate Director, Resources in relation to a similar request from management's perspective was also considered for information.
- (vii) A report of the Chief Internal Auditor and Corporate Fraud Manager which outlined the finalised internal audit plan for the period April 2015 to March 2016. This also included the Internal Audit Strategy and Charter for the coming year. Progress on delivering the plan will be regularly monitored by the Committee.
- (viii) The 2014/2015 Annual Fraud and Irregularity Report of the Chief Internal Auditor and Corporate Fraud Manager. This provided the Committee with information on the effectiveness of the Council's Counter Fraud and Corruption Strategy. This included an update on fraud preventative work and investigations of cases.
- (ix) A report of the Corporate Director of Resources detailing an update to the Council's Confidential Reporting Code (Whistleblowing). The code had been reviewed to ensure compliance with best practice and updated legislation.

## **27 July 2015**

The Committee considered:

- (i) A presentation from the Assistant Finance Manager, Corporate Finance at the request of the Committee to give an understanding of the accounting changes required with regard to transport infrastructure assets. The presentation also covered the importance of managing this effectively and the impact this has on the Council's Statement of Accounts.
- (ii) A report of the Corporate Director, Resources which provided details of the final outturn for both the General Fund and the Housing Revenue Account 2014/2015 including the Annual Treasury Management Review.
- (iii) A report of the Corporate Director, Resources which presented the draft un-audited Statement of Accounts for the year ended 31 March 2015. The Corporate Director, Resources confirmed that the draft accounts had been certified and provided to external audit within the statutory deadline of 30 June 2015.
- (iv) A report of the External Auditor, Mazars giving the Committee an update on their progress with commencing the 2014/15 audit and updating the Committee on national issues and developments that were worthy of attention.
- (v) A report of the Corporate Director, Resources which highlighted the Strategic Risks facing the Council and that gave an insight into the work carried out by the Corporate Risk Management Group during April to June 2015. The Committee was informed of the new risks, those that had been removed and the status of current key risks to gain assurance that strategic risks were being effectively managed.

## **30 September 2015**

The Committee considered:

- (i) A presentation by the Strategic Finance Manager giving an overview of the Durham Pension Fund including the Legal Framework, the Local Government Pension Scheme and how the Pension Fund manages its' investments.
- (ii) A report of the Head of Planning and Performance, Children and Adult Services detailing the process that was followed in completing the Local Test of Assurance. This assurance is provided where the Director of Children Services also completes other roles, in Durham this post also covers Adult Services. Guidance states that Local Authorities like Durham should undertake a Local Test of Assurance to ensure that the focus on outcomes for children and young people will not be weakened or diluted as a result of adding other responsibilities.



- (iii) The Audit Completion Reports of the External Auditor relating to both Durham County Council's 2014/2015 Statement of Accounts and those of the Pension Fund. The Committee were pleased to note the comments of the External Auditor in relation to the audit process and the significant improvement that have been made over the year.
- (iv) A report of the Corporate Director of Resources that sought approval of the final Annual Governance Statement to be published as part of the Council's audited Statement of Accounts 2014/2015.
- (v) A report of the Corporate Director of Resources which presented the Statement of Accounts for the year ended 31 March 2015 for approval. The overall improvements that continue to be made in the preparation of the accounts and the reporting process was acknowledged by the Committee who thanked all those involved.
- (vi) The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed members of the work carried out by Internal Audit during the period April to June 2015. The report also provided an update on progress made by management on the implementation of recommendations required to address audit findings. The Committee were pleased to note the continued improvement made in terms of the implementation of recommendations and agreed to continue to monitor this closely.

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**Audit Committee**

**30 November 2015**

**Internal Audit Progress Report  
Period Ended 30 September 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 April 2015 to 30 September 2015 as part of the 2015/2016 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 of systems and processes.
  - 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 2	Progress against the Internal Audit Plan
Appendix 3	Final Reports issued in the quarter ending 31 December 2014
Appendix 4	The number of high and medium priority actions raised and implemented
Appendix 5	Internal Audit Performance Indicators
Appendix 6*	Overdue Actions

## 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 April 2015 to 31 March 2016, was approved by the Audit Committee on 29 June 2015.

## 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 2. The appendix illustrates the current status of each audit as at 30 September 2015 and, where applicable, also gives the resultant assurance opinion.
7. A summary of the status of audits in 2015/16 is illustrated in the table below:

Service Grouping	Not Started	Planning and Preparation	In Progress	Draft Report	Final Report
Assistant Chief Executive (ACE)	1	5	2	1	6
Children and Adult Services (CAS) excluding Schools	2	26	15	0	14
Children and Adult Services (CAS) - Schools	18	8	8	7	22
Neighbourhood Services (NS)	1	24	8	3	13
Regeneration and Economic Development (RED)	1	9	3	2	9
Resources (RES)	12	30	15	4	22
<b>TOTAL</b>	<b>35</b>	<b>102</b>	<b>51</b>	<b>17</b>	<b>86</b>

8. A summary of the final audit reports issued in this quarter is presented in Appendix 3.

9. The total number of Productive Internal Audit days required to deliver the plan is 4,888. As at 30 September, the service has delivered 2,321 productive days representing 47% of the total plan. The target at the end of the quarter was for 45% to be delivered, therefore performance is in line to achieve the target.

### **Audit Activity in the Quarter**

#### **Amendments to the Approved 2015/2016 Internal Audit Plan**

10. The following seven reviews are to be removed from the approved Internal Audit Plan this quarter following agreement between Corporate Directors and the Chief Internal Auditor and Corporate Fraud Manager:

<b>Service Grouping</b>	<b>Audit</b>	<b>Audit Type</b>	<b>Reason</b>
Assistant Chief Executive (ACE)	Strategy for Social Media	Advice & Consultancy	The service requested that this advice & consultancy review be cancelled.
Assistant Chief Executive (ACE)	Durham Ask Governance	Advice & Consultancy	The service requested that this advice & consultancy review be cancelled.
Assistant Chief Executive (ACE)	Community Engagement (Consultation Strategy)	Advice & Consultancy	The service requested that this advice & consultancy review be cancelled.
Children and Adult Services (CAS)	Adoption Service	Assurance	The service requested to defer the review to 2016/17 given the extent of change currently being faced in the area.
Children and Adult Services (CAS)	Arrangements for the management and monitoring of contract information across the service	Assurance	The service requested to defer the review to 2016/17 pending the outcome of the post contract arrangements review being implemented.
Regeneration and Economic Development (RED)	EU Structural Funds Programme	Assurance	The service requested that this review be deferred to 2016/17 as there will be an insufficient number of projects to test going through the new process to be able to provide an assurance opinion.
Resources (RES)	Occupational Health	Assurance	This review was cancelled as assurance is provided on the service via external accreditation.

11. Nine unplanned reviews have been added to the Internal Audit Plan in this quarter. Of these, five are potential fraud or irregularity investigations.

12. The four 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
Neighbourhood Services (NS)	Local Highways Maintenance Funding - Incentive Element	Advice & Consultancy	Service request to review evidence used to support a self-assessment questionnaire prior to submitting it to the DfT
Neighbourhood Services (NS)	Woodland Burial Trust	Assurance	Service request to undertake review in response to concerns raised in relation to the Trust's operating practices.
Regeneration and Economic Development (RED)	Disabled Facilities Grant	Assurance	This review was added at the request of the Corporate Director, Resources, following a supplier complaint.
Resources (RES)	Agency System	Advice & Consultancy	Service request to add this advice and, prior to a planned assurance review being carried out later in the year.

### Outstanding Management Responses to Draft Internal Audit Reports

13. There are currently no draft audit reports overdue at the time of writing.

### Survey Response Rate

14. The table below sets out the response rate and average score, by Service Grouping, for the customer satisfaction surveys issued during the period up to the end of September.

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Assistant Chief Executive (ACE)	3	2	67	4.4
Children and Adult Services (CAS) excluding Schools	8	6	75	4.3
Children and Adult Services (CAS) - Schools	18	7	39	4.8
Neighbourhood Services (NS)	10	9	90	4.6
Regeneration and Economic Development (RED)	7	4	57	4.7
Resources (RES)	21	14	67	4.2
<b>TOTAL</b>	<b>67</b>	<b>42</b>	<b>63</b>	<b>4.4</b>

### 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 4.

16. A summary of progress on the actions due, implemented and overdue, as at 30 September 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)	10	7	3	3	0
Children and Adult Services (CAS)	134	134	0	0	0
Neighbourhood Services (NS)	201	193	8	8	0
Regeneration and Economic Development (RED)	80	67	13	13	0
Resources (RES)	433	419	14	14	0
<b>TOTAL</b>	<b>858</b>	<b>820</b>	<b>38</b>	<b>38</b>	<b>0</b>

17. It is encouraging to note that, of the 858 actions due to be implemented, 820 (96%) 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 6.

### Limited Assurance Audit Opinions

19. There were no audits finalised in this quarter that were issued with a 'limited assurance' opinion.

### Performance Indicators

20. A summary of our actual performance at the end of September 2015 compared with our agreed targets is illustrated in Appendix 5.

## **Recommendations**

21. Members are asked to note:

- The amendments made to the 2015/2016 Annual Audit Plan.
- Work undertaken by Internal Audit during the period ending 30 September 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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**Contact: Paul Monaghan****Tel: 03000 269662**

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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**

All Corporate Directors and Heads of Service.

**Procurement**

None

**Disability Issues**

None

**Legal Implications**

None

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## INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2015

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
<b>2014 / 2015 Internal Audit Plan - Audits Brought Forward / Deferred</b>					
Assistant Chief Executive (ACE)	Policy and Communications	Business Continuity Planning	Key System	Final Report	Substantial
Assistant Chief Executive (ACE)	Planning and Performance	Data Protection - Access to Records: Legal Services	Assurance	Final Report	Moderate
Assistant Chief Executive (ACE)	Planning and Performance	Data Protection - Access to Records: Environmental Health	Assurance	Final Report	Moderate
Assistant Chief Executive (ACE)	Planning and Performance	Data Quality (2013/14 follow up)	Key System	Final Report	Moderate
Assistant Chief Executive (ACE)	Planning and Performance	Data Quality	Key System	Final Report	Moderate
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Area Action Partnerships (AAPs) - Performance Management Framework	Assurance	Preparation	
Children and Adult Services (CAS)	Adult Care	Hawthorn House Follow Up	Assurance	Final Report	Moderate
Children and Adult Services (CAS)	Children's Services	Foster Carer Payments	Assurance	Preparation	
Children and Adult Services (CAS)	Children's Services	Children Safeguarding Governance Arrangements	Assurance	Preparation	
Children and Adult Services (CAS)	Children's Services	Leaving Care Service	Assurance	Preparation	
Children and Adult Services (CAS)	Children's Services	Disability Commissioning Arrangements (Short Breaks)	Assurance	Final Report	Substantial
Children and Adult Services (CAS)	Children's Services	Out of County Placements	Assurance	Final Report	Substantial
Children and Adult Services (CAS)	Children's Services	First Contact Service	Assurance	Final Report	Substantial
Children and Adult Services (CAS)	Children's Services	Voluntary Organisations (DCC Employee Arrangements)	Assurance	Not yet started	
Children and Adult Services (CAS)	Commissioning	Management of Client Finances	Assurance	Final Report	Substantial
Children and Adult Services (CAS)	Commissioning	Social Care Financial Assessments and Reassessments	Assurance	In Progress	
Children and Adult Services (CAS)	Education Services	Schools Financial Value Standard (SFVS)	Advice & Consultancy	Final Report	N/A
Children and Adult Services (CAS)	PSS	Caldicott Compliance	Assurance	Final Report	Moderate
Children and Adult Services (CAS)	Public Health	Support to the Director of Public Health on providing assurance on Health Protection Arrangements	Advice & Consultancy	Final Report	N/A
Children and Adult Services (CAS)	Public Health	Health Visitor Transition	Advice & Consultancy	In Progress	
Children and Adult Services (CAS)	Public Health	Pharmoutcomes NRT	Advice & Consultancy	In Progress	
Children and Adult Services (CAS)	Public Health	Pharmoutcomes Supervised Consumption	Advice & Consultancy	In Progress	
Children and Adult Services (CAS)	Public Health	Commissioning of Clinical Public Health Services	Assurance	Final Report	Moderate
Neighbourhood Services (NS)	Direct Services	Allotments Management	Assurance	Final Report	Limited
Neighbourhood Services (NS)	Direct Services	Quality Management System (QMS)	Advice & Consultancy	Final Report	N/A
Neighbourhood Services (NS)	Direct Services	Computerised Repairs and Maintenance System	Advice & Consultancy	Final Report	N/A
Neighbourhood Services (NS)	Direct Services	Catering Service	Advice & Consultancy	Final Report	N/A
Neighbourhood Services (NS)	Direct Services	Contract Audit - Direct Services	Assurance	In Progress	
Neighbourhood Services (NS)	Technical Service	Capital Project Review	Assurance	In Progress	
Neighbourhood Services (NS)	Technical Service	Contract Audit - Construction PPM	Assurance	Draft Report	
Neighbourhood Services (NS)	Technical Service	Contract Audit - Highways	Assurance	Draft Report	
Neighbourhood Services (NS)	Technical Service	Flooding Mitigation (Service led Self Assessment)	Assurance	In Progress	
Regeneration and Economic Development (RED)	Strategy, Programmes and Performance	ERDF	Advice & Consultancy	Final Report	N/A
Regeneration and Economic Development (RED)	Planning and Assets	Planning System	Assurance	In Progress	
Regeneration and Economic Development (RED)	Transport and Contract Services	Transport - Contractual Arrangements	Assurance	Preparation	
Regeneration and Economic Development (RED)	Transport and Contract Services	Transport - Safeguarding Arrangements	Assurance	Preparation	
Regeneration and Economic Development (RED)	Economic Development and Housing	Housing Stock Transfer	Advice & Consultancy	Final Report	N/A
Regeneration and Economic Development (RED)	Economic Development and Housing	Housing Solutions	Assurance	Final Report	Substantial
Regeneration and Economic Development (RED)	Economic Development and Housing	Choice Based Lettings	Assurance	Final Report	Substantial
Regeneration and Economic Development (RED)	Planning and Assets	Warm Up North	Advice & Consultancy	Preparation	
Resources	HR&OD	Payroll	Key System	Draft Report	
Resources	HR&OD	Violent Persons Register	Assurance	Final Report	Moderate
Resources	HR&OD	Health and Safety	Key System	Final Report	Substantial
Resources	HR&OD	Attendance Management Framework - Phased returns	Assurance	Final Report	Moderate
Resources	HR&OD	Members Allowances & Expenses	Assurance	Final Report	Substantial
Resources	HR&OD	Standards	Assurance	Preparation	
Resources	Legal and Democratic Services	Land Charges Fees and Income	Assurance	Preparation	
Resources	Legal and Democratic Services	Registrars	Assurance	Final Report	Moderate
Resources	Corporate Finance	VAT Arrangements	Assurance	Final Report	Substantial
Resources	Corporate Finance	Collection Fund	Key System	Final Report	Substantial
Resources	Financial Services	Council Tax	Key System	Final Report	Moderate
Resources	Financial Services	Business Rates	Key System	Final Report	Moderate
Resources	Financial Services	Welfare Rights Reporting System	Assurance	Preparation	
Resources	Financial Services	Bailiffs	Advice & Consultancy	Final Report	N/A
Resources	Financial Services	Creditors	Key System	Final Report	Moderate
Resources	Financial Services	Debtors	Key System	Final Report	Moderate
Resources	Financial Services	Debtors: Follow Up to 2013-14 Review	Key System	Final Report	Moderate
Resources	ICT	Cash Collection	Key System	Final Report	Moderate

**INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2015**

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	ICT	Mobile Phones	Advice & Consultancy	Final Report	N/A
Resources	ICT	Password Management	Assurance	Draft Report	
Resources	ICT	Physical Security	Assurance	Final Report	Moderate
Resources	ICT	ISMS Risk Assessment	Assurance	Final Report	Moderate
Resources	Internal Audit, Risk and Fraud	Insurance	Assurance	Final Report	Moderate
Resources	Financial Services	Agency	Assurance	Preparation	
Resources	Internal Audit, Risk and Fraud	Counter Fraud Arrangements	Key System	Not yet started	
Resources	ICT	ICT Business Continuity Plan	Assurance	Preparation	
Resources	ICT	Design and Print Service	Assurance	In Progress	
2015 / 2016 Internal Audit Plan					
Assistant Chief Executive (ACE)	Policy and Communications	Business Continuity Planning	Key System	Not yet started	
Assistant Chief Executive (ACE)	Policy and Communications	Strategy for Social Media	Advice & Consultancy	Cancelled	
Assistant Chief Executive (ACE)	Policy and Communications	Durham Ask Governance	Advice & Consultancy	Cancelled	
Assistant Chief Executive (ACE)	Planning and Performance	Data Quality Framework	Assurance	Preparation	
Assistant Chief Executive (ACE)	Planning and Performance	Data Protection	Assurance	Preparation	
Assistant Chief Executive (ACE)	Planning and Performance	Freedom of Information	Assurance	In Progress	
Assistant Chief Executive (ACE)	Planning and Performance	Information Governance Group	Advice & Consultancy	In Progress	
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Community Engagement (Consultation Strategy)	Advice & Consultancy	Preparation	
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Partnership Governance Framework	Key System	Preparation	
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Community Buildings Funding (Part 3)	Advice & Consultancy	Final Report	N/A
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Community Grants (Governance & Payments)	Assurance	Draft Report	
Children and Adult Services (CAS)	Adult Care	Continuing Health Care	Assurance	Preparation	
Children and Adult Services (CAS)	Adult Care	Continuing Health Care / S117 Payments	Advice & Consultancy	In Progress	
Children and Adult Services (CAS)	Adult Care	Adaptations Service Follow Up	Assurance	Preparation	
Children and Adult Services (CAS)	Adult Care	Implementation of the Care Act	Advice & Consultancy	Preparation	
Children and Adult Services (CAS)	Adult Care	Extra Care	Assurance	In Progress	
Children and Adult Services (CAS)	Children's Services	Stronger Families Programme - Q1	Advice & Consultancy	Final Report	N/A
Children and Adult Services (CAS)	Children's Services	Stronger Families Programme - Q2	Advice & Consultancy	Final Report	N/A
Children and Adult Services (CAS)	Children's Services	Stronger Families Programme - Q3	Advice & Consultancy	Preparation	
Children and Adult Services (CAS)	Children's Services	Adoption Service	Assurance	Cancelled	
Children and Adult Services (CAS)	Children's Services	Children's Centres / Homes - Cash handling arrangements - Tow Law / High Etherley	Assurance	Preparation	
Children and Adult Services (CAS)	Children's Services / PSS	Aycliffe Site - Collection and banking of income / petty cash management	Key System	In Progress	
Children and Adult Services (CAS)	Commissioning	Transport – Input into group established to consider outcomes of People 2 review.	Advice & Consultancy	In Progress	
Children and Adult Services (CAS)	Commissioning	Management of Client Finances - Use of pre-paid cards Phase 1	Advice & Consultancy	Final Report	N/A
Children and Adult Services (CAS)	Commissioning	Management of Client Finances - Use of pre-paid cards Phase 2	Advice & Consultancy	Preparation	
Children and Adult Services (CAS)	Commissioning	Integration of Financial Services Team within Revenues and Benefits	Advice & Consultancy	Preparation	
Children and Adult Services (CAS)	Commissioning	Arrangements for management and monitoring of contract information across service	Assurance	Cancelled	
Children and Adult Services (CAS)	Commissioning	Direct payments - Introduction of Pre-Paid Cards	Advice & Consultancy	Preparation	
Children and Adult Services (CAS)	Commissioning	Personal Budgets	Assurance	Preparation	
Children and Adult Services (CAS)	Commissioning	Drug and Alcohol Services Contract Management Arrangements	Assurance	Not yet started	
Children and Adult Services (CAS)	Commissioning	Post Contract Arrangements	Advice & Consultancy	In Progress	
Children and Adult Services (CAS)	Education Services	Adult Learning and Skills Service	Assurance	Final Report	Moderate
Children and Adult Services (CAS)	Education Services	Youth Employment Initiative	Advice & Consultancy	In Progress	
Children and Adult Services (CAS)	Education Services	Arrangements for brokering of external providers of school improvement services	Assurance	Preparation	
Children and Adult Services (CAS)	Education Services	Schools Financial Value Standard (SFVS)	Advice & Consultancy	Preparation	
Children and Adult Services (CAS)	Education Services	Governor Training	Advice & Consultancy	Preparation	
Children and Adult Services (CAS)	Education Services	SBM Training	Advice & Consultancy	Preparation	
Children and Adult Services (CAS)	Education Services	Headteacher Group	Advice & Consultancy	Preparation	
Children and Adult Services (CAS)	Education Services	Careers Service	Assurance	Preparation	
Children and Adult Services (CAS)	Education Services	Education and Business Link	Assurance	Preparation	
Children and Adult Services (CAS)	Education Services	School Programme provided through SLA	Assurance	Various	16 Substantial 6 Moderate
Children and Adult Services (CAS)	PSS	Petty Cash and Imprest Accounts at Locality Offices	Advice & Consultancy	Final Report	N/A
Children and Adult Services (CAS)	PSS	Petty Cash and Imprest Accounts at Locality Offices	Assurance	Preparation	
Children and Adult Services (CAS)	PSS	E Market Place	Advice & Consultancy	In Progress	
Children and Adult Services (CAS)	PSS	Caldicott Compliance - SSID System	Assurance	Preparation	
Children and Adult Services (CAS)	PSS	Caldicott Compliance - POPPIE System	Assurance	Preparation	
Children and Adult Services (CAS)	PSS	Caldicott Group	Advice & Consultancy	In Progress	
Children and Adult Services (CAS)	PSS	Caldicott Compliance - DCRS	Assurance	Preparation	

## INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2015

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Children and Adult Services (CAS)	PSS / Public Health	DCRS - Quality of information held to inform key service performance indicators	Assurance	Preparation	
Children and Adult Services (CAS)	Public Health	Public Health - Data Quality (Performance Indicators) Mapping Exercise	Advice & Consultancy	Preparation	
Children and Adult Services (CAS)	Public Health	Drug and Alcohol Estate	Advice & Consultancy	Preparation	
Children and Adult Services (CAS)	Education Services	School Programme for voluntary of private school funds provided through SLA	Assurance	Planned In Progress Complete	13 0 2
Children and Adult Services (CAS)	Education Services	Schools User Provider Group	Advice & Consultancy	In Progress	
Children and Adult Services (CAS)	Education Services	Head Teacher Induction	Advice & Consultancy	In Progress	
Children and Adult Services (CAS)	Children and Adults	North of England Public Sector Internal Audit Forum	Advice & Consultancy	In Progress	
Neighbourhood Services (NS)	Culture & Sport	Stanley Bowls	Advice & Consultancy	Preparation	
Neighbourhood Services (NS)	Culture & Sport	County Durham Sport	Advice & Consultancy	Preparation	
Neighbourhood Services (NS)	Culture & Sport	Integrated Leisure Management System	Advice & Consultancy	In Progress	
Neighbourhood Services (NS)	Culture & Sport	Spennymoor Leisure Centre - Review of Core Financial Systems	Assurance	Final Report	Moderate
Neighbourhood Services (NS)	Culture & Sport	Newton Aycliffe Leisure Centre - Review of Core Financial Systems	Assurance	Final Report	Moderate
Neighbourhood Services (NS)	Culture & Sport	Fixed Play (Sn 106)	Assurance	Deferred to 2016/17	N/A
Neighbourhood Services (NS)	Culture & Sport	Leisureworks Management	Assurance	Preparation	
Neighbourhood Services (NS)	Culture & Sport	SevenHills - Review of resource distribution arrangements, Debtors, Expenditure and Stocks and Stores	Assurance	Preparation	
Neighbourhood Services (NS)	Culture & Sport	Locomotion Museum - Review of governance arrangements / Core Financial Systems	Assurance	Preparation	
Neighbourhood Services (NS)	Culture & Sport	Gala Theatre – Cinema Operator Procurement and links to Box Office	Assurance	In Progress	
Neighbourhood Services (NS)	Culture & Sport	CLUK Income Share Agreement	Assurance	Final Report	Substantial
Neighbourhood Services (NS)	Culture & Sport	Killhope Museum- Review of Core Financial Systems	Assurance	Preparation	
Neighbourhood Services (NS)	Direct Services	School Billing Process	Assurance	Preparation	
Neighbourhood Services (NS)	Direct Services	Livin Housing Association Contract Follow Up	Assurance	Final Report	Substantial
Neighbourhood Services (NS)	Direct Services	Quality Management System (QMS)	Advice & Consultancy	Final Report	N/A
Neighbourhood Services (NS)	Direct Services	Quality Management System (QMS)	Advice & Consultancy	Preparation	
Neighbourhood Services (NS)	Direct Services	Clean and Green Complaints Handling	Assurance	Cancelled	N/A
Neighbourhood Services (NS)	Direct Services	Safer Communities / Anti-Social Behaviour Teams - MAIS and Child Sexual Exploitation	Assurance	Preparation	
Neighbourhood Services (NS)	Direct Services	Bereavement Services - Durham Crematorium	Assurance	Preparation	
Neighbourhood Services (NS)	Direct Services	Bereavement Services - Mountsett Crematorium	Assurance	Preparation	
Neighbourhood Services (NS)	Direct Services	Fleet Management - Follow Up	Assurance	In Progress	
Neighbourhood Services (NS)	Direct Services	Use of Fuel Cards	Assurance	Preparation	
Neighbourhood Services (NS)	Direct Services	Property Help Desk - Schools and Public Building Maintenance	Advice & Consultancy	Preparation	
Neighbourhood Services (NS)	EHCP	Trading Standards Grant	Advice & Consultancy	Final Report	N/A
Neighbourhood Services (NS)	EHCP	Food Safety	Assurance	Final Report	Substantial
Neighbourhood Services (NS)	EHCP	Licensing Review of Miscellaneous Registrations - Fee setting and cost recovery	Assurance	Preparation	
Neighbourhood Services (NS)	EHCP	Licensing Enforcement	Assurance	Preparation	
Neighbourhood Services (NS)	EHCP	Pest Control and Accumulations	Assurance	Preparation	
Neighbourhood Services (NS)	EHCP	Works in Default	Assurance	In Progress	
Neighbourhood Services (NS)	EHCP	Markets - Review of income collection and contract monitoring arrangements	Assurance	Draft Report	
Neighbourhood Services (NS)	EHCP	Weights and Measures Approved Body Status	Assurance	Preparation	
Neighbourhood Services (NS)	Projects & Business Services	Customer Services Complaints	Assurance	Preparation	
Neighbourhood Services (NS)	Projects & Business Services	Environmental Compliance	Advice & Consultancy	In Progress	
Neighbourhood Services (NS)	Projects & Business Services	Fly Tipping	Assurance	Preparation	
Neighbourhood Services (NS)	Projects & Business Services	TEEP	Advice & Consultancy	Preparation	
Neighbourhood Services (NS)	Projects & Business Services	Sickness Management - Revised absence recording mechanisms (Corporate Activity)	Assurance	Preparation	
Neighbourhood Services (NS)	Technical Services	CDM Compliance	Assurance	Preparation	
Neighbourhood Services (NS)	Technical Services / Direct Services	Stores Management - On site processes for disposal of surplus materials	Assurance	Preparation	
Neighbourhood Services (NS)	Direct Services	Allotments Management Follow UP	Assurance	Preparation	
Neighbourhood Services (NS)	Direct Services	Woodland Burial Trust	Assurance	Final Report	N/A
Neighbourhood Services (NS)	EHCP	Animal Health Follow UP	Assurance	Not yet started	
Neighbourhood Services (NS)	Technical Services	Local Highways Maintenance Funding - Incentive Element	Advice & Consultancy	Final Report	N/A
Regeneration and Economic Development (RED)	Planning and Assets	Carbon Reduction Commitment	Assurance	Final Report	Moderate
Regeneration and Economic Development (RED)	Planning and Assets	Community Infrastructure Levy	Advice & Consultancy	Not yet started	
Regeneration and Economic Development (RED)	Strategy, Programmes and Performance	EU Structural Funds Programme	Assurance	Deferred to 2016/17	
Regeneration and Economic Development (RED)	Strategy, Programmes and Performance	Project Management Arrangements	Advice & Consultancy	Preparation	
Regeneration and Economic Development (RED)	Transport and Contract Services	Park and Ride	Assurance	Draft Report	
Regeneration and Economic Development (RED)	Transport and Contract Services	Telecare Services & Care Connect	Assurance	Preparation	
Regeneration and Economic Development (RED)	Transport and Contract Services	CCTV	Assurance	Preparation	
Regeneration and Economic Development (RED)	Economic Development and Housing	Mentoring Project	Assurance	Final Report	Moderate
Regeneration and Economic Development (RED)	Economic Development and Housing	Durham Employment and Skills	Assurance	Preparation	

Page 2

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2015

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Regeneration and Economic Development (RED)	Economic Development and Housing	International Relations	Assurance	In Progress	
Regeneration and Economic Development (RED)	Economic Development and Housing	West Rainton and Leamside CA	Advice & Consultancy	Final Report	N/A
Regeneration and Economic Development (RED)	Economic Development and Housing	Business Durham	Assurance	Preparation	
Regeneration and Economic Development (RED)	Economic Development and Housing	Private Sector Housing (Selective Licensing)	Assurance	Draft Report	
Regeneration and Economic Development (RED)	Economic Development and Housing	Gypsy, Roma, Traveller Sites	Assurance	Preparation	
Regeneration and Economic Development (RED)	Economic Development and Housing	Durham Villages Regeneration Company	Advice & Consultancy	In Progress	
Regeneration and Economic Development (RED)	Planning and Assets	Building Control - Online Payments	Assurance	Final Report	Substantial
Regeneration and Economic Development (RED)	Economic Development and Housing	Disabled Facilities Grant	Assurance	Final Report	Moderate
Resources	HR&OD	Flexi Scheme	Assurance	Preparation	
Resources	HR&OD	Recruitment & Selection Policy	Assurance	Preparation	
Resources	HR&OD	Flexible Working - Variations to Contracts	Assurance	Preparation	
Resources	HR&OD	Appraisals	Assurance	Preparation	
Resources	HR&OD	Attendance Management Framework	Assurance	Preparation	
Resources	HR&OD	Violent Persons Register	Assurance	Preparation	
Resources	HR&OD	Occupational Health	Assurance	Cancelled	
Resources	Legal and Democratic Services	Committee Services (incl. Modern.gov)	Assurance	Final Report	Substantial
Resources	Legal and Democratic Services	Member Declarations of Interest	Assurance	Preparation	
Resources	Legal and Democratic Services	Officer Scheme of Delegation	Assurance	Draft Report	
Resources	Legal and Democratic Services	Newco	Assurance	Preparation	
Resources	Legal and Democratic Services	RIPA	Advice & Consultancy	In Progress	
Resources	Corporate Finance	General Ledger	Key System	Preparation	
Resources	Corporate Finance	MTFP	Key System	Not yet started	
Resources	Corporate Finance	Capital Accounting	Key System	Preparation	
Resources	Corporate Finance	Journal Transfers	Key System	Preparation	
Resources	Corporate Finance	Bank Reconciliation	Key System	Preparation	
Resources	Corporate Finance	Direct Debit Payments	Assurance	Preparation	
Resources	Corporate Finance	Treasury Management	Key System	Preparation	
Resources	Corporate Finance	Teachers Pension Fund (2015/16 = Follow Up)	Assurance	Final Report	Substantial
Resources	Corporate Finance	Bank Contract	Advice & Consultancy	In Progress	
Resources	Corporate Finance	Leases	Assurance	In Progress	
Resources	Corporate Finance	Procurement - Procurement Cards	Assurance	In Progress	
Resources	Corporate Finance	Procurement - Document Retention	Advice & Consultancy	Preparation	
Resources	Corporate Finance	Procurement - Contract Management	Assurance	In Progress	
Resources	Corporate Finance	Procurement - Off Contract Spend	Assurance	In Progress	
Resources	Corporate Finance	Procurement - Contract Procedure Rules	Assurance	In Progress	
Resources	Corporate Finance	Oracle Project Group	Advice & Consultancy	In Progress	
Resources	Financial Services	Subsistence Claims	Counter Fraud	In Progress	
Resources	Financial Services	Business Rates - Charities	Counter Fraud	Final Report	N/A
Resources	Financial Services	Payroll	Key System	Preparation	
Resources	Financial Services	Taxation - PAYE	Assurance	Preparation	
Resources	Financial Services	Budgetary Control (lighter touch)	Key System	Not yet started	
Resources	Financial Services	Revs and Bens Reconciliations	Key System	Draft Report	
Resources	Financial Services	Creditor Payments	Key System	Preparation	
Resources	Financial Services	Creditors Working Group	Advice & Consultancy	In Progress	
Resources	Financial Services	Business Rates	Key System	Not yet started	

**FINAL REPORTS ISSUED IN PERIOD ENDING 30 SEPTEMBER 2015**

<b>AUDIT AREA</b>	<b>BRIEF DESCRIPTION OF SCOPE OF THE AUDIT</b>	<b>FINAL OPINION</b>
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<b>ASSISTANT CHIEF EXECUTIVE (ACE)</b>		
Data Quality – Performance Management Framework	<p>Assurance review of the arrangements in place to mitigate against the risk of failing to report accurate performance indicators. The indicators reviewed as part of the audit were;</p> <ul style="list-style-type: none"> <li>• CASAS5 - First time entrants to the Youth Justice System aged 10-17 (per 100,000 population of 10-17 year olds)</li> <li>• CASCYP15 - Percentage of children in Early Years Foundation Stage (EYFS) achieving a good level of development</li> <li>• NS43b - Number of customer contacts - telephone</li> </ul>	Moderate
Data Protection – Access to Records (Environmental Health and Consumer Protection)	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Data is handled, accessed or disclosed inappropriately</li> <li>• The location of data is not recorded</li> <li>• The lifespan of data is not determined</li> </ul>	Moderate
Community Buildings Funding (Part 3)	Advice and consultancy review to provide financial information on the revenue costs of maintaining community buildings.	N/A

<b>CHILDREN AND ADULT SERVICES (CAS)</b>		
Disability Commissioning Arrangements (Short Breaks)	<p>An assurance review to consider the effectiveness of processes for managing the following risks:</p> <ul style="list-style-type: none"> <li>• Placements are not authorised</li> <li>• Placements are not appropriate</li> <li>• Placements are not made correctly</li> <li>• Quality of care is not met</li> <li>• Placements are not effective</li> <li>• Overspent budgets</li> <li>• Information is not kept secure</li> <li>• Information is lost.</li> </ul>	Substantial

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
Management of Client Finances	<p>An assurance review to consider the effectiveness of processes for managing the following risks:</p> <ul style="list-style-type: none"> <li>• Client accounts are not managed effectively where the authority has been appointed Financial Deputy</li> <li>• Client accounts are not managed effectively where the authority is acting as the Appointee</li> </ul>	Substantial
Adult Learning and Skills Service	<p>An assurance review to consider the effectiveness of processes for managing the following risks:</p> <ul style="list-style-type: none"> <li>• Objectives are not achieved and funding available is not utilised</li> <li>• Breach of H&amp;S legislation</li> <li>• Qualification of external audit report</li> <li>• Learners desired outcomes are not achieved</li> <li>• KPI targets are not achieved</li> <li>• Repayment of funding to SFA</li> </ul>	Moderate
Management of Client Finances – Use of Pre Paid Cards Phase 1	An advice and consultancy review to evaluate the arrangements in place for using pre-paid cards for the payment of personal allowances	N/A
Review of Petty Cash Arrangements at Locality Offices	An advice and consultancy review that considered cash holding/recording arrangements	N/A

NEIGHBOURHOOD SERVICES (NS)		
Spennymoor Leisure Centre	<p>Assurance reviews that considered management of the following risks</p> <ul style="list-style-type: none"> <li>• Income is recorded or processed inaccurately</li> <li>• Income is not received for bookings/courses.</li> <li>• Cash is held or transported insecurely</li> <li>• Unauthorised access to cash receipting system and till.</li> <li>• Gym membership income is not received</li> <li>• Expenditure is inappropriate.</li> <li>• Stocks are inappropriate or insecure.</li> </ul>	Moderate
Newton Aycliffe Leisure Centre		Moderate
Food Safety	An assurance review that considered the effectiveness of arrangements for ensuring local compliance with food and feed safety legislation across all food and feed providers registered within the county. On this occasion External Third Party Assurance was found to have been provided by Food Standards Agency (FSA) with their report on the authority's food law service delivery and food business compliance following an audit carried out in November 2012.	Substantial



AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
QMS	An advice and consultancy review of Quality Management System and Procedures prior to external inspections.	N/A
CLUK	An assurance review undertaken following receipt of a letter from Competition Line requesting a written report, prepared by a duly qualified independent accountant, confirming that the Hirer (Culture & Sport) had complied with all its obligations under clause no. 3 of the Income Sharing Agreement for 2014/15.	Substantial
Trading Standards Grant	A grant review that verified compliance with terms and conditions of the grant for the submission covering the period 01-04-2014 to 31-03-2015.	N/A
Pothole Fund	A grant review that verified compliance with terms and conditions attached to the Pothole Fund Specific Grant Determination 2014/15 No 31/2391.	N/A
Woodland Burial Trust	An assurance review undertaken in response to concerns raised by members of the Trust to the Neighbourhood Protection Manager and Bereavement Services Manager regarding the robustness of burial arrangements, incomplete and erroneous burial records, and future burial commitments.	Moderate
Local Highways Maintenance Funding - Incentive Element	An Advice and Consultancy review to verify supporting evidence for the submission by DCC to the Department for Transport (DfT) of their 'Local Highways Maintenance Capital Funding: Incentive Element self-assessment questionnaire'. The questionnaire forms part of the consultation with DfT ahead of the final submission in the autumn of 2015.	N/A

REGENERATION AND ECONOMIC DEVELOPMENT (RED)		
Disabled Facilities Grant	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Clients are directed to unsuitable contractors</li> <li>• Opportunities to quote are allocated unfairly</li> </ul>	Moderate
Carbon Reduction Commitment	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Data submitted to the Environment Agency is inaccurate, late or does not adhere to guidelines</li> <li>• The number of allowances purchased in advance is significantly different to the amount actually required at outturn</li> <li>• Data is not held in accordance with retention guidelines</li> <li>• Corporate PIs are not accurate</li> </ul>	Moderate

<b>AUDIT AREA</b>	<b>BRIEF DESCRIPTION OF SCOPE OF THE AUDIT</b>	<b>FINAL OPINION</b>
Housing Solutions	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Persons are unaware of who to contact for help</li> <li>• Lack of appropriate temporary/alternative accommodation</li> <li>• Inappropriate/unfair decision is made in acceptance of homelessness duty, or preventative action.</li> <li>• Inappropriate/unfair decision is made in acceptance of homelessness duty, or preventative action.</li> <li>• Decisions are not made in a timely manner</li> <li>• Persons given inappropriate advice/support or dissatisfied with service</li> <li>• Officers unavailable to advise persons requesting help</li> <li>• Non-compliance with Data Protection legislation</li> </ul>	Substantial
Mentoring Project	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Objectives of the project are not achieved</li> <li>• Information is not accurately reported and reported to the AAP</li> <li>• Grants are made by the project which are not in line with the funding conditions of grant</li> <li>• Unauthorised payments are made</li> <li>• Overspent budget</li> <li>• Employers and the target group are not aware of the project</li> <li>• Data protection and data retention arrangements are not in place</li> </ul>	Moderate
European Regional Development Fund	Advice & consultancy review of the governance and approval process for the EU Structural Funds programme.	N/A
West Rainton & Leamside CA	Advice & consultancy review of the control environment for the financial arrangements at WR&LCA.	N/A
Decent Homes Backlog Funding	Grant certification	N/A
Local Transport Capital Block Fund	Grant certification	N/A
Local Pinchpoint Fund	Grant certification	N/A
Disabled Facilities Capital Grant	Grant certification	N/A

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
<b>RESOURCES</b>		
Members Allowances & Expenses	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>• Failure to adhere to legislative requirements</li> <li>• Payments made are incorrect</li> </ul>	Substantial
Teachers' Pension Fund	Assurance review of the arrangements in place to mitigate against the risk of the actions from the follow up audit, carried out in October 2014, not being implemented.	Substantial
Committee Services	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>• Illegal or unconstitutional decision making</li> <li>• Information, data and supporting documentation are not held securely</li> </ul>	Substantial
Collection Fund	Assurance review of the arrangements in place to mitigate against the risk that estimated levels of income relating to Council Tax and Business Rates are inaccurate.	Substantial
Insurance	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>• Inadequate/ excessive amounts of insurance are held</li> <li>• Insurance cover is not valid</li> <li>• Outsourced services are not properly managed</li> <li>• Insurance policies are not properly managed</li> <li>• Payments are made for unapproved claims</li> <li>• Claims are paid by DCC which should be paid by the insurer</li> <li>• Services are incorrectly recharged claim handling costs/premiums</li> <li>• Financial loss arising from the failure to submit claims</li> <li>• Claims are not responded to within a timely basis</li> <li>• Ineffective performance monitoring</li> <li>• Poor data quality</li> <li>• Information is lost</li> <li>• Recurring claims are submitted</li> </ul>	Moderate
Violent Persons Register	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>• Details of potential violent persons recorded on Service specific databases are not transferred to the Corporate Potential Violent Persons Register accurately and completely</li> <li>• Breach of the Data Protection Act 1998</li> </ul>	Moderate

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
Information Security – Risk Assessment	Assurance review of the arrangements in place to mitigate against the risk information and data not being adequately protected from loss or theft.	Moderate
Information Security – Physical Security	Assurance review of the arrangements in place to mitigate against the risk of unauthorised access being gained to buildings.	Moderate
Pension Fund – Governance	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Governance failures leading to a financial underperformance or poor publicity.</li> <li>• Pension Fund Board not being set up in accordance with legislation.</li> </ul>	Moderate
Creditors	<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 inadequate / are not followed</li> <li>• Payments are made to incorrect / out of date suppliers</li> <li>• Unauthorised or inappropriate procurement of goods / services and / or payments are processed</li> <li>• Inadequate or incorrect goods are received and accepted</li> <li>• Valuable goods are stolen</li> <li>• Incorrect payments are made / payments are not made in time</li> <li>• Non-compliance with BACS service terms and conditions</li> <li>• Mispostings / fraudulent activity go undetected</li> <li>• Information and data are not protected from loss, damage or unauthorised disclosure, are inaccurate or held for an excessive period of time</li> <li>• Inaccurate reporting of performance</li> </ul>	Moderate
Pension Fund – ICT controls, data quality and performance	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Users have unauthorised access to system and data</li> <li>• Data/information is lost</li> <li>• Source data is input into the system incorrectly</li> <li>• Poor performance goes undetected</li> </ul>	Moderate
Business Rates - Charities	Counter fraud review to identify potential business rates / charities fraud by checking those business rates accounts which are receiving mandatory and discretionary charitable relief.	N/A

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
Council Tax	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• The setting of Council Tax is not in line with The Local Government Finance Act 1992</li> <li>• Non-compliance with legislation</li> <li>• Accounts are inaccurately and/or fraudulently deleted, set up, or amended</li> <li>• Information and data are not protected from loss, damage or unauthorised disclosure, are inaccurate or held for an excessive period of time</li> <li>• Parameters are incorrectly input</li> <li>• Property records are incorrectly input or updated</li> <li>• Records and accounts are not updated to record new and amendments to properties</li> <li>• Valuation Office amendments are not processed in a timely manner</li> <li>• Discount applications are invalid</li> <li>• Data is incomplete and records are out of date</li> <li>• Failure to adhere to appeal timescales</li> <li>• Incorrect transactions are not identified and corrected</li> <li>• Transactions are incorrectly calculated or valued</li> <li>• Annual billing run commences before input is complete</li> <li>• Bills produced have been incorrectly calculated</li> <li>• Delays occur in sending out Council Tax bills</li> <li>• Recovery action is not initiated promptly</li> <li>• Mispostings / fraudulent activity go undetected</li> <li>• Inaccurate reporting of performance</li> </ul>	Moderate
Debtors and Debtors Follow Up	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Actions from the previous review of debtors not being implemented</li> <li>• Difficulty / Inability to take appropriate recovery action against unpaid debts</li> <li>• Inefficient use of resources</li> <li>• Invoices are raised incorrectly</li> <li>• Loss of income</li> <li>• Inappropriate recovery action</li> <li>• Financial penalties due to breach of direct debit regulations</li> <li>• Information and data are not protected from loss, damage or unauthorised disclosure</li> </ul>	Moderate

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
Business Rates	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Non-compliance with legislation</li> <li>• Accounts are inaccurately and / or fraudulently deleted, set up, or amended</li> <li>• Information and data are not protected from loss, damage or unauthorised disclosure, are inaccurate or held for an excessive period of time</li> <li>• Parameters are incorrectly input</li> <li>• Property records are incorrectly input or updated</li> <li>• Records and accounts are not updated to record new and amendments to properties</li> <li>• Valuation Office amendments are not processed in a timely manner</li> <li>• Data is incomplete and records are out of date</li> <li>• Transactions are incorrectly calculated or valued</li> <li>• Reliefs / Exemptions are incorrectly awarded</li> <li>• There is no / insufficient documentation to support transactions</li> <li>• Annual billing run commences before input is complete</li> <li>• Bills produced have been incorrectly calculated</li> <li>• Delays occur in sending out Business Rate bills</li> <li>• Recovery action is not initiated promptly</li> <li>• Mispostings / fraudulent activity go undetected</li> <li>• Inaccurate reporting of performance</li> </ul>	Moderate
Cash Collection	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Non-compliance with financial regulations</li> <li>• Theft / Misappropriation</li> <li>• Inappropriate recovery action taken against a customer who has paid</li> <li>• Postal remittances are not recorded / are misappropriated</li> <li>• Loss or theft due to inadequate physical security of cash</li> <li>• Mispostings / fraudulent activity go undetected</li> <li>• Statutory / Regulatory requirements not fulfilled / Losses incurred are not covered</li> <li>• Information and data are not protected from loss, damage or unauthorised disclosure</li> </ul>	Moderate
Mobile Phones – Allocation and Usage	Advice and consultancy review to assess whether the fair usage policy is being complied with.	N/A
Agency System	Advice and consultancy review on the new system arrangements in place.	N/A

# Progress on the Implementation of Audit Recommendations

## Appendix 4

	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					
ASSISTANT CHIEF EXECUTIVE (ACE)										
2014/15										
High	1	1	1	0	1	0	0	0	1	0
Medium	8	7	5	0	5	2	2	0	5	0
Total	9	8	6	0	6	2	2	0	6	0
2015/16										
High	0	0	0	0	0	0	0	0	0	0
Medium	4	2	1	0	1	1	1	0	1	0
Total	4	2	1	0	1	1	1	0	1	0
Overall Total	13	10	7	0	7	3	3	0	7	0
CHILDREN AND ADULT SERVICES (CAS)										
2014 / 2015										
High	2	2	2	0	2	0	0	0	2	0
Medium	40	38	38	0	38	0	0	0	38	0
Total	42	40	40	0	40	0	0	0	40	0
2015 / 2016										
High	0	0	0	0	0	0	0	0	0	0
Medium	101	94	94	0	94	0	0	0	94	0
Total	101	94	94	0	94	0	0	0	94	0
Overall Total	143	134	134	0	134	0	0	0	134	0
NEIGHBOURHOOD SERVICES (NS)										
2012 / 2013										
High	10	10	9	0	9	1	1	0	9	0
Medium	74	74	74	0	74	0	0	0	74	0
Total	84	84	83	0	83	1	1	0	83	0
2013 / 2014										
High	8	8	8	0	8	0	0	0	8	0
Medium	40	40	39	0	39	1	1	0	39	0
Total	48	48	47	0	47	1	1	0	47	0
2014 / 2015										
High	3	3	3	0	3	0	0	0	3	0
Medium	59	59	54	0	54	5	5	0	54	0
Total	62	62	57	0	57	5	5	0	57	0
2015 / 2016										
High	1	1	0	0	0	1	1	0	0	0
Medium	37	6	6	0	6	0	0	0	6	0
Total	38	7	6	0	6	1	1	0	6	0
Overall Total	232	201	193	0	193	8	8	0	193	0
REGENERATION AND ECONOMIC DEVELOPMENT (RED)										
2013/2014										
High	6	6	6	0	6	0	0	0	6	0
Medium	43	43	37	0	37	6	6	0	37	0
Total	49	49	43	0	43	6	6	0	43	0
2014 / 2015										
High	1	1	0	0	0	1	1	0	0	0
Medium	25	25	20	0	20	5	5	0	20	0
Total	26	26	20	0	20	6	6	0	20	0
2015/2016										
High	0	0	0	0	0	0	0	0	0	0
Medium	15	5	4	0	4	1	1	0	4	0
Total	15	5	4	0	4	1	1	0	4	0
Overall Total	90	80	67	0	67	13	13	0	67	0
RESOURCES										
2012 / 2013										
High	31	31	31	0	31	0	0	0	31	0
Medium	121	121	120	0	120	1	1	0	120	0
Total	152	152	151	0	151	1	1	0	151	0
2013 / 2014										
High	19	19	19	0	19	0	0	0	19	0
Medium	108	108	105	0	105	3	3	0	105	0
Total	127	127	124	0	124	3	3	0	124	0
2014 / 2015										
High	7	7	7	0	7	0	0	0	7	0
Medium	135	121	115	0	115	6	6	0	115	0
Total	142	128	122	0	122	6	6	0	122	0
2015 / 2016										
High	2	0	0	0	0	0	0	0	0	0
Medium	63	26	22	0	22	4	4	0	22	0
Total	65	26	22	0	22	4	4	0	22	0
Overall Total	486	433	419	0	419	14	14	0	419	0
TOTAL COUNCIL										
2012 / 2013										
High	41	41	40	0	40	1	1	0	40	0
Medium	195	195	194	0	194	1	1	0	194	0
Total	236	236	234	0	234	2	2	0	234	0
2013 / 2014										
High	33	33	33	0	33	0	0	0	33	0
Medium	191	191	181	0	181	10	10	0	181	0
Total	224	224	214	0	214	10	10	0	214	0
2014 / 2015										
High	14	14	13	0	13	1	1	0	13	0
Medium	267	250	232	0	232	18	18	0	232	0
Total	281	264	245	0	245	19	19	0	245	0
2015 / 2016										
High	3	1	0	0	0	1	1	0	0	0
Medium	220	133	127	0	127	6	6	0	127	0
Total	223	134	127	0	127	7	7	0	127	0
OVERALL TOTAL	964	858	820	0	820	38	38	0	820	0

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## Performance Indicators as at 30 September 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	47% as at 30 September 2015 (on target)
Timeliness of Draft Reports	% of draft reports issued within 30 Calendar days of end of fieldwork/closure interview	90% (Quarterly)	99% (84 out of 85)
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response	95% (Quarterly)	99% (72 out of 73)
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (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>	
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Annually)	100%
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service satisfactory or above (3 out of 5) where 1 is poor and 5 is very good	100% (Quarterly)	100% - Av score 4.4
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	63%
<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>	
Cost per chargeable audit day	CIPFA Benchmarking Club – Comparator Group (Unitary)	Lower than average (Annually)	Yes (2015/16 exercise) £226 cost per chargeable audit day

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