



## **Audit Committee**

**Date** Monday 28 November 2016  
**Time** 10.00 am  
**Venue** Committee Room 1A, County Hall, Durham

---

### **Business**

#### **Part A**

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

1. Apologies
2. Minutes of the meeting held on 30 September 2016 (Pages 1 - 6)
3. Declarations of interest, if any
4. Cyber Security - Presentation from the Head of ICT and the Chief Internal Auditor and Corporate Fraud Manager
5. Annual Audit Letter 2015/2016 - Report of External Auditor (Pages 7 - 28)
6. External Audit Progress Report - November 2016 - Report of External Auditor (Pages 29 - 38)
7. Update of the Local Code of Corporate Governance - Report of Corporate Director, Resources (Pages 39 - 76)
8. Strategic Risk Management - Progress Report for the quarter ended 30 September 2016 - Report of Corporate Director, Resources (Pages 77 - 90)
9. Work of the Audit Committee - Report to Council - Report of the Chair of the Audit Committee (Pages 91 - 104)
10. Internal Audit Progress Report for the quarter ended 30 September 2016 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 105 - 130)
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 2016 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 131 - 146)
14. Protecting the Public Purse - Activity Update as at 30 September 2016 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 147 - 162)
15. 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  
18 November 2016

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,  
W Stelling and O Temple

**Co-opted Members:**

Mr D Beavis and Mr C Robinson

---

**Contact: Jackie Graham**

**Tel: 03000269704**

---

**DURHAM COUNTY COUNCIL**

At a Meeting of **Audit Committee** held in Committee Room 1B, County Hall, Durham on **Friday 30 September 2016 at 11.00 am**

**Present:**

**Councillor J Rowlandson (Chairman)**

**Members of the Committee:**

Councillors L Armstrong, C Carr, J Carr and O Temple

**Co-opted Members:**

Mr D Beavis and Mr C Robinson

**1 Apologies for Absence**

Apologies for absence were received from Councillors E Bell, M Davinson, J Robinson and W Stelling

**2 Minutes**

The minutes of the meeting held on 29 July 2016 were confirmed as a correct record and signed by the Chairman.

**3 Declarations of interest, if any**

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

Councillor Armstrong declared an interest in Item No. 8.

**4 Audit Completion Report 2015/2016 - Durham County Council**

The Committee considered the Audit Completion Report of the External Auditor relating to Durham County Council for the year ended 31 March 2014 (for copy see file of Minutes).

Mr Waddell, Mazars, advised that the accounts had been produced on time and he would issue an unqualified opinion on the accounts together with an unqualified Value for Money conclusion.

Mr Collins, Mazars highlighted the significant audit risks and circulated a letter for the information of the Committee which provided an update on the work undertaken on the audit since the report was circulated (for copy see file of Minutes).

Mr Collins thanked the Finance Team for their support in making the process run smoothly.

**Resolved:**

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

**5 Audit Completion Report 2015/2016 - 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 2016 (for copy see file of Minutes).

Ms S Liddle, 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 (for copy see file of Minutes). She advised that no significant risks had been highlighted.

**Resolved:**

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

**6 Governance Statement for the year April 2015 to March 2016**

The Committee considered a report of the Interim 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 2015/16 (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 2015/16 and the amendments made to the draft Annual Governance Statement as reported to Council be noted.

**7 Statement of Accounts for the year ended 31 March 2016**

The Committee considered a report of the Interim Corporate Director, Resources which presented the Statement of Accounts for the year ended 31 March 2016 (for copy see file of Minutes).

The Finance Manager for Revenue/Capital, 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.

Councillor O Temple thanked officers for providing a written response to his previous questions. He asked if the Chair and Vice Chair of Audit Committee should consider whether this Committee should be involved in tracking the legal costs associated with employment tribunal claims. He was concerned that there was no way of tracking and felt that costs were invisible.

The Interim Corporate Director of Resources informed the Committee that there were specific codes used to track legal costs and that awards were charged to the individual service. He assured the Committee that there was corporate oversight and monitoring of legal costs and that they were controlled within the management of the authority.

Councillor Temple said that there was no way for Members to track this and although he agreed that tracking did take place, evidenced by the unqualified opinion given by External Audit, he felt that there was no clear member oversight or understanding of it. He felt that it should fall to this committee and asked that the Chair and Vice Chair consider looking at it.

The Interim Corporate Director of Resources advised that these costs were not budgeted for but were reported as part of the budget as an overspend and said that if the costs were significant they would be picked up.

Mr Waddell, Mazars confirmed that there were a number of legal expense accounts and that they would look at the undisclosed liabilities and each would have a degree of materiality.

Councillor C Carr agreed that when the payment was to be significant then it should be brought to the Committee's attention but did not see how it affected the accounts.

The Interim Corporate Director of Resources said that any significant liability would be disclosed in a note in the accounts.

The Chairman agreed that any significant costs should be brought to the Committee's attention if it was an exception.

Referring to earmarked reserves, Mr C Robinson asked if they were spent in a particular way and asked how they were used.

The Interim Corporate Director of Resources advised that any transfers out were applied to fund any budget expenditure in the accounts and would go into the funding expenditure for individual services.

The Finance Manager for Revenue/Capital, Resources advised that the quarterly Cabinet report would contain more information on the use of reserves and transfers.

Mr D Beavis referred to the underspend and reprofiling of the capital expenditure and asked if this had an impact further down the line. He was advised that there were a number of reasons for delays including planning delays, compulsory purchase orders, procurement, external grant funding and European funding. This

would have an impact as improvements would not be carried out when originally planned.

The Chairman thanked officers for their hard work during the year to produce the accounts.

Mr Waddell advised that this was his final year with Mazars and that he would introduce his replacement at the next meeting.

**Resolved:**

That the statement of accounts for the County Council for the financial year ended 31 March 2016 be approved.

**8 Internal Audit Progress Report for the quarter ended 30 June 2016**

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 2016 ( for copy see file of Minutes).

The Chief Internal Auditor and Corporate Fraud Manager highlighted the movements in the plan, removed audits and unplanned reviews added to the plan. The Committee were advised that 27% of the total plan had been delivered, exceeding the target of 23%. There had been 5 audits finalised in the quarter that had been given a limited assurance opinion.

Members were informed that an e-mail had been received and there had been an article in the press about the outcome of an Employment Tribunal regarding the accuracy of the investigation. The Chief Internal Auditor and Corporate Fraud Manager assured the Committee that his report was accurate. The Head of Legal and Democratic Services had wrote to the complainant and provided her with a copy of the report. Members were advised that this report was severely redacted due to data protection reasons.

Members were assured that lessons had been learnt and a number of controls were in place to mitigate the risk of a similar case happening again in the future.

The Chairman thanked the Chief Internal Auditor and Corporate Fraud Manager for his report and congratulated the team for being ahead of target.

Referring to the Employment Tribunal Mr Beavis asked if mediation had been considered as could not find any reference to it. He was advised that this was included in the full report and attempts had been made through ACAS however, it was noted that engagement in this process was not carried out quickly enough and therefore relationships had deteriorated to a point where mediation was not effective. The Interim Corporate Director of Resources added that after the initial award there was also an attempt to use mediation to bring the complaint to a conclusion however this was unsuccessful.

Mr Robinson asked if the same levels of additional control and training had been applied to the whole Council and not just the school and governing body, so that

the whole management team were aware of their responsibilities to apply policies and procedures.

The Chief Internal Auditor and Corporate Fraud Manager advised that this was absolutely the case and training, policies and guidance were available for all. The Interim Corporate Director of Resources added that controls had been strengthened and the lessons learnt had been applied to all. The disciplinary and grievance procedures had all been tested as part of the Audit Plan and an extra step had been added to the process. A schedule of live grievances and issues had been produced from HR and the Chief Internal Auditor and Corporate Fraud Manager has sight of this on a monthly basis and could offer help and support if the issues were delayed.

Councillor C Carr felt that the biggest risk was not having the skills to deal with these issues on school governing bodies.

Councillor Temple accepted that lessons had been learnt however referred to the recent communication from the complainant whereby she disputes the accuracy of the report. The Chief Internal Auditor and Corporate Fraud Manager advised that dates had been offered to meet with the complainant with the legal and HR teams to discuss the issues raised. He re-iterated his point that the complainant had received a severely redacted report and some of her issues had already been addressed. Councillor Temple asked that following this meeting that any further lessons learned are brought back through the Audit Committee.

Councillor Temple also asked that an update be provided at the next meeting.

**Resolved:**

- (i) That the amendments made to the 2016/2017 Annual Audit Plan, be noted.
- (ii) That the work undertaken by Internal Audit during the period ending 30 June 2016 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.
- (v) That the outcome of the review of the arrangements surrounding an Employment Tribunal, reported to County Council on 20 July 2016, be noted.

**9 Exclusion of the Public**

**Resolved:**

That under Section 100A(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 paragraphs 2 and 3 of Schedule 12A to the said Act.

**10 Internal Audit Progress Report for the quarter ended 30 June 2016**

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

Members were advised that there were five audits finalised in the quarter that had been issued with a limited assurance opinion.

The Sustainable Transport Manager gave assurances to Members about the work being carried out following a recent audit. The Chairman thanked the Sustainable Transport Manager for attending the meeting.

**Resolved:**

That the report be noted.



**Audit Committee**

**28 November 2016**

**Annual Audit Letter 2015/2016**



---

**Report of the External Auditor**

---

**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 2015/2016.

**Summary**

2. The Audit Letter (attached at Appendix 2) provides a summary of the work and findings of the External Auditor in the 2015/2016 audit period and summarises many of the points raised in the Audit Completion Reports presented to Audit Committee on 30 September 2016.
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).

---

**Contact: James Collins**

**Tel: 03000 267452**

---

---

**Appendix 1: Implications**

---

**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

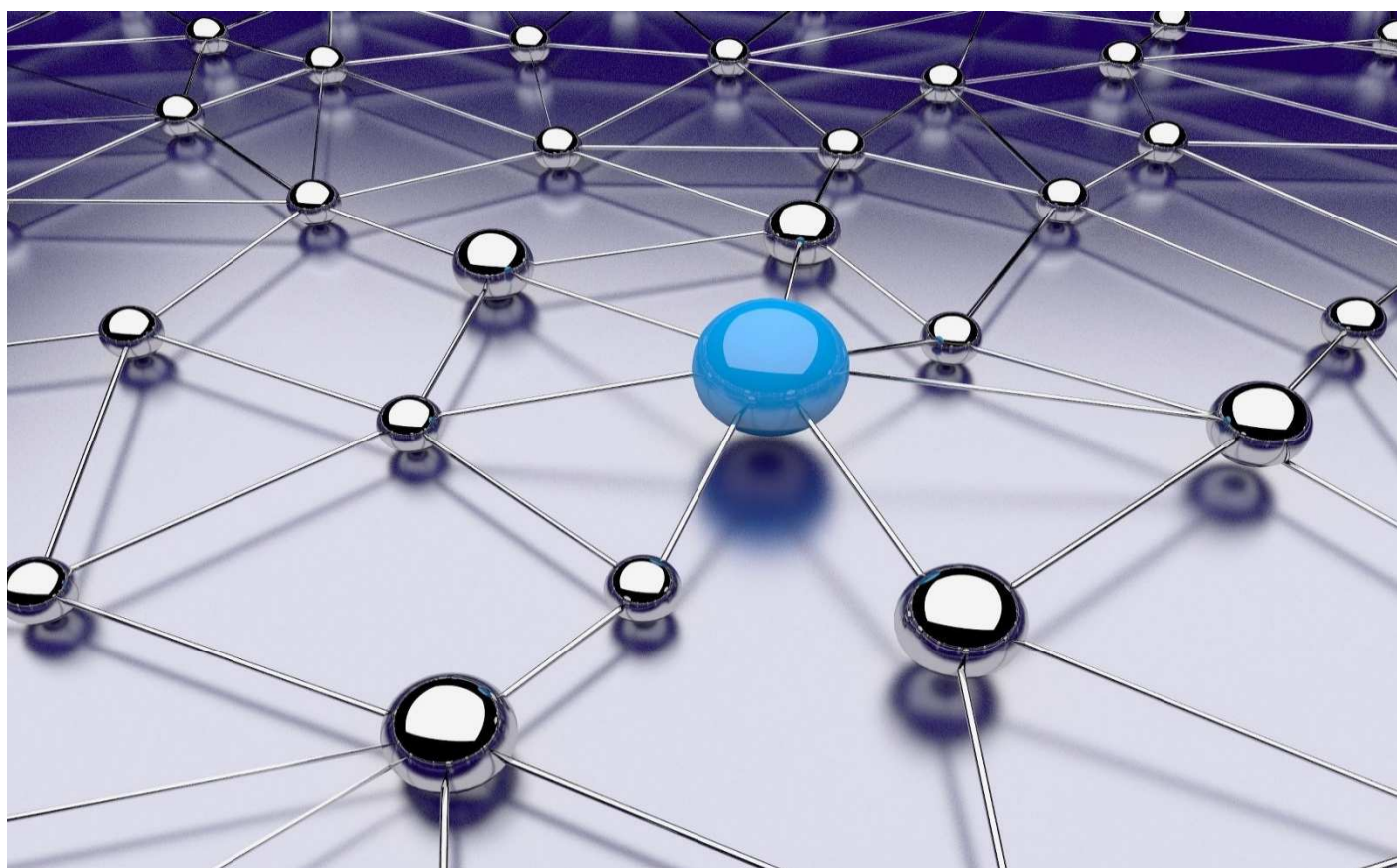
**Legal Implications**

Statutory approval of the statement of accounts.

# Durham County Council and Durham County Council Pension Fund

## Annual Audit Letter

October 2016



Mazars LLP  
Rivergreen Centre  
Aykley Heads  
Durham  
DH1 5TS

October 2016

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

Dear Audit Committee Members

### **Annual Audit Letter 2015/16**

I am pleased to present our Annual Audit Letter for the 2015/16 audit year. The purpose of this document is to summarise the outcome of the external audit of Durham County Council's 2015/16 financial statements, including Durham County Council Pension Fund, and our review of your arrangements for securing economy, efficiency and effectiveness (VFM).

We carried out the audit in accordance with the Code of Audit Practice for Local Government bodies as issued by the National Audit Office and delivered all expected outputs in line with the timetable established by the Accounts and Audit Regulations 2015 and the National Audit Office.

2015/16 has been another challenging year for the finances of the Council and like most other councils in the North East and across the country it has made some tough decisions on spending priorities and plans for the future. We reflect on these matters in the value for money part of this letter. However, we were pleased to issue an unqualified opinion on the statement of accounts and the value for money conclusion.

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

If you would like to discuss any matters in more detail, please do not hesitate to contact me on 0191 383 6314.

Yours faithfully

**Cameron Waddell**  
Partner  
Mazars LLP

# Contents

01 Key messages .....	2
02 Financial statements.....	3
03 Economy, efficiency and effectiveness.....	9
04 Future challenges .....	14
05 Fees and closing remarks .....	15
Appendix A - Materiality .....	17

# 01 Key messages

In 2015/16 our audit of Durham County Council (the Council), including the Pension Fund, was made up of the following elements:

- auditing your financial statements;
- assessing arrangements for achieving value for money (VfM) in your use of resources;
- auditing the Whole of Government Accounts (WGA) consolidation pack; and
- reviewing the Durham County Council Pension Fund (The Fund) annual report for consistency with the Fund's accounts included in the Council's financial statements.

We reported the detailed findings from our audit work to those charged with governance in our Audit Completion Reports and update letters on 30 September 2016.

The key conclusions for each element are summarised below.

## **Audit of the financial statements**

We issued an audit report including an unqualified opinion on the Council's financial statements, including Durham County Council Pension Fund on 30 September 2016. Further details are provided in section 02 of this letter.

## **Value for money**

We carried out sufficient, relevant work, in line with the National Audit Office's guidance, so we could conclude on whether you had in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for 2015/16.

We issued an unqualified VFM conclusion on 30 September 2016.

## **Whole of Government Accounts**

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 2016.

## **Audit of financial statement included in Pension Fund Annual Report**

We issued an unmodified consistency report on the financial statements included in the Fund's annual report on 30 September 2016.

## **Our other responsibilities**

As the Council's appointed external auditor, we have other powers and responsibilities as set out in the Audit and Accountability Act 2014. 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 2015/16 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 2016 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 2015/16. We issued an audit report, including an unqualified opinion, on the statement of accounts on 30 September 2016.

Our work on the Council's accounts is designed to provide reasonable assurance that they are free from material misstatement. The assessment of materiality is a key part of our work and we specify an overall materiality threshold, based upon 2% of the Council's gross revenue expenditure, together with lower materiality values for accounting entries we consider to be more sensitive, for example senior officer's remuneration. We consider materiality when planning and performing our work and in assessing audit results.

At the planning stage, we made a judgement about the size of misstatements which we would consider to be material and which gave a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We updated our materiality calculation when we received the draft accounts and set the overall level at £24.9 million. Owing to an error identified which impacted on gross revenue expenditure, final materiality was updated to £24.6m. Appendix A provides more information on our approach.

Having considered the risks of material misstatement, we identified four areas of significant risk for the Council. These risks and our findings are summarised below:

### Management override of controls

#### Description of the risk

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

#### How we addressed this risk

We addressed this risk by completing the following audit procedures:

- reviewing accounting estimates affecting amounts included in the financial statements;
- reviewing and considering any significant transactions outside the normal course of business; and
- applying a risk based approach to journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

Our audit work provided the assurance we sought and did not highlight any issues in this area to report.

## Revenue recognition

### Description of the risk

There is a risk of fraud in financial reporting relating to income recognition due to the potential to inappropriately record revenue in the wrong period. ISA 240 allows the presumption of fraud relating to revenue recognition to be rebutted in exceptional circumstances, but given the Council's range of revenue sources we have concluded that there are insufficient grounds for rebuttal in 2015/16.

### How we addressed this risk

We considered the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we completed a number of substantive procedures including:

- testing revenue items recorded in the General Ledger in March, April and May 2016 to ensure they have been recognised in the correct accounting period;
- testing adjustment journals;
- testing debtors; and
- agreeing major grant income to third party documentation.

### Audit conclusion

Our audit work provided the assurance we sought and did not highlight any issues in this area to report.

## Pension liability

### Description of the risk

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

### How we addressed this risk

We completed the following audit procedures:

- evaluating the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and
- considering the reasonableness of the Actuary's assumptions that underpin the relevant entries made by the Council in its financial statements, through the use of an expert commissioned by the National Audit Office.

### Audit conclusion

Our audit work provided the assurance we sought and did not highlight any issues in this area to report.



## Accounting for LSVT

### Description of the risk

In April 2015 the Council transferred its housing stock to County Durham Housing Group. The accounting treatment for the transfer of the housing stock is material and potentially complex. In particular the accounting treatment for the disposal of the assets and write off of HRA debt.

### How we addressed this risk

We completed the following audit procedures:

- evaluating the design of the entity's related controls and determined whether they had been implemented; and
- reviewing the accounting entries for the disposal of the assets and write off of HRA debt.

### Audit conclusion

Our audit work provided the assurance we sought and did not highlight any issues in this area to report.

We also identified one area of key management judgement:

## Valuation of property, plant and equipment (PPE)

### Description of the area of management judgement

The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE.

The value of the Council's PPE is material to the accounts and involve management judgements over the valuations and useful lives of assets.

### How we addressed this area of management judgement

We addressed this management judgement with the following procedures:

- considering the Council's arrangements for ensuring that PPE values are reasonable;
- engaging our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Council's Valuer;
- assessing the competence, skills and experience of the Valuer; and
- reviewing a sample of individual assets to ensure that the basis and level of valuation was appropriate.

### Audit conclusion

Our audit work provided the assurance we sought and did not highlight any issues in this area to report.

## Preparation of the accounts

The Council presented us with draft accounts by the 30 June 2016, in accordance with the national deadline. Working papers and other supporting evidence were produced in a timely manner throughout the audit.

## Issues arising from the audit of the accounts

We presented the detailed findings from our audit in our Audit Completion Report and update letter which we presented to the Audit Committee on 30 September 2016. The main findings are summarised as follows:

- Good quality draft financial statements and working papers were provided by the Council.
- The Council amended one error which resulted in both gross expenditure and gross income reducing by £15.4m. This related to the incorrect treatment of Better Care Fund income and expenditure. This had no impact on the Council's net cost of services.
- There was a material adjustment to the cash flow statement disclosures. This related to the incorrect treatment of a government grant associated with the repayment of borrowing following the housing stock transfer.
- There were no material errors that impacted upon the Council's General Fund balance.
- All errors were corrected other than five non-material misstatements that management assessed as not being material either individually or in aggregate to the financial statements. These are detailed in section 4 of our Audit Completion Report.
- Our work also identified some disclosure errors, which the council amended.
- Some significant deficiencies in internal controls were identified during the course of the audit (our work is not intended to express an opinion on the effectiveness of the system of internal control). These deficiencies, along with management responses, were reported to the Audit Committee. In particular, we reported in our ACR that an employee folder was not located for one individual selected in our substantive testing. Following publication of our ACR officers did locate the folder. This was verbally updated to members of the Audit Committee on the 30 September 2016.
- The audit progressed well and there were no significant difficulties encountered. We received the full co-operation of officers.

## 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.

## Audit of the financial statements: Durham County Council Pension Fund

The overall materiality threshold of the Fund was £11.2 million. This was based upon 10% of the Fund's contributions receivable.

We reviewed the financial statements included in the Fund's annual report and issued a 'consistent with' opinion on 30 September 2016.

Having considered the risks of material misstatement, we identified four areas of significant risk for the Fund. Our findings are summarised below:

### Management override of controls

#### Description of the risk

International Standards on Auditing 240 – *The auditor's responsibility to consider fraud in an audit of financial statement* (ISA 240) requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud.

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

### How we addressed this risk

We addressed this risk by:

- reviewing accounting estimates affecting amounts included in the financial statements;
- reviewing and considering any significant transactions outside the normal course of business; and
- applying a risk based approach to journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

### Audit conclusion

Our audit work provided the assurance we sought and did not highlight any issues in this area to report.

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

### Description of the risk

As at 31 March 2016, the fair value of investments which were not quoted on an active market was £496 million, which accounted for 21% of the Fund's net investment assets. As prices for these investments are not quoted in active markets, the values used in the accounts are those provided by fund managers mostly based on Net Asset Value statements, although in some cases are based on forward looking estimates and judgements involving many factors. This results in an increased risk of material misstatement.

### How we addressed this risk

In addition to our standard programme of work in this area we completed the following tests:

- reviewed the management controls in place to assess the reasonableness of the valuation;
- agreed holdings from fund manager reports to the global custodian's report;
- agreed the valuation to supporting documentation including investment manager valuation statements and cashflows for any adjustments made to the investment manager valuation;
- agreed the investment manager valuation to audited accounts. Where these were not available, agreed the investment manager valuation to other independent supporting documentation;
- where audited accounts were available, checked that they are supported by a clean opinion; and
- agreed the price to independent evidence, for those valuations not supported by valuation statement.

### Audit conclusion

Fund managers estimate the value of unquoted investments based on the best available information of the year end value at the time the financial statements are prepared. At the time of audit, additional information was available to fund managers relating to the year-end value of investments which was not available at the time the financial statements were prepared. This timing issue is unavoidable due to the time constraints on fund managers providing information for inclusion in the financial statements.

The most recently available information was used to review the investments included in our sample testing, to allow us to ascertain whether the most up to date information highlighted a risk of material misstatement. For the sample tested, information provided by fund managers indicated a higher net asset value of £0.77 million than the estimates included in the financial statements. Our extrapolation indicated a potential difference of £0.83 million if the sample results were true for the whole population. We consider the extrapolation does not indicate a risk of material misstatement.

## Actuary's report disclosure

### Description of the risk

The funding arrangements disclosure note sets out the key elements of the funding policy and key information regarding the most recent triennial valuation as at 31 March 2013, including contributions to be paid by participating bodies to allow the fund to achieve 100% solvency over 18 years. While there are no accounting entries associated with this disclosure, the triennial valuation determines future employer contribution rates and the disclosure itself is material. The calculation of these figures can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. There is a risk of material misstatement due to high estimation uncertainty.

### How we addressed this risk

In addition to our standard programme of work we:

- reviewed the management controls in place over the source data;
- considered the reasonableness of the actuary's output, using our expert's report on all actuaries nationally which is commissioned annually by the National Audit Office; and
- reviewed source data on a sample basis.

### Audit conclusion

Our audit work provided the assurance we sought and did not highlight any issues in this area to report.

## Issues arising from the audit of the accounts: Durham County Council Pension Fund

We presented the detailed findings from our audit of the Fund in a separate Audit Completion Report and update letter at the Audit Committee on 30 September 2016. These findings are summarised as follows:

- Good quality draft financial statements and working papers were provided by the Council.
- Our work identified few errors, with no material errors that impacted upon the Fund's Net Assets.
- All errors were corrected other than two non-material misstatements that management assessed as not being material either individually or in aggregate to the financial statements.
- We identified one significant deficiency in internal controls during the course of the audit in relation to the classification of investments. This resulted in significant amendments to the draft accounts. This is detailed in section 4 of our Audit Completion Report. Going forward, officers plan to interrogate the quarterly reports in order to identify investments which require reclassifying prior to posting transactions to the ledger. In addition, the recommendations made to the Council based upon our work on the Council's IT controls, were relevant to the Fund.
- The audit progressed well and there were no significant difficulties encountered. We received the full co-operation of officers.

# 03 Economy, efficiency and effectiveness

We are required to conclude whether Durham County Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We undertook our work in this area in accordance with the guidance set out by the National Audit Office (NAO) by considering one overall criterion which is made up of three sub-criteria.

The overall criterion set out by the NAO is:

*‘In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’*

The three sub-criteria are set out below.

Sub-criteria	Guidance
<b>Informed decision-making</b>	<ul style="list-style-type: none"> <li>Acting in the public interest, through demonstrating and applying the principles and values of sound governance.</li> <li>Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.</li> <li>Reliable and timely financial reporting that supports the delivery of strategic priorities.</li> <li>Managing risks effectively and maintaining a sound system of internal control.</li> </ul>
<b>Sustainable resource deployment</b>	<ul style="list-style-type: none"> <li>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</li> <li>Managing and utilising assets effectively to support the delivery of strategic priorities.</li> <li>Planning, organising and developing the workforce effectively to deliver strategic priorities.</li> </ul>
<b>Working with partners and other third parties</b>	<ul style="list-style-type: none"> <li>Working with third parties effectively to deliver strategic priorities.</li> <li>Commissioning services effectively to support the delivery of strategic priorities.</li> <li>Procuring supplies and services effectively to support the delivery of strategic priorities.</li> </ul>

## Significant risks

We continued to revisit our value for money risk assessment throughout the audit. We identified no significant risks relevant to the value for money conclusion. We did identify areas where we believed additional work was necessary to fully understand the Council’s arrangements. This additional work focused on the Council’s Medium Term Financial Plan (MTFP) and the Better Care Fund arrangements. Our additional work identified no issues that suggested a weakness in arrangements.

A summary of our findings against each sub-criteria and our overall assessment is set out in the sections that follow.

## Informed decision-making

Proper arrangements	Commentary
Acting in the public interest, through demonstrating and applying the principles and values of sound governance	<p>The Council has an established Constitution which is subject to regular review. This clearly details the governance structure of the Council.</p> <p>The Council has an active Audit Committee.</p>
Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.	<p>The Council produced regular finance reports which were presented throughout the financial year to the Cabinet. This is supported by monthly budget monitoring by management. The council's financial position, including delivery of Medium Term Financial Plan savings, have been clearly reported throughout the year. This reporting has allowed the Council to continually report and deliver a surplus in 2015/16.</p> <p>Performance reports have also been produced in a timely manner and there are robust arrangements in place for collecting and reporting performance. Performance measures are linked to the Altogether priority themes and are intended to measure service delivery against the background of increasing demand on services and falling resources.</p> <p>Performance indicators are reviewed by officers and members to ensure those used are still relevant.</p>
Reliable and timely financial reporting that supports the delivery of strategic priorities.	<p>As above the Council continues to produce regular finance reports which are presented throughout the financial year to the Cabinet. The year-end position is not significantly different to that forecast during the year.</p>
Managing risks effectively and maintaining a sound system of internal control.	<p>The Council has a Corporate Risk Management Group which has senior officer and member representation. Risks are identified and linked to the Council Altogether Corporate Themes. Actions to help mitigate each risk are identified and reported. The Council has an active Audit Committee which receives regular strategic risk management updates.</p> <p>The Council has a comprehensive Internal Audit plan and Internal Audit provide reports at each Audit Committee meeting.</p>

## Sustainable resource deployment

Proper arrangements	Commentary
<p>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</p>	<p>Robust budgetary control arrangements mean the council delivered a surplus in 2015/16 financial year, with all services reporting cash limit underspends at the year end. This included delivery of £16.3million savings. The final outturn for was presented to Cabinet on the 13 July 2016 with quarterly forecast outturn reports being presented to Cabinet throughout the year.</p> <p>The Council has a Medium Term Financial Plan (MTFP) which is regularly reviewed and updated. Regular updates on MTFP have also been presented to Cabinet members. Additionally, where required, service reviews have been considered by the relevant Scrutiny Committees. MTFP (6) forecasts savings of £104.3million between 2016/17 -2019/20. The council has already delivered £153.2million of savings between 2011/12 and 2015/16 which will mean by the end of 2019/20 the council will have achieved savings of £257.5million.</p> <p>Robust planning arrangements mean the Council identifies savings in advance of any financial year. The latest plan, MTFP (7), covering the 2017/18-2019/20, was presented to Cabinet in July 2016. The delivery of MTFP savings continues to be the number one risk in the Councils Strategic Risk Register. The Council's Big Board arrangements mean savings plans have been identified for 2017/18. Plans for 2018/19 are currently being initiated at service level and will be presented to members in early 2017.</p> <p>The councils Transformational Programme will sit alongside the current arrangements. The first Transformation Board met in September 2016 to determine its terms of reference. The Board has representatives from Corporate Management Team and Cabinet, this alongside the appointment of Director for Transformation and Partnerships, means the programme has prominence within the Council.</p>
<p>Managing and utilising assets effectively to support the delivery of strategic priorities.</p>	<p>Through prudent financial management, at 31 March 2016, the Council reserves were:</p> <ul style="list-style-type: none"> <li>• General Fund balance - £29.1 million</li> <li>• Earmarked Reserves - £241.6 million (including £36.3 million school related reserves)</li> </ul> <p>The levels are intended to help the Council manage the impact of expected future reductions in funding and reserves. The Council has planned to utilise reserves in a structured way to support future MTFP's. This includes use of the Budget Support Reserve to support delivery of the MTFP in 2016/17 and 2017/18. The Budget Support Reserve at the 31 March 2016 had a balance of £30.0million.</p> <p>Budget setting arrangement mean the Council regularly review earmarked reserves. Where reserves, previously earmarked for specific schemes, are no longer relevant the reserve is released and used to support pressures.</p> <p>The Council has a capital plan in place.</p>

Proper arrangements	Commentary
Planning, organising and developing the workforce effectively to deliver strategic priorities.	<p>There has been significant levels of employees leaving the council in recent years. In 2016/17 the Council is forecasting a further reduction of 400 posts including the deletion of 60 anticipated vacant posts.</p> <p>The council continues to survey staff and monitors staff sickness levels for any indication of changes in overall morale. The Council also monitors service performance which may drop as a result of inappropriate staffing levels.</p> <p>Performance is monitored against the Council's Altogether priorities. Service groupings review workforce reduction. Recommendations made in the recent Ofsted report, regarding staffing levels, are being addressed through the Improvement Action Plan which is monitored by the Quality Improvement Board.</p> <p>Equality Impact Assessments (EIA) are seen as an essential part of the development of savings. EIA ensure the lawfulness and fairness of savings are considered. Assessments look at the impact to service users and staff of any potential savings. EIA's are available to members to inform their decisions on savings proposals.</p>

## Working with partners and other third parties

Proper arrangements	Commentary
Working with third parties effectively to deliver strategic priorities.	<p>The Council has a track record of working with partners. Area Action Partnerships are in place and allow the Council to work with local residents and organisations. Through the County Durham Partnership the Council works other organisations and partnerships to promote and develop County Durham.</p> <p>The Health and Wellbeing Board has oversight of the Better Care Fund (BCF) and receives quarterly updates on performance and financial information. The BCF is managed through a joint board to ensure balanced working between the parties. A Joint Finance Group, including appropriate Finance representation from the three partner organisations, meets on a regular basis to review financial information to support the reporting process.</p> <p>The Council is a member of the North East Combined Authority. At the time of our report proposals for further devolution in the region was uncertain given a decision on the 6<sup>th</sup> September 2016. Arrangements in place should ensure the MTFP is updated for any significant changes which may impact on the Council through any future decision. The Strategic Risk Management has also identified devolution as an emerging risk and one being monitored by the Council.</p>
Commissioning services effectively to support the delivery of strategic priorities.	The Council Constitution details the arrangements for contracting with third parties.
Procuring supplies and services effectively to support the delivery of strategic priorities.	The Council Constitution details the arrangements for contracting with third parties.

## Overall assessment ('reality check')

Having gathered evidence of the Council's arrangements for each of the sub-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
<p>Reports by statutory inspectorates or other regulators</p>	<p>In 2015/16 the Council received an overall 'requires improvement' rating from Ofsted. This followed an inspection of Children's Services and the Local safeguarding Children's Board. This rating was a fall from the previous 'good' score the Council had received at its last inspection. Whilst the Ofsted report identified areas of good performance it made 14 recommendations for improvement.</p> <p>We reviewed the arrangements put in place by the Council following the inspection. The Council have implemented an Improvement Action Plan. The plan covers each of the identified recommendations and identifies actions that the service will take, assigns a lead officer to each action, a start and end date, key milestones and the expected outcome. The Plan is being monitored by the Quality Improvement Board (QIB) which was established before the inspection. The QIB has senior officer and member representation. Our review identified that arrangements have been put in place by the Council to manage the result of the Ofsted Inspection.</p> <p>We reviewed the value for money profiles (based on data from Public Sector Audit Appointments). Based on this review, there were no indicators which would suggest weaknesses in the Council's arrangements, or any information contrary to our knowledge of the Council.</p>
<p>Achievement of performance and other targets</p>	<p>We reviewed the latest performance reports and identified no matters suggesting a weakness in the Council's arrangements or any information contrary to our knowledge of the Council.</p>
<p>Performance against budgets and other financial targets</p>	<p>The Council has a history of achieving budget targets.</p>

## Overall Conclusion

We satisfied ourselves that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016 and we issued an unqualified VFM conclusion.

# 04 Future challenges

## Financial challenges

The challenges facing the Council in the next few years are not insignificant. The Council has placed itself in as strong a position as possible, having made good progress in addressing its biggest challenges to date and having a track record of strong budget management and delivering planned budget reductions.

Reductions in funding will have an impact on the Council's future budgets. The Council's budget for 2015/16 reflected £16.3 million of savings, which were achieved. In 2016/17 savings are forecast as £28.3 million with a further £64.1 million of savings being required to balance the budget over the 2017/18 to 2019/20 period. The overall savings requirement for the period from 2011/12 to 2019/20 will be £257 million. Robust arrangements mean the Council have made significant savings since 2011.

In the coming years some of the challenges facing the council will include:

- Further reductions in government funding, although the Council have submitted an Efficiency Plan to access the four year funding settlement;
- 100% business rates retention and fair funding assessments (not anticipated till 2019);
- Impact of the European Union referendum vote (Brexit);
- Increases in pay and price inflation above the MTFP assumptions; and
- Increases in demographics and demand on services, for example Adult Social Care.

With a financial outlook that is increasingly challenging 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.

## Other Challenges

We will focus our 2016/17 audit on the risks that your 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 working with officers as they make preparations for highways infrastructure on a fair value accounting basis as required by the accounting Code. This will require significant changes in the 2016/17 statements and we are already working with officers to determine the impact of this change and to ensure the required systems are in place.

Looking further ahead, from 2017/18 the Council will be required to produce their accounts by the 30 May, rather than the 30 June. The audit deadline will also move from the 30 September to the 30 July. This will place pressures on Council officers. We will continue to work with officers to help ensure the Council is ready for this change. This includes an agreed early close down and audit in 2016/17.

# 05 Fees and closing remarks

## Fees

Public Sector Audit Appointments Ltd (PSAA) sets a scale fee for our audit and certification work. The fees applicable to our work in 2015/16 are summarised below.

Element of work	2014/15 Final Fee	2015/16 As previously reported	2015/16 Final Fee
Code audit work – Durham County Council	£334,250	£250,688	£250,688
Certification work – Durham County Council	£32,210	£20,062	<b>Note A</b>
Code audit work – Durham County Pension Fund	£25,918	£25,918	£25,918

**Note A:** The fee outlined above in relation to certification work is the scale fee set by PSAA. As we are yet to complete our certification work on the Council's Housing Benefit claim. We will confirm the final fee charged when we issue our 2015/16 Certification Report later in the year.

In our Certification Report we will also report any certification work we have completed outside the PSAA contract. Currently we are certifying the Council's Teacher Pensions return. The fee for this work has been set in a range of £4,000 to £5,000 and is dependent on the time required to complete the certification work. The 2014/15 fee for the equivalent work was £4,850.

## Closing remarks

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

- Attendance at Audit Committees where we inform the Committee about progress on the audit, report our key findings and update it about developments in the wider environment.
- Hosting events for staff, such as our Local Government financial statements workshops.

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

Report	Date issued
2015/16 Audit Fee Letter	April 2015
Audit Strategy Memorandum	May 2016
Progress reports to Audit Committee	To each Audit Committee meeting
Audit Completion report	September 2016
Auditor's Report (opinion)	September 2016
Annual Audit Letter	October 2016

The Council has continued to take a positive and constructive approach to our audit. The 2015/16 audit is my final year as Engagement Lead of Durham County Council and Durham County Council Pension Fund. We would like to record our appreciation for the assistance and co-operation provided to us during our audit by finance staff. I wish to thank officers and members for their continued support and co-operation throughout my time as your engagement lead and I wish the Council every success for the future.

We will meet with the officers to identify learning from the 2015/16 audit and will continue to share our insights from other client and relevant knowledge from the wider public and private sector.

Should you require any further information, please do not hesitate to contact any member of the team.

Cameron Waddell

Partner

October 2016

D: +44 (0)191 383 6314

E: [cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk)

The Rivergreen Centre

Aykley Heads

County Durham

DH1 5TS

T: +44 (0)191 383 6314

F: +44 (0)191 383 6350

# Appendix A - Materiality

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

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

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

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

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

We considered materiality whilst planning and performing our audit.

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

In 2015/16 we set materiality at the planning stage at £24.9 million (2% of gross revenue expenditure) with a clearly trivial threshold of £0.748 million below which identified errors will not usually be reported. We set lower materiality levels for the accounting entries we consider to be more sensitive, for example, senior officer's remuneration, as we considered these items to be of specific interest to users of the accounts sufficient to warrant audit procedures which would not otherwise be applied based on the materiality level for the audit as a whole. The materiality determined at the planning stage did not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, would be considered as immaterial.

We revised materiality for the financial statements as our audit progressed. Our closing assessment of materiality in 2015/16, based upon the final version of the financial statements, was £24.6 million with a clearly trivial threshold of £0.739 million below which identified errors were not reported.

We discussed with management any significant misstatements or anomalies that we identified during the course of the audit and we reported in our Audit Completion Report all unadjusted misstatements we identified other than those which were clearly trivial, and obtained written representation that explained why these remain unadjusted.

This Annual Audit Letter is prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies 2015-16’ issued by Public Sector Audit Appointments Ltd. It is addressed to the Audit Committee as those charged with governance of the Council. We, as appointed auditor, take no responsibility to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy organisation, and is a limited liability partnership registered in England with registered number OC308299. A list of partners’ names is available for inspection at the firm’s registered office, Tower Bridge House, St Katharine’s Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.

© Mazars October 2016

**Audit Committee**



**28 November 2016**

**External Audit - Progress Report - November 2016**

---

**Report of the External Auditor**

---

**Purpose of the Report**

1. This report requests that the Committee note the external auditor's progress report on the external audit of Durham County Council to date.

**Background**

2. The report sets out an update of the work completed by Mazars (external auditor) in respect of the following: -
  - Summary of Audit Progress
  - National Publications and other updates
3. The external auditor's report is attached at Appendix 2.

**Summary of Audit Progress**

4. The report confirms the completion of the 2015/16 audit.
5. Planning for the 2016/17 audit has commenced.
6. The report details that Mark Kirkham has taken over from Cameron Waddell as appointed auditor.

**Emerging Issues and Developments**

7. This section provides an update on other areas that members of the Committee may find useful.

**Recommendation**

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

---

**Contact: James Collins**

**Tel: 03000 267452**

---

---

## **Appendix 1: Implications**

---

### **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**

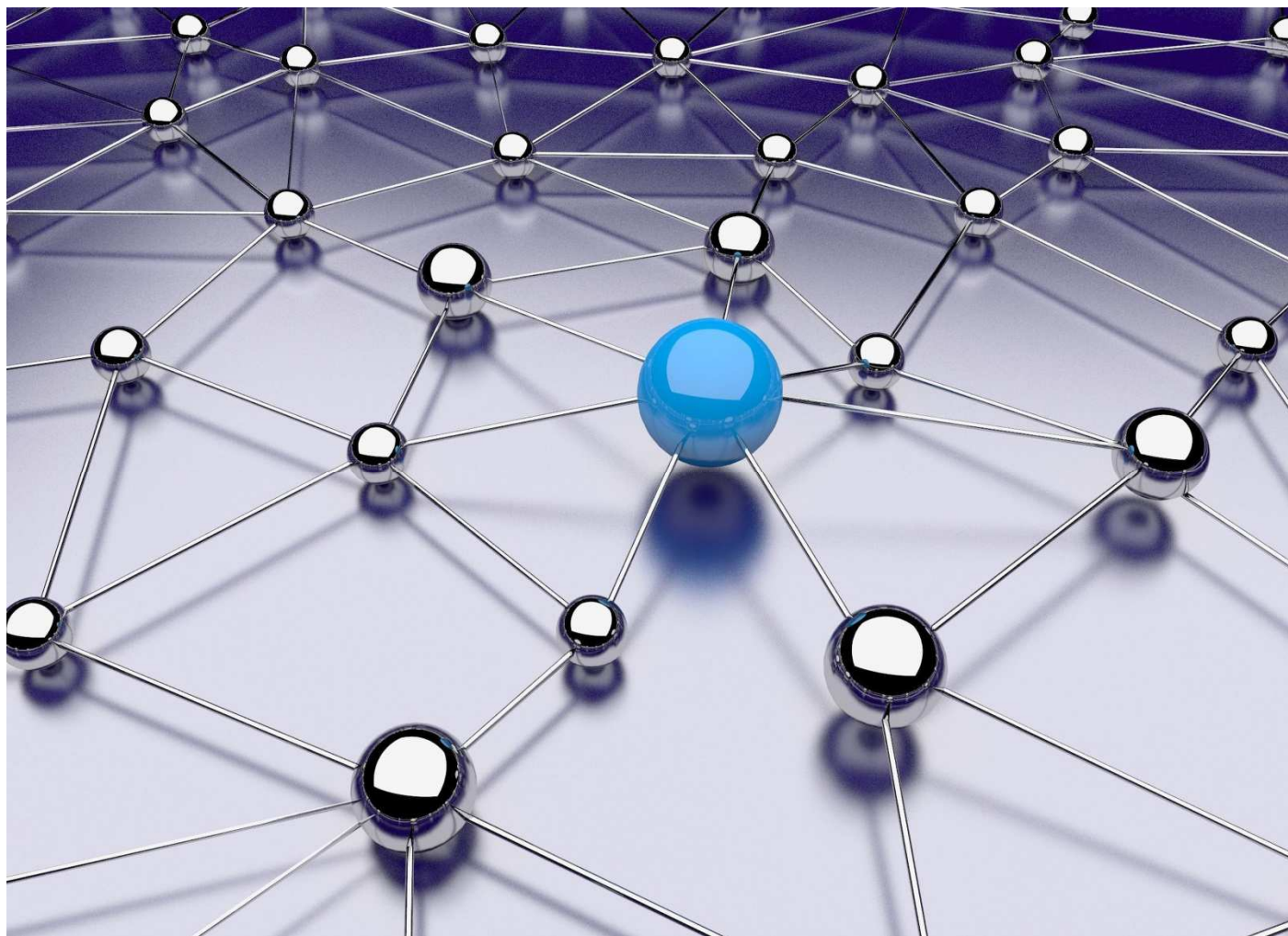
None



# Durham County Council

## Audit Progress Report

28 November 2016



# Contents

- 01 Introduction ..... 2
- 02 Audit progress ..... 3
- 03 National publications and other updates ..... 4
- 04 Contact details ..... 7

*Our reports are prepared in the context of Public Sector Audit Appointments Limited's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Members or employees of Durham County Council are prepared for the sole use of the Authority. We take no responsibility to any Member or employee in their individual capacity or to any third party.*

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

# 01 Introduction

The purpose of this report is to update the Audit Committee of Durham County Council (the Council) on progress in delivering our responsibilities as your external auditors.

We have also highlighted key emerging national issues and developments which may be of interest to Committee Members.

If you require any additional information, please contact us using the contact details at the end of this update.

Finally, please note our website address ([www.mazars.co.uk](http://www.mazars.co.uk)) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

# 02 Audit progress

## 2015/16 audit

Our Annual Audit Letter, which is included within the agenda for this meeting, summarises the outcome of our external audit of Durham County Council's 2015/16 financial statements, including Durham County Council Pension Fund. We have discussed our Annual Audit Letter with senior management and will be presenting it as a separate agenda item to this meeting. This marks the formal conclusion of our 2015/16 audit and summarises our work and findings as well as outlining future challenges.

We are currently working on the Council's housing benefit subsidy return for 2015/16. The deadline for this is 30 November 2016. The findings of our work will be detailed in our Grants Report which we will present to the next Audit Committee.

## Introduction to 2016/17 audit

The Accounts and Audit Regulations 2015 outline earlier deadlines for local authorities to produce their statements of accounts. For 2017/18 the deadline for producing accounts will be 31 May (previously 30 June). The deadline for external audit opinions will be 31 July (previously 30 September) and we are told that the Council intends to meet these deadlines in the 2016/17 financial year. This will require significant changes to your year-end close down arrangements and we have had early discussions with officers to clarify the implications and requirements of meeting these earlier deadlines.

We will issue our Audit Strategy Memorandum to the Audit and Governance Committee later in 2016/17 and this will set out the risks we have identified and the programme of work we plan to carry out in response to those risks.

## Changes to the audit team

Independence safeguards require the rotation of audit partners. Mark Kirkham will replace Cameron Waddell as your appointed auditor for 2016/17. Mark is registered with the ICAEW as a Key Audit Partner for Local Audit and has been an external audit engagement lead since 2002.

# 03 National publications and other updates

This section contains updates on the following:

1. **Regularity, Compliance and Quality Report 2015-16, PSAA August 2016**
2. **Local Public Service Reform, NAO, September 2016**
3. **Understanding Local Authorities Financial Statements, CIPFA, September 2016**

## 1. **Regularity, Compliance and Quality Report 2015-16, PSAA, August 2016**

Public Sector Audit Appointments Ltd (PSAA) is responsible for appointing the Authority's auditor, and assessing the performance of all appointed auditors. This consists of monitoring both the quality of the work undertaken and the regulatory compliance of all firms appointed under the Local Audit and Accountability Act.

Audit quality and regulatory compliance monitoring for 2015/16 incorporated a range of measurements and checks comprising:

- a review of each firm's latest published annual transparency reports;
- the results of reviewing a sample of each firm's audit quality monitoring reviews (QMRs) of its financial statements, Value for Money (VFM) conclusion and housing benefit (HB COUNT) work;
- an assessment as to whether PSAA could rely on the results of each firm's systems for quality control and monitoring;
- a review of the Financial Reporting Council's (FRC) published reports on the results of its inspection of audits in the private sector;
- the results of the inspection of each firm by the FRC's Audit Quality Review team (AQR) as part of PSAA's commissioned rolling inspection programme of financial statements and VFM work;
- the results of each firm's compliance with 15 key indicators relating to PSAA's Terms of Appointment requirements;
- a review of each firm's systems to ensure they comply with PSAA's regulatory and information assurance requirements; and
- a review of each firm's client satisfaction surveys for 2014/15 work.

PSAA has recently completed this process for 2015/16. A 'RAG' rating system is used, and we are delighted to inform you that Mazars is one of only two firms that have been consistently graded '*green*' in all areas, scoring joint-highest for quality of work undertaken, and highest for client satisfaction.

## 2016 Comparative performance for audit quality and regulatory compliance

<b>BDO</b> Green	<b>Deloitte</b> Green	<b>EY</b> Green	<b>GT</b> Amber	<b>KPMG</b> Amber	<b>Mazars</b> Green	<b>PwC</b> Amber
---------------------	--------------------------	--------------------	--------------------	----------------------	------------------------	---------------------

## 2015 Comparative performance for audit quality and regulatory compliance

<b>BDO</b> Amber	<b>Deloitte</b> Amber	<b>EY</b> Green	<b>GT</b> Amber	<b>KPMG</b> Amber	<b>Mazars</b> Green	<b>PwC</b> Amber
---------------------	--------------------------	--------------------	--------------------	----------------------	------------------------	---------------------

Areas for improvement were identified in the report, and we are committed to acting on the recommendations and further strengthening our audit approach for 2016/17.

The report has been attached to this report for the information of the Audit and Governance Committee, and can also be found at: <http://www.psa.co.uk/audit-quality/>

## 2. Local Public Service Reform, NAO, September 2016

The NAO undertook research early in 2016 to ascertain:

- How local public service reform is being pursued in eight places in England;
- What the enablers and barriers are; and
- How the Government is supporting reform at a local level.

In September 2016 they published a report summarising their findings and identifying sources of help for public services needing to redesign services to be financially sustainable. The report concludes that by working together, and with service users and citizens local public services can both improve outcomes and save money but a strategy is needed that:

- prevents or reduces demand for costly services;
- makes it easier for people to get access to the support they need; and
- redesigns services to meet people's needs in a more integrated and effective way.

The report is available on their website.

<https://www.nao.org.uk/report/local-public-service-reform/>

## 3. Understanding Local Authority Financial Statements, CIPFA, September 2016

This publication updates previous CIPFA guidance designed to make the complex financial statements required for local (including fire) authorities more understandable. The 2016/17 Code includes a revised format that is closer to that used for management reporting during the year. The document describes the changes and identifies opportunities to simplify presentation and make the messages clearer regarding:

- Comparison with budgets;
- Reserves positions; and
- Cash Flow.

<http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/simplification-and-streamlining-the-presentation-of-local-authority-financial-statements>

# 04 Contact details

Please let us know if you would like further information on any items in this report.

[www.mazars.co.uk](http://www.mazars.co.uk)

Mark Kirkham  
Partner  
0191 383 6300

[mark.kirkham@mazars.co.uk](mailto:mark.kirkham@mazars.co.uk)

James Collins  
Manager  
0191 383 6331

[james.collins@mazars.co.uk](mailto:james.collins@mazars.co.uk)



**Audit Committee**

**28 November 2016**



**Local Code of Corporate Governance**

---

**Report of John Hewitt, Corporate Director Resources**

---

**Purpose of the Report**

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

**Background**

- 2 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3 In discharging this overall responsibility the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risks.
- 4 The Accounts and Audit Regulations 2015 require a local authority to conduct a review at least once in a year of the effectiveness of its system of internal control. This requirement will be fulfilled if the review is conducted in accordance with the new Delivering Good Governance (DGG) in Local Government Framework (2016), which replaced the previous version issued in 2007.
- 5 The Council should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the new Framework and, to facilitate this, it should therefore develop and maintain a Local Code of Corporate Governance reflecting the principles set out.

**Local Code of Corporate Governance**

- 6 The Local Code of Corporate Governance is a public statement that sets out the way the Council will meet its commitment to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively. It represents a key component of the Council's governance arrangements and applies to all Council members, officers, partners and stakeholders in their dealings with the Council. The current Code can be found in Part 5 'Codes and Protocols', of the Council's Constitution.

- 7 The Local Code has been updated to meet the requirements of the new DGG in Local Government Framework (2016). Both the new and previous Frameworks focused on a number of core principles, supported by sub-principles, which were provided as guidance to establishing our Local Code.
- 8 The concept underpinning the new Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:
- resources are directed in accordance with agreed policy and according to priorities;
  - there is sound and inclusive decision making;
  - there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 9 Although the format and most of the content of the new Framework are similar to its predecessor, there are significantly more sub-principles (89 compared to 18), which have very specific definitions. Consequently, it is not possible to highlight the changes. The following points are noted:-
- a. Whereas the old Framework was based on a list of apparently independent principles, the principles in the new Framework are shown to be related and flowing logically as a continuous process, as illustrated in paragraph 2.3 of the draft code in appendix 2.
  - b. Two 'new' core principles have been introduced, although they were both represented to some degree in the old 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.
  - c. Sub-principles, in narrative form, clarify the meaning of each principle and expected behaviours/outcomes.

### **Recommendation**

- 10 The Audit Committee is requested to recommend that the Council adopts the revised Local Code of Corporate Governance to replace the existing version in the Constitution.

---

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

---

---

## Appendix 1: Implications

---

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

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

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

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

**Accommodation** – There are no accommodation implications , but asset management is a key component of effective corporate governance

**Crime and Disorder** – None.

**Human Rights** - None.

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

**Procurement** – None.

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

**Legal Implications** – None.

# **DURHAM COUNTY COUNCIL**

## **LOCAL CODE OF CORPORATE GOVERNANCE**

## 1. Introduction

- 1.1. The Accounts and Audit Regulations 2015 require a local authority to conduct a review at least once in a year of the effectiveness of its system of internal control. A statement reporting on the review must be included in an Annual Governance Statement published with the Statement of Accounts.
- 1.2. The Regulations also state that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. To help meet this requirement, this code has been produced in accordance with Delivering Good Governance in Local Government Framework (2016).

## 2. What is Governance?

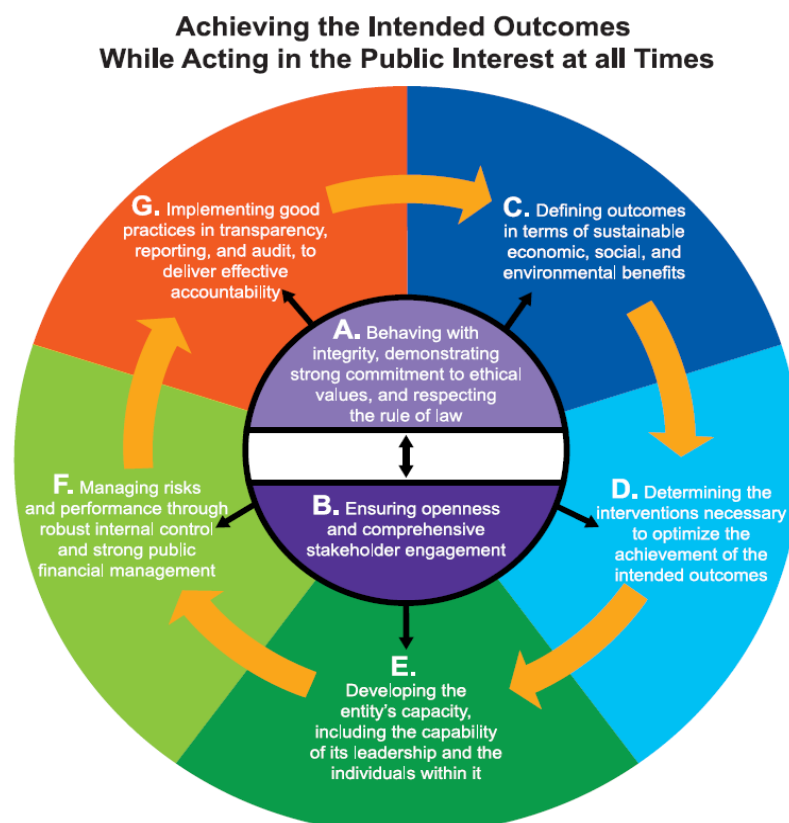
- 2.1. The International Framework: Good Governance in the Public Sector (Chartered Institute of Public Finance and Accountancy / International Federation of Accountants, 2014) (the ‘International Framework’) defines governance as follows:

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

- 2.2. The International Framework also states that:

*To deliver good governance in the public sector, both governing bodies 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.*

- 2.3. The diagram below, taken from the International Framework illustrates the various principles of good governance in the public sector and how they relate to each other.



### **3. The Principles of Good Governance**

- 3.1. The Council is committed to, and endeavours to maintain effective arrangements to meet, all of the principles of good governance contained in Delivering Good Governance in Local Government Framework, 2016 (“The DGG Framework”).
- 3.2. The DGG Framework requires governance processes and structures to focus on the attainment of sustainable outcomes for the economy, society and the environment. The Council acknowledges that sustainability and the links between governance and public financial management are crucial and pledges to take account of the impact of current decisions and actions on future generations.
- 3.3. This Code has been developed in accordance with, and is consistent with, the The DGG Framework and is based upon the Framework’s seven principles, A to G.
- 3.4. Principles A and B spread through all other principles C to G and ensure that the Council achieves its intended outcomes while acting in the public interest at all times. This requires:
  - A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**
  - B. Ensuring openness and comprehensive stakeholder engagement.**
- 3.5. In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance in the public sector also requires effective arrangements for:
  - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.**
  - D. Determining the interventions necessary to optimise the achievement of the intended outcomes.**
  - E. Developing the Council’s capacity, including the capability of its leadership and the individuals within it.**
  - F. Managing risks and performance through robust internal control and strong public financial management**
  - G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**
- 3.6. This Code details how the Council will follow these principles and the supporting principles that underpin them. To complement this, the Code also highlights the key documents and functions which contribute to the Council’s good governance arrangements.

3.7. This Code also aims to ensure that the corporate governance arrangements help the Council to appropriately respond to sustained pressures from a variety of sources.

#### **4. The Council's Governance Framework**

- 4.1. This section describes, with reference to the components of the Council's governance framework, how each of the principles and sub-principles of the DGG Framework will be met.
- 4.2. The components that make up the Council's governance framework are many and varied. They include:-
  - Internal and partner strategy documents that set out a longer term vision for the future of the County as well as identifying the most important priorities;
  - Internal and partner policy documents and codes that regulate committee and business activities to ensure that they comply with the law and that the Council's objectives and values are supported;
  - Committees or officer groups that regulate and/or monitor Council or business activities to ensure that they comply with the law and that the Council's objectives and values are supported;
  - Other systems, processes and documents, including self-assessment tools, that support or evidence the principles of good governance set out in The DGG Framework.
- 4.3. The key document supporting the Council's governance arrangements is the [Constitution](#), which sets out how we operate, how decisions are made and the rules and procedures we follow to ensure our work is efficient and transparent and that we are accountable to local people. The Constitution Working Group, which is chaired by the Leader of the Council and consists of the lead Members from each political party, co-ordinates proposed changes and these are approved by Full Council. A full annual review is carried out each year.
- 4.4. A fundamental feature of the Council's governance arrangements is the overview and scrutiny system, the role of which is to review policy and challenge whether the executive has made the right decisions to deliver policy goals. Another key feature is the Standards Committee, which is responsible for promoting and maintaining high standards of conduct by councillors, independent members and co-opted members. Further details on the overview and scrutiny function and the Standards Committee are included under Principle A.
- 4.5. In addition to the components listed above, where relevant, references to key legislation, professional standards and codes of practice are made.



## **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**

### Why this is important

4.6. The Council is accountable not only for how much it spends, but also for how it uses the resources under its stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes it has achieved. In addition, the Council has 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, it can demonstrate the appropriateness of all its actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

### How we meet this principle

4.7. Key governance documents supporting Principle A include:

[Constitution](#) – Codes of Conduct for Members and Employees (Part 5); [Confidential Reporting Code \(Whistleblowing policy\)](#) (Part 5); Contract Procedure Rules (Part 4); Decision Making (Article 12); Functions and Responsibilities of Key Officers (Article 11); Member Role Descriptions (Part 9); Overview and Scrutiny Arrangements (Article 6); Protocol on Member/Officer Relations (Part 5); Other Codes and Protocols (Part 5); Roles and Functions of Members (Article 2).

Other – [Competency Framework](#); [Corporate Complaints Policy](#); [Counter Fraud and Corruption Strategy](#); [Fraud Response Plan](#); Officer and Member Gifts & Hospitality Register and Procedures; [Overview and Scrutiny Handbook](#); [Sustainable Commissioning and Procurement Policy](#); Sustainable Buying Standards.

### **A1 Behaving with integrity**

4.8. The Council ensures that its values are communicated and understood, and that members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated. This is achieved by:

- Setting out in codes of conduct the minimum standards expected of members and employees, and the implications of any code breaches.
- Setting out in the [Competency Framework](#) the Council's corporate values to underpin staff behaviours and competencies.
- Seeking individual commitment to the codes from members and officers during induction, through annual, written reminders and in performance appraisals.
- Assigning the [Constitution Working Group](#), chaired by the Leader of the Council and consisting of the lead Members from each political party, to oversee the maintenance and approval of the codes and protocols in Part 5 of the [Constitution](#). The Codes of Conduct are intended to be consistent with the Seven Principles of Public Life\* (the Nolan Principles), which must be observed by members and employees when conducting the business of the Council or acting as a representative of the Council.

\* Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

- Setting out in the Contract Procedure Rules how contracts for goods, works, services and utilities should be put in place and managed, and detailing the record keeping and reporting requirements related to procurement activity.
  - Members leading by example by adhering to these principles in decision making and during meetings with fellow members, employees, the community and partners.
  - Maintaining Registers of Interest for members and officers and formally registering interests at meetings and declaring gifts and hospitality.
- 4.9. The Council endeavours to demonstrate, communicate and embed its values through the following policies and processes, which are reviewed on a regular basis to ensure that they are operating effectively. This is achieved by:
- Providing guidance, through the [Fraud Response Plan](#), which supports the [Counter Fraud and Corruption Strategy](#), to employees and managers on the procedures that must be followed in the event of suspected fraud, theft or other irregularity.
  - Requiring the Chief Internal Auditor and Corporate Fraud Manager to verbally inform the Section 151 Officer, [Audit Committee](#) and External Audit of any serious cases of fraud.
  - Reporting the outcomes of anti-fraud and corruption work to [Audit Committee](#) as part of Protecting the Public Purse updates.
  - Enabling employees, through the [Confidential Reporting Code](#) to raise serious concerns within the Council rather than overlooking a problem or 'blowing the whistle' externally.
  - Including in the [Durham Managers training programme](#) a course that explains how the [Confidential Reporting Code](#) should be used as a means to 'blow the whistle' where appropriate.
  - Maintaining arrangements, through the [Corporate Complaints Policy](#), for non-statutory complaints about services, which are reported to [Corporate Issues Overview and Scrutiny Committee](#) along with details of investigations by the Commissioner for Local Administration.
  - Maintaining arrangements for complaints against employees, which are referred to the Corporate Fraud Team, Human Resources and the respective Service Management to ensure a proper investigation.
  - Assigning the [Monitoring Officer](#) to oversee the arrangements for conflicts of interest, gifts and hospitality for members and officers, who are required to review their declarations annually.
  - Publishing the [Register of Gifts, Interests and Hospitality for Members](#) on the website under the relevant meeting or on the [Your Councillor webpage](#).

## **A2 Demonstrating strong commitment to ethical values**

- 4.10. The Council seeks to establish, monitor and maintain ethical standards and performance, while underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation. This is achieved by:
- Assigning the [Standards Committee](#) to promote and maintains high standards of conduct by councillors, independent members and co-opted members.
  - Assigning the [Appeals and Complaints Committee](#) to determine appeals against decisions made by the Council.

- Maintaining an effective scrutiny function that encourages constructive challenge and enhances performance through the Overview and Scrutiny Management Board and Overview and Scrutiny Committees.
  - The role, functions and scope of the Overview and Scrutiny Board and each of its six committees are set out in detail in the [Constitution](#) and the [Overview and Scrutiny Handbook](#). They allow a wider involvement in Council business by involving non-councillors from the wider public sector, voluntary and community groups to help them in their work. They may make reports and recommendations to the Executive and the Council as a whole on its policies, budget and service delivery.
  - Review and scrutinise the conduct, decisions and actions of Police and Crime Commissioner through the Durham Police and Crime Panel, which is made up of members from Durham County Council and Darlington Borough Council.
  - Providing, through the [Constitution](#), roles for independent members and co-opted members on the Standards Committee, Overview and Scrutiny Committees, [Audit Committee](#) and Police and Crime Panel.
  - Reporting bi-annually, through the Internal Audit Service, to Corporate Management Team and the [Audit Committee](#) on investigations into misconduct, including any measures taken to enhance the control environment in order to prevent incidences happening in the future.
  - Embedding ethical values through a variety of channels, including online training, briefings and news bulletins.
  - Rewarding good ethical behaviour through the [Great Staff, Great Stuff Scheme](#), and awarding instant recognition certificates to those who make an exceptional contribution in this area.
- 4.11. The Council places emphasis on agreed ethical values by,
- Maintaining a range of key ethical codes and protocols, such as the codes of conduct for members and employees, and the Protocol on Member/Officer Relations, in Part 5 of the Council [Constitution](#).
  - Using the above codes and protocols to set the tone for subsidiary policies and procedures in areas such as procurement, recruitment, staff discipline, gifts and hospitality and declarations of interest.
- 4.12. The Council requires external providers of services on its behalf to act with integrity and in compliance with ethical standards. This is achieved by:
- Including the Council's ethical values in protocols for partnership working.
  - Seeking, through the [Sustainable Commissioning and Procurement Policy](#), to implement procedures that protect the long-term interests of the communities we represent, in line with the Public Services (Social Value) Act 2012. Instructing bidding organisations to bring the above policy to the attention of bidders.
  - Addressing ethical supply chain issues through Sustainable Buying Standards, which are mandatory in all relevant council contracts.
  - Vetting potential contractors for convictions and violations for specified offences, as required by the Public Contracts Regulations 2015.

### **A3 Respecting the rule of law**

- 4.13. The Council endeavours to ensure that members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations. It also seeks to create the conditions to ensure that the statutory

officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. This is achieved by:

- Through the [Constitution](#),
  - Committing to exercise all powers and duties in accordance with the law;
  - Setting out [Member Role Descriptions](#) (Part 9) and the [functions and responsibilities of key officers](#) (Part 2, Article 11), recognising those posts that are statutory;
  - Committing, through Article 11, to provide the Monitoring Officer and Chief Finance Officer with such officers, accommodation and other resources as are in their opinion sufficient to allow their duties to be performed;
  - Designating the Chief Executive as Head of Paid Service in accordance with Section 4 of the Local Government and Housing Act 1989.
  - Designating the Corporate Director, Resources as the [Section 151 Chief Financial Officer](#) (CFO) to fulfil the governance requirements of the CIPFA \* Statement on the Role of the CFO in Local Government (2010).

\* Chartered Institute of Public Finance & Accountancy

- Maintaining, under the supervision of the Chief Executive, a chief officer structure that is equipped to respond to modern challenges faced by the Council.
- Making the CFO a member of Corporate Management Team, reporting directly to the Chief Executive and reviewing all reports to Cabinet which have financial implications.
- Maintaining arrangements for members and officers to work together on the work programme of the Cabinet, which is managed through a system of Cabinet pre-agenda meetings, supported by regular briefing sessions held by Corporate Directors with Cabinet Portfolio Members and their support Members.
- Providing specialist legal advice through Legal & Democratic Services.
- Providing training, awareness and advice, through central support services, to meet general legal requirements in areas such as data protection, freedom of information, equalities and health and safety.
- Making staff aware of relevant statutory provisions through formal training and written guidance, and implementing appropriate service-specific arrangements to ensure compliance.

4.14. The Council strives to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders by,

- Designating, in accordance with Section 5 Local Government and Housing Act 1989, the Head of Legal and Democratic Services as Monitoring Officer, who attends Corporate Management Team and advises on legal issues.
- Authorising the [Head of Legal and Democratic Services](#), under the [Constitution](#), Article 13, to institute, defend or participate in any legal proceedings to give effect to decisions of the Council or in any case where she considers that such action is necessary to protect the Council's interests.

4.15. The Council endeavours to deal effectively with corruption, misuse of power and breaches of legal and regulatory provisions by, [Maintaining a dedicated Corporate Fraud Team](#) to support its counter fraud arrangements.

- Vigorously dealing with breaches of legal or regulatory provisions through disciplinary or criminal proceedings, as appropriate.
- Enabling employees, contractors and suppliers, through the [Confidential Reporting Code \(Whistleblowing policy\)](#), to raise concerns about potential breaches of conduct in decision-making.
- Thoroughly investigating and, if confirmed, vigorously pursuing any allegations of corruption and misuse of power, seeking the strongest possible sanctions against those who seek to defraud the Council, regardless of whether they are staff, members, contractors, external individuals and organisations.

## **Principle B: Ensuring openness and comprehensive stakeholder engagement.**

### Why this is important

4.16. Local government is run for the public good. The Council should therefore ensure openness in its 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. Institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.

### How we meet this principle

4.17. Key governance documents supporting Principle B include:

[Constitution](#) – Audit Committee Role (Part 3); Decision Making (Article 12); How the Council operates (Part 2); Joint Arrangements and Partnerships (Article 10); Officer Scheme of Delegations (Part 3).

[Other](#) – Area Action Partnerships Terms of Reference; [Consultation & Engagement Strategy](#); [Consultations web page](#); [County Durham Compact](#); County Durham Partnership Community Engagement and Empowerment Framework; [Joint Health and Wellbeing Strategy 2016 - 2019](#); [notice of key decisions webpage](#); [officer decisions webpage](#) [Partnership Governance Framework](#); Partnership Performance Management Framework; Partnerships Register; [petitions webpage](#); [Risk Management Strategy and Policy](#); [Sustainable Community Strategy \(SCS\) 2014 – 2030](#); [Transparency and Accountability webpage](#).

### **B1 Openness**

4.18. The Council maintains an open culture and encourages wide public involvement in determining the most appropriate and effective interventions and courses of action. This is achieved by:

- Encouraging a climate of openness, headed by the Council Leader who holds regular Cabinet meetings at various locations in the County.
- Maintaining a website that is designed to make it easy for users to find information and includes a [Transparency and Accountability webpage](#) to comply with the [Local Government Transparency Code 2015](#).
- Publishing information on the website about services provided, land and assets owned by the Council, organisational structures and salaries, counter fraud, how money is spent and how services are bought.
- Deploying a range of research, consultation and engagement techniques so that the selected approach is fit for each given purpose.
- Taking a planned approach to maximise participation and ensure that the public's views are incorporated into decision making processes.

4.19. The Council seeks to make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes, with a presumption for openness and, where relevant, giving reasons for keeping any decision confidential. Clear reasoning and evidence will be provided for decisions, being explicit about the criteria, rationale and considerations used, to ensure

that the impact and consequences of those decisions are clear. These aims are achieved by,

- Setting out in the [Constitution](#) how the Council operates, how decisions are made and the procedures followed to ensure that these are effective, transparent and accountable to local people.
- Publishing on the website: advance [notice of key decisions](#) covering a rolling period of four months; decisions made by the Executive, within two days of the respective meeting; and all major decisions that are in the public domain.
- Publishing all [officer decisions](#) made under the Officer Scheme of Delegations ([Constitution](#), Part 3).
- Supporting the Council's decision-making processes with:
  - A [Risk Management Strategy and Policy](#);
  - An [Audit Committee](#) responsible for monitoring and reviewing processes for risk management, internal control, governance and associated assurance; and
  - Arrangements to ensure that they comply with legal requirements and that all reports requiring a decision include the legal implications, confirm that legal advice has been obtained on proposals, and the source of that legal advice.
- Including in the Council's stated [principles for decision making](#) the giving of reasons for decisions and supporting them with references to legal or other professional advice and stating the potential implications in terms of finance, staffing, risk, human rights and several other factors.

## **B2 Engaging comprehensively with institutional stakeholders**

4.20. The Council seeks to effectively engage with institutional stakeholders and, where necessary, develop formal and informal partnerships to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear. The aims of this approach are to ensure that outcomes are achieved successfully and sustainably, with efficient use of resources. This is achieved by:

- Heading the [County Durham Partnership](#) (CDP), chaired by the Council Leader, which is the lead partnership for most strategic partnerships in the County.
- Managing relationships with partners through the [Partnership Governance Framework](#) (PGF), which seeks to ensure that:
  - members are clear about their roles and responsibilities;
  - there is clarity about the legal status of the partnership;
  - representatives both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.
- Providing support and oversight, through a [Chief Officer Group](#), to chief officers across all statutory agencies of the safeguarding arrangements for children and adults services. The Group has an independent Chair and includes officers from the Council, NHS and the Police.
- Maintaining, in accordance with the [Partnership Performance Management Framework](#), a [register of active partnerships](#) and regularly reviewing them to assess and evaluate their governance and effectiveness.



- Allowing, through the [Constitution](#), joint arrangements to be established for specific purposes such as the provision and maintenance of crematoria, and setting out details of existing joint arrangements, including purpose, parties and effective dates.
- Shaping and supporting a common vision and approach for community engagement through the [County Durham Partnership Community Engagement and Empowerment Framework](#).
- Providing, through the [County Durham Compact](#), a framework for partnership and engagement with the voluntary and community sector.
- Including in the [CDP](#) a range of key public, private and voluntary sector organisations that work together to improve the quality of life for the people within County Durham.
- Structuring the [CDP](#) into five thematic partnerships based on the economy, children and families, health and wellbeing, community safety and the environment.
- Managing, within service groupings, informal, collaborative working arrangements with external organisations.
- Ensuring, through the [Partnership Governance Framework](#) that partnerships are based on:
  - trust
  - a shared commitment to change
  - a culture that promotes and accepts challenge among partners

and that the added value of partnership working is explicit.

### **B3 Engaging with individual citizens and service users effectively**

- 4.21. Through the [Consultation & Engagement Strategy](#), the Council seeks to establish a clear policy on the type of issues on which it will consult with or involve communities, individual citizens, service users and other stakeholders. The Council aims to ensure that the views of local people are used to set priorities, influence policy and decision making, and that service provision is contributing towards the achievement of intended outcomes.
- 4.22. The Council endeavours to ensure that communication methods are effective, and that members and officers are clear about their roles with regard to community engagement, in order to collect and evaluate the views, experiences and future needs of people and organisations of different backgrounds. This approach is combined with effective feedback mechanisms to demonstrate how views have been taken into account and balancing feedback from more active and other stakeholder groups to ensure inclusivity. This is achieved by:
- Assigning the [Corporate Communications and Policy Team](#) to lead on communications with external audiences through local, regional and national media with direction and guidance provided through communications protocols.
  - Welcoming [petitions](#) and recognising that they are an effective way for people to voice their concerns.
  - Engaging with the community, through 14 multi-agency Area Action Partnerships, to identify and address local priorities and utilise locality budgets to drive improvements to the local area.
  - Using the consultation process to involve a range of stakeholders in refreshing the [Joint Health and Wellbeing Strategy 2016 - 2019](#).

- Publishing results of [consultation and engagement campaigns](#) on the website with explanations of what has been changed as a result of the views and comments collected.
- Selecting appropriate consultation techniques and engaging through area action partnerships and the voluntary sector to involve all sections of the community effectively.
- Ensuring that selected techniques recognise that different sections of the community have different priorities and establish processes for dealing with these competing demands.
- Seeking, with guidance from the Sustainable Community Strategy (SCS) 2014 – 2030, the Joint Health and Wellbeing Strategy 2016 - 2019, supported by the decision making process, to manage resources in ways that do not compromise the quality of life of future generations or those in the wider world.

## **Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits**

### Why this is important

4.23. The long-term nature and impact of many of the Council's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the Council'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.

### How we meet this principle

4.24. Key governance documents supporting Principle C include:

[Constitution](#) – Decision Making (Article 12); Protocol on Member/Officer Relations (Part 5).

[Other](#) – Asset Management Plan; [Children, Young People and Families Plan 2016 - 2019](#); [Consultation & Engagement Strategy](#); Corporate Capital Protocol; [Council Plan 2016 - 2019 and service plans](#); [County Durham Plan](#); [Customer First Strategy and Customer Services Charter](#); [Equality Policy](#); [Joint Health and Wellbeing Strategy 2016 - 2019](#); [Medium Term Financial Plan 2016 - 2019 \(MTFP\)](#); [Performance Management Framework](#); [Police and Crime Plan 2015 - 2017](#); [Regeneration Statement 2012 – 2022](#); [Risk Management Strategy and Policy](#); [Safe Durham Partnership Plan 2016 - 2019](#); [Sustainable Community Strategy \(SCS\) 2014 – 2030](#).

### **C1 Defining outcomes**

4.25. The [Sustainable Community Strategy \(SCS\) 2014 – 2030](#), which has been produced by the Council in conjunction with its partners on the [County Durham Partnership](#), and demonstrates its shared long-term vision for the future of County Durham. This vision for County Durham, namely 'Altogether Better Durham' outlines five priority themes, which represent the major issues identified by residents:

- Altogether wealthier – focusing on creating a vibrant economy and putting regeneration and economic development at the heart of all our plans. This theme is supported by the [Regeneration Statement 2012 – 2022](#) and the [County Durham Plan](#);
- Altogether better for children and young people – ensuring children and young people are kept safe from harm and that they can 'believe, achieve and succeed'. This theme is supported by the [Children, Young People and Families Plan 2016 - 2019](#);
- Altogether healthier – improving health and wellbeing, supported by the [Joint Health and Wellbeing Strategy 2016 - 2019](#);
- Altogether greener – ensuring an attractive and 'liveable' local environment and contributing to tackling global environmental challenges. This theme is supported by the [County Durham Plan](#);

- Altogether safer – creating a safer and cohesive county, supported by the [Safe Durham Partnership Plan 2016 - 2019](#) and the [Police and Crime Plan 2015 - 2017](#).
- 4.26. In addition to the above arrangements, the Council defines outcomes by,
- Setting out, in the [Council Plan 2016 - 2019](#) and individual [service plans](#), supporting policies, plans and strategies, set out the key actions to be taken in support of delivering the longer term goals in the [SCS](#) and the Council's own improvement agenda.
  - Developing, through the [Medium Term Financial Plan 2016 - 2019 \(MTFP\)](#), a financial framework in line with the [Council Plan](#) that enables members and officers to ensure policy initiatives can be planned for delivery within available resources and can be aligned to priority outcomes.
  - Subjecting the delivery of the [Council Plan](#) and the [Medium Term Financial Plan](#) to detailed and frequent monitoring undertaken by Corporate Management Team and Cabinet.
  - Supporting decision making and project management processes with the [Performance Management Framework](#) and the [Risk Management Strategy and Policy](#).
  - Seeking, through the [Customer First Strategy and Customer Services Charter](#), which link to the wider priorities of the Council, to broaden accessibility to information and services in an economically efficient way, taking account of increased demand for services, changes to the welfare system and reducing budgets.

## **C2 Sustainable economic, social and environmental benefits**

- 4.27. The Council considers and balances the combined economic, social and environmental impact of policies and plans when taking decisions about service provision, taking a longer-term view with due regard to the wider public interest and potential risks. The Council is committed to acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints. This is achieved by:
- Pursuing economic and environmental benefits through the *Altogether Wealthier* and *Altogether Greener* themes respectively, and pursuing social benefits through the other themes.
  - Using decision making processes, which include management of performance and risks, to support the achievement of high level objectives in furtherance of economic, social and environmental benefits.
  - Pursuing economic, social and environmental benefits in the development the [Medium Term Financial Plan](#).
  - Preparing the capital budget reflecting the priorities detailed in the [Council Plan](#), using criteria laid down in the [Corporate Capital Protocol](#), the [Asset Management Plan](#).
  - Advising Cabinet on the [Capital Programme](#) through the Member Officer Working Group for Capital, which is responsible for scrutinising capital budget revisions and monitoring progress on schemes.
  - Following the principles of decision making set out in the [Constitution](#), Article 12.
  - Guiding members and employees in their relations with one another and seeking to enhance and maintain integrity by demanding very high

standards of personal conduct through the [Protocol on Member/Officer Relations](#) ([Constitution](#), Part 5).

- Determining, through the [Consultation & Engagement Strategy](#), the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, in order to ensure appropriate trade-offs.

4.28. The Council ensures fair access to services by,

- Using the [Equality Policy](#) to reinforce the Council's public sector equality duty and prevent negative outcomes from Council decisions for people with protected characteristics (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation).
- Supporting the [Equality Policy](#) with an impact assessment process, which ensures that the impact on equality is considered in the Council's decision making.
- Promoting equality and diversity across all of the Council's work through the Overview and Scrutiny Management Board and Scrutiny Committees.

## **Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

### Why this is important

4.29. Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. 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 optimised.

### How we meet this principle

4.30. Key governance documents supporting Principle D include:

[Constitution](#) – Budget and Policy Framework Procedure Rules (Part 4); Decision Making (Article 12); Financial Procedure Rules (Part 4); Overview and Scrutiny Arrangements (Article 6).

Other – [Capital Programme](#); [Council Plan and service plans](#); [Medium Term Financial Plan 2016 - 2019 \(MTFP\)](#); [Partnership Governance Framework](#); [Performance Management Framework](#); [Overview and Scrutiny Annual Report](#); [Risk Management Strategy and Policy](#); [Sustainable Community Strategy \(SCS\) 2014 – 2030](#); [Sustainable Commissioning and Procurement Policy](#).

### **D1 Determining interventions**

4.31. The Council ensures that decision makers receive objective and rigorous analysis of a variety of options, indicating how intended outcomes would be achieved and highlighting associated risks, in order to secure best value regardless of the service delivery method. This is combined with considering feedback from citizens and service users about proposed 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. This is achieved by:

- Embedding the pursuit of value for money into all of the Council's decision making processes through the 'effective use of resources' objective under the Altogether Better Council theme.
- Frequently undertaking reviews to provide assurance that value for money services are being provided.
- Using residents' and other stakeholders' views with high level analysis of the equalities impact to shape proposals in the [Medium Term Financial Plan](#).

### **D2 Planning interventions**

4.32. The Council's arrangements for planning the interventions for the achievement of its intended outcomes are,

- Establishing and implementing, through the [Council Plan](#) and [Medium Term Financial Plan](#) monitoring, robust planning and control cycles that cover strategic and operational plans, priorities and targets.

- Engaging with internal and external stakeholders, through participative budgeting and other consultation techniques, in determining how services and other courses of action should be planned and delivered.
- Considering and monitoring risks facing each partner when working collaboratively, including shared risks, through the [Partnership Governance Framework](#) and the [Risk Management Strategy and Policy](#).
- Ensuring, through the [Council Plan](#) and business continuity planning, that arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances.
- Determining, during the development of the [Sustainable Community Strategy](#) and the [Council Plan](#) how the performance of services and projects will be measured, and linking these arrangements to a locally led [performance management framework](#), which ensures that attention is focused on Council priorities.
- Using key target indicators in areas where improvements can be measured regularly and can be actively influenced by the Council and its partners.
- Comparing performance with that of other Councils using a recognised, online tool.
- Undertaking, through the Overview and Scrutiny Committees, in-depth, evidence-based reviews of services, the findings of which are outlined in the [Overview and Scrutiny Annual Report](#).
- Preparing budgets in accordance with the [Sustainable Community Strategy](#), the [Council Plan](#) and the [Medium Term Financial Plan](#).
- Informing medium and long term resource planning by determining, through Cabinet in consultation with the Chief Financial Officer, the general budget strategy and issuing annual guidelines to Members and Chief Officers on preparing:-
  - A detailed revenue budget for the following year and the [MTFP](#);
  - The [Capital Programme](#);
  - The timetable for developing and agreeing the Council's revenue and capital budget.

### **D3 Optimising achievement of intended outcomes**

- 4.33. The Council optimises the achievement of its outcomes by,
- Developing, through the [Medium Term Financial Plan](#), a financial framework in line with the [Council Plan](#) to deliver policy initiatives within available resources and aligned to priority outcomes.
  - Developing the budgeting process in line with Budget and Policy Framework Procedure Rules, to ensure that it is all-inclusive, and takes into account the full cost of operations over the medium and longer term.
  - Ensuring, through the development of the [MTFP](#) and [Council Plan](#) that partners and stakeholders have a clear view of the Council's priorities, targets and financial plans over the forthcoming period of four years.
  - Seeking, through the [Sustainable Commissioning and Procurement Policy](#), to implement procedures that protect the long-term interests of the communities we represent, in line with the Public Services (Social Value) Act 2012.
  - Instructing bidding organisations bring this policy to the attention of bidders.





## **Principle E: Developing the Council's capacity, including the capability of its leadership and the individuals within it**

### Why this is important

4.34. The Council needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve its intended outcomes within the specified periods. It must ensure that it has both the capacity to fulfill its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which the Council operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership and of individual staff members. Leadership in the Council is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

### How we meet this principle

4.35. Key governance documents supporting Principle E include:

[Constitution](#) – Decision Making (Article 12); The Executive (Article 7); Financial Procedure Rules (Part 7); Officer Scheme of Delegations (Part 3); Overview and Scrutiny Arrangements (Article 6); Protocol for Chairman and Vice-Chairman (Part 5); Protocol for member of the public wishing to ask a question at Council.

[Other](#) – Area Action Partnerships Terms of Reference; [Attendance Management Policy](#); [Corporate Asset Management Plan](#); [County Durham Compact](#); [Durham Manager Programme](#); [Health, Safety and Wellbeing Strategy](#); [Members Learning and Development Strategy](#); Office Accommodation Strategy; [Organisational Development Strategy](#); Property Strategy; Service Asset Management Plans.

### **E1 Developing the Council's capacity**

4.36. The Council ensures the continuing effectiveness of its operations, performance and use of assets by,

- Regularly monitoring the condition, suitability, sufficiency and accessibility of property under the [Office Accommodation Strategy](#) and the [Corporate Asset Management Plan](#) to ensure that best use is made of assets in terms of service benefit, financial benefit and value for money.
- Setting out in the [Property Strategy](#) the main principles to ensure that opportunities to share the use of property are identified, and to make sure that assets are fit for purpose, cost effective and used to support regeneration and economic development.
- Consulting local communities and partners, where appropriate, about alternative methods of continuing to provide front line services.
- Maintaining [Service Asset Management Plans](#), which include any heritage assets of the holding service.
- Advising Cabinet on the [Capital Programme](#) through the Member Officer Working Group for Capital, which is responsible for scrutinising capital budget revisions and monitoring progress on schemes.

- 4.37. The Council strives to improve the use of its resources to ensure that they are allocated in a way that realises outcomes effectively and efficiently. This is achieved by:
- Using benchmarking data from statutory returns to inform programmes of VFM reviews and savings options in various service areas in order to ensure that defined outcomes are achieved effectively and efficiently.
  - Using data from commercial benchmarking clubs, to facilitate meaningful comparisons with other Councils.
  - Providing, through the [County Durham Compact](#), a framework for partnership and engagement with the voluntary and community sector where added value can be achieved.
  - Including in the [County Durham Partnership](#) a range of key public, private and voluntary sector organisations that work together to improve the quality of life for the people within County Durham.
  - Managing, within service groupings, informal, collaborative working arrangements with external organisations.
- 4.38. The Council maintains an effective workforce plan, through the [Organisational Development Strategy](#), to enhance the strategic allocation of resources.

## **E2 Developing the capability of the Council's leadership and other individuals**

- 4.39. The Council ensures that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. This is achieved by:
- Setting out in the [Constitution](#) how the Executive is made up and how appointments to this committee are made.
  - Electing the Leader under the terms of the [Constitution](#), and making appointments to a number of committees with various regulatory and scrutiny responsibilities.
  - Setting out in the [Constitution](#) a protocol for the Chairman and Vice-Chairman of the Council that includes an expectation of political neutrality and acting as the conscience of the Council.
  - Nominating, through the Leader, nine other councillors, including a Deputy Leader, with specific responsibilities to form the Cabinet.
  - Allocating, through the Leader under the terms of the [Constitution](#), roles and responsibilities to individual members and the Executive Committee as a whole.
  - Supporting the above arrangements with a number of formal member and officer working groups.
- 4.40. The Council makes a clear distinction between the types of decisions that are delegated and those reserved for the collective decision making of the Council in the [Constitution](#), which is published on the website.
- 4.41. The Council clearly defines in the [Constitution](#) the respective roles of the leader and the chief executive, whereby the chief executive leads 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.

- 4.42. The Council continually seeks to develop the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks. This is achieved by:
- Ensuring, through the [Members Learning and Development Strategy](#) and the [Organisational Development Strategy](#), that members and staff are provided with induction training tailored to their role and individual training and development plans.
  - Ensuring, through respective appraisal schemes, that members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
  - Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external
  - Promoting excellence in learning through membership of the North East Public Service Academy.
  - Using initiatives such as the [Durham Manager Programme](#) to support managers in meeting the changing needs of the Council, and e-learning as an efficient means of training employees.
- 4.43. The Council encourages public participation by,
- Administering 14 multi-agency Area Action Partnerships (AAPs) that enable local people and organisations to comment on how services are provided.
  - Inviting members of the public to attend Council meetings.
  - Including a protocol for member of the public wishing to ask a question at Council.
- 4.44. The Council ensures that the leadership's own effectiveness is considered and that leaders are open to constructive feedback from peer review and inspections by,
- Monitoring the decisions of the Executive through the Overview and Scrutiny Management Board, which has the power to:-
    - “call-in” decisions which have been made but not yet implemented; and
    - recommend that their decisions are reconsidered.
  - Consulting the Overview and Scrutiny Management Board on forthcoming decisions or the development of policy.
  - Assessing the skills required by members and officers through personal development plans, and making a commitment to develop those skills to enable roles to be carried out effectively.
  - Developing skills on a continuing basis, through implementation of the [Members Learning and Development Strategy](#), to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.

- 4.45. The Council strives to maintain effective arrangements to meet employees' needs in terms of training, development, health and wellbeing by,
- Assessing the skills required by officers through personal development plans, and making a commitment to develop those skills to enable roles to be carried out effectively.
  - Managing the performance and development of employees through an annual appraisal process.
  - Supporting employees through the [Health, Safety and Wellbeing Strategy](#). Focusing on rehabilitation, through the [Attendance Management Policy](#) and a procedure for managing short-term absences, to support attendance at work using an early intervention procedure with assistance from Occupational Health.
  - Supporting employees through change processes with confidential counselling services through the [Employee Assistance Programme](#) .

## **Principle F: Managing risks and performance through robust internal control and strong public financial management**

### Why this is important

- 4.46. The Council needs to ensure that the organisations and governance structures that it oversees 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. Risk should be considered and addressed as part of all decision making activities.
- 4.47. 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, efficient service delivery, and accountability.
- 4.48. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

### How we meet this principle

- 4.49. Key governance documents supporting Principle F include:

[Constitution](#) – Councillor Call for Action Procedure (Part 4 Overview & Scrutiny Procedure Rules); Decision Making (Article 12); Overview and Scrutiny Arrangements (Article 6).

[Other](#) – [Budget Report](#); [Council Plan](#); [Data Protection Policy](#); [Data Quality Policy](#); [Delivering Good Governance in Local Government Framework](#); [Internal Audit Plan, Strategy and Charter](#); [Medium Term Financial Plan](#); [Performance Management Framework](#); [performance reports](#); [Risk Management Strategy and Policy](#); [service plans](#).

[Professional Codes](#) – CIPFA \* Code on a Prudential Framework for Local Authority Capital Finance; CIPFA \* Statement on the Role of Head of Internal Audit; [Code of Practice on Managing the Risk of Fraud and Corruption, 2014](#); [Public Sector Internal Audit Standards](#).

\* Chartered Institute of Public Finance & Accountancy

### **F1 Managing risk**

- 4.50. The Council recognises that risk management is an integral part of all activities and decision making as set out in the [Risk Management Policy and Strategy](#), which defines key roles and responsibilities and is reviewed annually, to maintain robust, integrated and effective risk management arrangements.

## F2 Managing performance

- 4.51. The Council ensures that service delivery is effectively monitored by,
- Setting out in service plans a detailed schedule of actions, which are assigned to responsible officers and incorporated into, and monitored, through the corporate and service performance management arrangements.
  - Monitoring performance and ensuring that effective arrangements are put in place to deal with any failures in service delivery through the Council's Cabinet.
  - Providing assurance through quarterly performance reports to Corporate Management Team, Cabinet and all scrutiny committees by way of senior management performance clinics during the year.
  - Undertaking key in-depth evidence based reviews through the Overview and Scrutiny Committees.
  - Overseeing quality assurance developments in Children's Services and maintaining strategic oversight of children's services through a Quality Improvement Board.
  - Operating a locally led performance management framework that links to the Sustainable Community Strategy and the Council Plan and ensures that attention is focused on Council priorities.
  - Undertaking benchmarking exercises by comparing performance with that of other Councils using a recognised, online tool.
  - Seeking assurance on the quality of services from external, independent sources.
  - Providing update reports, on service delivery plans and on progress towards outcome achievement, to Corporate Management Team, Cabinet and Full Council.
- 4.52. The Council endeavours to make the right decisions for the benefit of its stakeholders by,
- Supporting the Council's decision-making processes with a Risk Management Strategy and Policy.
  - Implementing arrangements to ensure that decisions are based on relevant, clear, objective analysis and advice; comply with legal requirements; and take account of the Council's financial, social and environmental position and outlook.
  - Including in the Council's stated principles for decision making the giving of reasons for decisions and supporting them with references to legal or other professional advice and stating the potential implications in terms of finance, staffing, risk, human rights and several other factors.
  - Maintaining an overview and scrutiny function through which members robustly scrutinise, challenge and debate proposed policies and objectives to make decision-making processes transparent, accountable and inclusive.
  - Enabling members to bring matters of local concern to the attention of the Council through the scrutiny process using Councillor Call for Action procedure.

- 4.53. The Council seeks to ensure consistency between specification stages and post implementation reporting by,
- Developing profiled budgets in the main accounting system in line with the [Medium Term Financial Plan to ensure consistency](#) between specification stages and post implementation reporting.
  - Issuing Budgetary Control Statements to senior management, Cabinet and Overview and Scrutiny Committees, comparing actual with planned expenditure and showing forecasted overspends with reasons for variance.
  - Maintaining and applying Financial Procedure Rules in the [Constitution](#).

### **F3 Robust internal control**

- 4.54. The Council seeks to align the risk management strategy and policies on internal control with achieving objectives, as well as evaluating and monitoring risk management and internal control on a regular basis. This is achieved by:
- Developing, maintaining and delivering an [Internal Audit Plan, Strategy and Charter](#).
  - Including in strategic risk management reports and internal audit reports the potential implications for achieving the Council's objectives.
  - Reporting annually to [Audit Committee](#), through the Chief Internal Auditor and Corporate Fraud Manager, on the adequacy and effectiveness of the Council's internal control environment.
  - Undertaking a self-assessment against both the principles of the CIPFA Statement on the Role of Head of Internal Audit and the [Public Sector Internal Audit Standards](#) (PSIAS), approved by [Audit Committee](#).
  - Undertaking internal annual reviews of the effectiveness of internal audit and an external assessment once every five years as required by the [PSIAS](#).
  - Undertaking a review of the effectiveness of the Council's corporate governance arrangements in line with the Delivering Good Governance in Local Government Framework.
  - Maintaining an [Audit Committee](#), which is independent of the Executive and accountable to the Full Council, to
    - provide a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment;
    - advise both the Council and the Cabinet on audit and governance issues in order to provide independent and effective assurance about the adequacy of financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives;
    - make recommendations, which are listened to and acted upon.
- 4.55. The Council ensures that effective counter fraud and anti-corruption arrangements are in place by maintaining a dedicated [Corporate Fraud Team](#) to support its counter fraud arrangements through the [Counter Fraud and Corruption Strategy](#), and working towards compliance with the [Code of Practice on Managing the Risk of Fraud and Corruption, 2014](#).

## **F4 Managing data**

- 4.56. The Council ensures that effective arrangements are in place for the safe collection, storage, use and sharing of data, including decision making and processes to safeguard personal data. This is achieved by:
- Managing data in accordance with the [Data Protection Policy](#), [Data Quality Policy](#), [Records Management Policy](#) and various data sharing protocols, with oversight by the Information Governance Group, to ensure that the arrangements in place are effective.
  - Designating the Director of Transformation and Partnerships as the Senior Information Risk Officer to strengthen the Council's arrangements for maintaining good-quality information.
  - Holding regular meetings with the Head of Planning and Performance, Head of ICT Services and the Council's designated Caldicott Guardian.
  - Providing an online Data Protection Act training module for employees.
  - Maintaining strong data protection arrangements regarding data sharing with other bodies through standardised subject access requests, a privacy impact assessment process, data sharing agreements and a data sharing register.
  - Undertaking a rolling programme of audits to check the quality and accuracy of data used in decision making and performance monitoring.

## **F5 Strong public financial management**

- 4.57. The Council aims to ensure that financial management supports both long term achievement of outcomes and short-term financial and operational performance. This is combined with seeking to ensure that well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. Investing resources in line with long-term outcomes and priorities as described in the Managing Resources section of the [Council Plan](#), which contains a set of actions with proposed outcomes.
- Making the links with priorities and outcomes detailed in the Council's [Budget Report](#).
  - Complying with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance, subject to external audit review.
  - Ensuring delivery of transformational change while maintaining service delivery through the [Medium Term Financial Plan](#) process.
  - Gaining independent assurance of value for money from the External Auditor.



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

### Why this is important

4.58. 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 Council plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

### How we meet this principle

4.59. Key governance documents supporting Principle G include:

[Constitution](#) – Local Code of Corporate Governance (Part 5).

[Other](#) – [Annual Governance Statement](#); [Annual Statement of Accounts](#); [Local Government Transparency Code 2015](#); [Partnership Governance Framework](#); [Transparency and Accountability webpage](#).

### **G1 Implementing good practice in transparency**

4.60. Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.

4.61. The Council aims to strike a proper balance between providing the right amount of information in a manner that is transparent and enhances public scrutiny while not being too onerous to provide and which readers can interpret. The Council also endeavours to write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience, while seeking to ensure that they are easy to access and interrogate. This is achieved by:

- Maintaining a website that is designed to make it easy for users to find information and includes a [Transparency and Accountability webpage](#) to comply with the [Local Government Transparency Code 2015](#).
- Publishing information on the website about services provided, land and assets owned by the Council, organisational structures and salaries, counter fraud, how money is spent and how services are bought.

### **G2 Implementing good practices in reporting**

4.62. The Council is committed to reporting to stakeholders at least annually on performance, value for money and stewardship of resources in a timely and understandable way, while ensuring members and senior management own the results reported. This is achieved by:

- Developing the [Annual Statement of Accounts](#) incorporating the [Annual Governance Statement](#).
- Publishing the [Annual Statement of Accounts](#) on the website, following approval by [Audit Committee](#), taking account of the views of the External Auditor, in line with the Accounts and Audit Regulations.
- Publishing the [Audit Completion Report](#) and Certification of Claims and Returns Annual Report, which provides assurance on the Council's system of financial management.

- Including with published information, the minutes of meetings approving reports to ensure that members and senior management own the results reported.
- 4.63. The Council seeks to ensure that robust arrangements are maintained for assessing and reporting on the effectiveness of its own governance arrangements, as well as those of related organisations. This is achieved by:
- Developing and maintaining a [Local Code of Corporate Governance](#), approved by [Audit Committee](#), setting out how the Council will meet the principles of good governance.
  - Assessing the Council's corporate governance arrangements against its [Local Code of Corporate Governance](#), led by the Corporate Director, Resources in consultation with the Improvement and Planning Group.
  - Ensuring, through the [Partnership Governance Framework](#), that the corporate governance arrangements of partners and jointly managed or shared service organisations are consistent with the Council's [Local Code of Corporate Governance](#).
  - Reporting the outcome of the corporate governance review, including planned actions for improvement, in the [Annual Governance Statement](#), approved by the Corporate Management Team and the [Audit Committee](#), and signed by the Leader of the Council and Chief Executive.
- 4.64. The Council seeks to ensure that it produces financial statements on a consistent and timely basis, in accordance with Financial Reporting Standards, in a way that enables comparison with other, similar organisations.

### **G3 Assurance and effective accountability**

- 4.65. The Council seeks to provide assurance with regard to its arrangements for governance and internal control by,
- Operating an Internal Audit service, with direct access to members, as a key part of the Council's corporate governance arrangements with the primary aim of supporting the Council to achieve its objectives by helping services to identify, assess, and manage risks, which may prevent or hinder objectives being achieved effectively.
  - Ensuring that agreed recommendations made by Internal Audit and External Audit are acted upon by tracking and reporting their progress to [Audit Committee](#).
  - Complying with CIPFA's Statement on the Role of the Head of Internal Audit (2010).
  - Applying the [Public Sector Internal Audit Standards](#) within all of procedures of the Internal Audit Service.
- 4.66. The Council welcomes peer challenge, reviews and inspections from regulatory bodies and seeks to ensure that recommendations are implemented.

- 4.67. The Council seeks to gain assurance on risks associated with delivering services through third parties by,
- Managing relationships with partners through the [Partnership Governance Framework](#), which seeks to ensure that:
    - members are clear about their roles and responsibilities;
    - there is clarity about the legal status of the partnership;
    - representatives both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.

## **Monitoring and Review**

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

involving non-councillors from the wider public sector, and voluntary and community groups to help them in their work, and also work with Partners, including the [County Durham Partnership](#). They may also be consulted by the Executive or the Council on forthcoming decisions or the development of policy. The terms of reference of the Overview and Scrutiny Management Board and its Committees are described in the [Constitution](#).

5.8. Within their terms of reference, the Overview and Scrutiny Management Board and Overview and Scrutiny Committees will:

- Review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions;
- make reports and/or recommendations to the full Council and/or the Cabinet in connection with the discharge of any functions; consider any matter affecting the area or its inhabitants; and
- exercise the right to call-in, for reconsideration, decisions made but not yet implemented by the Executive in accordance with the Overview and Scrutiny Procedure Rules.
- Work to ensure that communities are engaged in the scrutiny process; and consider and implement mechanisms to encourage and enhance community participation in the development of policy options.
- Promote equality and diversity across all of its work and the work of the County Council.

**This page is intentionally left blank**

## Audit Committee

28 November 2016

### Strategic Risk Management Progress Report for the Quarter period July to September 2016



## Report of Corporate Management Team

---

### John Hewitt, Corporate Director Resources

---

#### Purpose of the Report

- 1 The purpose of this report is to highlight the strategic risks facing the Council and to give an insight into the work carried out by the Corporate Risk Management Group during the period July and September 2016.

#### 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 2016, there were 22 strategic risks, one less than as at 30 June 2016.
- 5 In summary, the key risks to the Council are:
  - (a) If there was to be slippage in the delivery of the agreed MTFP savings projects, this will require further savings to be made from other areas, which may result in further service reductions and job losses;
  - (b) Ongoing Government funding cuts which now extend to at least 2019/20 will continue to have an increasing major impact on all Council services;
  - (c) 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;

- (d) Failure to protect child from death or serious harm (where service failure is a factor or issue);
- (e) A service failure of Adult Safeguarding leads to death or serious harm to a service user;
- (f) Major Interruption to IT Service Delivery.

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 2016.
- 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.

### **Recommendations and reasons**

- 8 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.



---

## **Appendix 1: Implications**

---

**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.

---

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

---

The Cabinet and the Corporate Management Team have designated the Cabinet Portfolio Holder for Corporate Services and the Corporate Director, Resources as Member and Officer Risk Champions respectively. Together they jointly take responsibility for embedding risk management throughout the Council, and are supported by the 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 2016, there were 22 strategic risks, one less than as at 30 June 2016.

The following matrix categorises the strategic risks according to their Net risk evaluation as at 30 September 2016. To highlight changes in each category during the last quarter, the number of risks as at 30 June 2016 is shown in brackets.

### **Overall number of Strategic Risks as at 30 September 2016**

<b>Impact</b>					
Critical	<b>1</b> (1)		<b>4</b> (4)		<b>1</b> (1)
Major		<b>1</b> (1)	<b>4</b> (5)	<b>1</b> (1)	
Moderate			<b>7</b> (7)	<b>3</b> (3)	
Minor					
Insignificant					
<b>Likelihood</b>	Remote	Unlikely	Possible	Probable	Highly Probable

In the above matrix, the risk assessed as Critical/Highly Probable is, “Ongoing Government funding cuts which now extend to at least 2019/20 will continue to have an increasing major impact on all Council services.”

The key risks are reported in more detail below.

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

### **New Risks**

- 1 No new risks have been added to the strategic risk register this quarter.

### **Increased Risks**

- 2 No significant risks have increased during the quarter.

### **Removed Risks**

- 3 The risk '*Loss of business for Technical Services and Building Services*' was removed as it is considered to be an operational and not strategic risk.

### **Reduced Risks**

- 4 No significant risks have reduced during the quarter.

### **Emerging Risks**

- 5 Following the referendum in June 2016, in which the United Kingdom voted to leave the **European Union**, there are potential implications for the economy, safety and welfare. However, the nature of the impacts is still uncertain and CMT is monitoring developments (T&P).

## Key Risks

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

### Key Risks Matrix

<b>Net Impact</b>					
Critical			Risk 1 MTFP Slippage Risk 3 PSN Code of Connection Risk 4 Child Safeguarding Risk 5 Adult Safeguarding		Risk 2 Ongoing Government funding cuts
Major				Risk 6 Major Interruption to IT Service Delivery	
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 below 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: Paul Darby	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: Paul Darby	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 and PCI 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.

Ref	Service owning the risk	Corporate Theme	Risk	Net Impact	Net Likelihood	Proposed Key Actions	Direction of Travel	Anticipated date when risk will be at an acceptable level
4	CYPS Risk Owner: Carole Payne	Altogether Better for Children and Young People	Failure to protect child from death or serious harm (where service failure is a factor or issue)	Critical	Possible	Actions are taken forward from Serious Case Reviews and reported to the Local Safeguarding Children Board. Lessons learned are fed into training for front line staff and regular staff supervision takes place. Procedures are reviewed on a regular basis.		Nationally there has been a statutory change to when Serious Case Reviews are undertaken. This risk is long term.
5	AHS Risk Owner: Lesley Jeavons	Altogether Safer	A service failure of Adult Safeguarding leads to death or serious harm to a service user.	Critical	Possible	As the statutory body, the multi-agency Safeguarding Adults Board has a Business Plan in place for taking forward actions to safeguard vulnerable adults including a comprehensive training programme for staff and regular supervision takes place. Procedures are reviewed on a regular basis.		Nationally there has been an increased awareness of potential vulnerabilities relating to adults with care and support needs and concern about the pressure to discharge some service users under the Transforming Care programme without agreement on necessary resourcing to meet their multiple complex needs.  This risk is long term.
6	RES Risk Owner: Phil Jackman	Altogether Better Council	Major Interruption to IT Service Delivery	Major	Probable	CMT has approved a project to provide improved ICT resilience through a robust mechanical and electrical designed solution for the Council's main Data Centre.		The improvement works, which will significantly reduce the risks from electrical and mechanical failures, are planned for completion by November 2017.

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

Based on the **Net** risk assessment as at 30 September 2016, the following tables highlight the risks for each Corporate Theme.

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

<b>Ref</b>	<b>Service</b>	<b>Risk</b>
1	RES	If there was to be slippage in the delivery of the agreed MTFP savings projects, this will require further savings to be made from other areas, which may result in further service reductions and job losses.
2	RES	Ongoing Government funding cuts which now extend to at least 2019/20 will continue to have an increasing major impact on all Council services.
3	RES	Major Interruption to IT Service Delivery
4	RES	If we were to fail to comply with Central Government's Public Services Network Code of Connection and PCI criteria for our computer applications, this would put some of our core business processes at risk, such as Revenues and Benefits, which rely on secure transfer of personal data.
5	ReaL	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.
6	T & P	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
7	T & P	Risk that the Council does not respond to the Government's changes to Welfare Reform
8	T & P	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
9	RES	Serious breach of Health and Safety Legislation
10	T & P	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation
11	RES	Due to the current economic climate and amount of change occurring across the Council, there is potential for increases in fraud and error.
12	T & P	Failure to prepare for, respond to & recover from a disruptive event, leading to a major business interruption

### **Altogether Better for Children and Young People**

<b>Ref</b>	<b>Service</b>	<b>Risk</b>
13	CYPS	Failure to protect child from death or serious harm (where service failure is a factor or issue)



### Altogether Greener

No significant strategic risks have been identified under this theme.

### Altogether Healthier

	Service	Risk
14	AHS	Additional burden as a result of recent change to the deprivation of liberty threshold
15	AHS	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
16	AHS	A service failure of Adult Safeguarding leads to death or serious harm to a service user.
17	T & P	Breach of duty under Civil Contingencies Act by failing to prepare for, respond to and recover from a major incident
18	ReaL	Damage to Highways assets as a result of a severe weather event.
19	ReaL	Serious injury or loss of life due to Safeguarding failure (Transport Service)

### Altogether Wealthier

	Service	Risk
20	ReaL	Diminishing Capital Resources, continuing depressed land values and cautious growth in the private sector will impact on the ability to deliver major projects and Town initiatives within proposed timescales.
21	ReaL	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.
22	ReaL	Future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.

## Appendix 5: Performance of Risk Management

### Performance Indicators - Tangible Measures

<b>Objective: To demonstrate that risks are being effectively managed</b>				
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	<b>Last Quarter</b>	<b>This Quarter</b>
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)	One (County Durham Plan risk)	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 Annual Governance Statement was approved by Audit Committee on 30 September 2016	The revised Local Code of Corporate Governance will proceed to Audit Committee for approval on 28 November 2016.
<b>Objective: To ensure that Officers and Members are appropriately skilled in risk management</b>				
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target &amp; (Frequency of Measurement)</b>	<b>Last Quarter</b>	<b>This Quarter</b>
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)	See above item.	See above item.
Members are adequately skilled in risk management	New Members attending risk management training course within 6 months of being elected (for co-opted members, within 6 months of being appointed)	75% (Quarterly)	No training provided in this quarter.	Risk management training provided to Audit Committee. Member briefing sessions have been scheduled for 15 November 2016.

## Intangible Measures

Objective: To demonstrate that risks are being effectively managed and adding value			
KPI	Measure of Assessment	Frequency of Measurement	Evidence
Good governance maintained	Gather information on risk management successes, and beneficial outcomes the Council achieve in managing risks	Reported quarterly	The annual corporate governance review achieved a positive outcome, as reflected in the AGS. The Council had received an award from the Municipal Journal magazine recognising our good Governance and Scrutiny arrangements.
Successfully delivered projects	As above	As above	The project to deliver major traffic improvement works at Leazes Bowl was successfully completed within target timescales, with minimal impact on commuters and local businesses.
Reputation protected	As above	As above	
Innovative decisions that were risk managed	As above	As above	The first of three contracts under the Digital Durham Programme, involving seven partner authorities, is now complete, providing access to fibre based broadband services to over 107,000 premises.
Financial return for the Council	As above	As above	The new salary sacrifice car leasing scheme was implemented.

**This page is intentionally left blank**

**Audit Committee**

**28 November 2016**

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



---

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

---

**Purpose of the Report**

1. The purpose of this report is to present the proposed report summarising the work of the Audit Committee, during the period November 2015 to November 2016, to be presented to Council at its meeting on the 07 December 2016.

**Recommendations and reasons**

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

---

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

---

---

## **Appendix 1: Implications**

---

**Finance -**

None

**Staffing -**

None

**Risk -**

None

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

None

**Accommodation -**

None

**Crime and Disorder -**

None

**Human Rights -**

None

**Consultation -**

None

**Procurement -**

None

**Disability Issues -**

None

**Legal Implications -**

None

## Appendix 2

County Council



07 December 2016

### Report of the Audit Committee for the Period November 2015 to November 2016

---

**Councillor Edward Bell, Chairman of the Audit Committee**  
**Councillor James Rowlandson, Vice Chairman of the Audit Committee**

---

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

1. To inform the Council of the work of the Audit Committee during the period November 2015 to November 2016 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 May 2016 as the two co-opted member's terms of office had expired, as a result an external advertisement for new members led to an interview process where the calibre of applicant was excellent. Two new co-opted members were appointed and the membership 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:	Mr David Beavis Mr Clive Robinson

6. The committee passed on its thanks to Ms Kathryn Larkin-Bramley and Mr Thomas Hoban for all of their work and contribution to the committee as co-opted members over the past nine years.

### **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 November 2016 to November 2016.**

8. The Committee believe they have made a significant difference to the Council's governance, control and risk framework during the period 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 November 2015 to November 2016.

---

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

---

---

## **Appendix 1: Implications**

---

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

**Staffing** - None.

**Risk** – Not a key decision

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

**Accommodation** - None

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

**Human rights** - None

**Consultation** - None

**Procurement** – None.

**Disability issues** – None.

**Legal Implications** – None.

## Summary of Meetings of the Audit Committee

### 30 November 2015

The Committee considered:

- (i) A presentation from the Head of Technical Services (Neighbourhoods) on the implications Whole of Government Accounts would have on Technical Services to produce an annual valuation of the Council's Highways Assets.
- (ii) The Council's external auditor, Mazars presented the Annual Audit letter for 2014/15 to the Committee which included the overall messages from the audit work that they had completed, the challenges and areas of focus for the future and illustrated the fees for the work they had completed.
- (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 July to September 2015. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (iv) A report from the Technical Services Manager, ICT updating the Committee of an audit that was completed by the Council's external auditor, Mazars. The report set out the areas covered, the process that was followed and the recommendations that were made. The Committee were further given the assurance that the recommendations made would be implemented.
- (v) A report of the Corporate Director, Resources informing the Committee of consultation from Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) on their revised framework for delivering good governance in local government. The report also provided for information the Council's proposed response to the consultation.
- (vi) 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 July to September 2015 and the assurance on the control environment provided.
- (vii) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing to members the Counter Fraud work completed over the period April to September 2015 in order to protect the public purse.

## **29 February 2016**

The Committee considered:

- (i) A report of the Corporate Director, Resources which informed the Committee of the expiry of the appointments of its two co-opted members following nine years of service. The Committee recorded its thanks to the outgoing members for their service and contribution and were also informed of the process for appointing two new co-opted members.
- (ii) A report of the Corporate Director, Resources which presented the Accounting Policies the Council intends to have in place to prepare the 2015/16 financial statements.
- (iii) A report of the Corporate Director, Resources which detailed the timetable for the preparation of the Council's Final Accounts process for 2015/16 including the key milestones for the completion of the financial statements.
- (iv) 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 2015/16. The changes made to 'the Code' affect the methodology and preparation of the Council's financial statements.
- (v) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2015/16 audit and updating the Committee on national issues and developments that were worthy of attention.
- (vi) 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 and Teacher's Pension Return.
- (vii) A report of the Corporate Director, Resources regarding changes to the Local Code of Corporate Governance.
- (viii) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing an update to the Council's Counter Fraud and Corruption Strategy. The Strategy had been reviewed to ensure its compliance with best practice and made the relevant links to any other updated corporate policies.

- (ix) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing an update to the Council's Anti-Money Laundering Policy. The Policy had been reviewed to ensure its compliance with the law and best practice.
  
- (x) A report of the Chief Internal Auditor and Corporate Fraud Manager presenting the emergent Internal Audit Plan for the year 2016/2017 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 May 2016.
  
- (xi) 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 2015. Members were informed of new risks, those that had been removed and the status of all current key risks.
  
- (xii) 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 2015 and the assurance on the control environment provided.

### **17 May 2016**

The Committee considered:

- (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 2015/16 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 2015/16 for the Pension Fund.
  
- (iii) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2015/16 audit and updating the Committee on national issues and developments that were worthy of attention.
  
- (iv) 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 2015. Members were informed of new risks, those that had been removed and the status of all current key risks.

- (v) A report of the Chief Internal Auditor and Corporate Fraud Manager which outlined the finalised internal audit plan for the period April 2016 to March 2017. 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.
- (vi) 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 2016 and the assurance on the control environment provided.

### **30 June 2016**

The Committee considered:

- (i) A report of the Interim Corporate Director of Resources assessing whether the Council can be considered a 'going concern' organisation and if the Council's accounts can be compiled on that basis. The assessment concluded that the County Council has a history of stable finance and ready access to financial resources in the future. It was also felt there are no significant financial, operating or other risks that would jeopardise the County Council's continuing operation and that the accounts could be prepared on this basis.
- (ii) A report of the Chief Internal Auditor and Corporate Fraud Manager which presented the Annual Internal Audit Report for 2015/2016 that provided a 'moderate' opinion on the adequacy and effectiveness of the Council's control environment for 2015/2016.
- (iii) A report of the Interim Corporate Director of Resources that sought approval of the draft Annual Governance Statement to be published as part of the Council's audited Statement of Accounts 2015/2016.
- (iv) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2015/16 audit and updating the Committee on national issues and developments that were worthy of attention.
- (v) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing to members the Counter Fraud work completed over the period October 2015 to March 2016 in order to protect the public purse.

### **29 July 2016**

The Committee considered:

- (i) A report of the Interim Corporate Director, Resources which provided details of the final outturn for both the General Fund and the Housing Revenue Account 2015/2016 including the Annual Treasury Management Review.
- (ii) A report of the Interim Corporate Director, Resources which presented the draft un-audited Statement of Accounts for the year ended 31 March 2016. The Corporate Director, Resources confirmed that the draft accounts had been certified and provided to external audit within the statutory deadline of 30 June 2016.
- (iii) A report of the External Auditor, Mazars giving the Committee an update on their progress with regards to planning for the 2015/16 audit and updating the Committee on national issues and developments that were worthy of attention.
- (iv) 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.
- (vi) A report of the Interim 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 2016. 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 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). The review was carried out by way of a peer review by Newcastle City Council as it is a requirement that the Internal Audit service is externally assessed once every five years. The review concluded that the service was compliant with the standards and raised a small number of recommendations for future improvement which were welcomed.

### **30 September 2016**

The Committee considered:

- (i) The Audit Completion Reports of the External Auditor relating to both Durham County Council's 2015/2016 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.

- (ii) A report of the Interim 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 2015/2016.
- (iii) 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.
- (iv) 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 2016. The report also provided an update on progress made by management on the implementation of recommendations required to address audit findings. The Committee also discussed the lessons learned from the Council report presented in July surrounding the outcomes of the Employment Tribunal review.

### **28 November 2016**

The Committee considered:

- (i) A presentation by the Head of ICT and Chief Internal Auditor and Corporate Fraud Manager detailing the risk of Cyber Security, what the Council is doing to protect itself and how the role of Internal Audit gives assurance to the Audit Committee.
- (ii) The Council's external auditor, Mazars presented the Annual Audit letter for 2015/16 to the Committee which included the overall messages from the audit work that they had completed, the challenges and areas of focus for the future and illustrated the fees for the work they had completed.
- (iii) A report of the External Auditor, Mazars giving the Committee an update on their progress and updating the Committee on national issues and developments that were worthy of attention.
- (iv) 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 July to September 2016. Members were informed of new risks, those that had been removed and the status of all current key risks.
- (v) A report of the Corporate Director, Resources regarding changes to the Local Code of Corporate Governance.
- (vi) 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 July to September 2016 and the assurance on the control environment provided.

- (vii) A report of the Chief Internal Auditor and Corporate Fraud Manager detailing to members the Counter Fraud work completed over the period April to September 2016 in order to protect the public purse.

**This page is intentionally left blank**

**Audit Committee**

**28 November 2016**

**Internal Audit Progress Report  
Period Ended 30 September 2016**



---

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

---

**Purpose of the Report**

1. To inform Members of the work that has been carried out by Internal Audit during the period 1 April 2016 to 30 September 2016 as part of the 2016/2017 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.
  - Update on the outcome of the lessons learned following an internal audit review of an Employment Tribunal case.
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 30 June 2016
Appendix 4	The number of high and medium priority actions raised and implemented
Appendix 5	Internal Audit Performance Indicators

## 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 2016 to 31 March 2017, was approved by the Audit Committee on 17 May 2016.

## 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 2016 and, where applicable, also gives the resultant assurance opinion. Note that the Council's Service Grouping structure has been amended. Appendix 2 aligns each audit to the new structure, with the previous alignment also shown for information.
7. A summary of the status of audits in 2016/17 is illustrated in the table below:

Service Grouping	Not Started	Planning and Preparation	In Progress	Draft Report	Final Report / Complete
Transformation and Partnerships (TaP)	5	2	2	0	7
Adult & Health Services (AHS)	4	6	6	1	21
Children and Young People's Services (CYPS) – Excluding Schools	7	8	5	0	11
Children and Young People's Services (CYPS) - Schools	17	13	7	10	12
Regeneration and Local Services (ReaL)	10	18	6	3	33
Resources (RES)	18	18	20	6	24
<b>TOTAL</b>	<b>61</b>	<b>65</b>	<b>46</b>	<b>20</b>	<b>108</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 4,748. As at 30 September, the service delivered 2,433 productive days, representing 51% of the total plan. The target at the end of the quarter was for 45% to be delivered, therefore performance is exceeding the target.

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

#### **Amendments to the Approved 2016/2017 Internal Audit Plan**

10. The following six reviews were removed from the approved Internal Audit Plan in the 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>
Transformation and Partnerships (TaP)	Data Protection – Neighbourhood Services Health Checks	Assurance	Service request to cancel review as no further value to be added.
Adult & Health Services (AHS)	E Market Place	Advice and Consultancy	Review deferred to 2017/18.
Regeneration and Local Services (ReaL)	Local Pinchpoint Fund	Grant	Cancelled as there was no funding in 2015/16.
Regeneration and Local Services (ReaL)	CRM System Implementation	Advice and Consultancy	Review deferred to 2017/18.
Regeneration and Local Services (ReaL)	Bulky goods collection service	Advice and Consultancy	Review deferred to 2017/18.
Resources (RES)	Active Directory	Assurance	Review deferred to 2017/18 to provide time for new arrangements to bed in.

11. 35 unplanned reviews were added to the Internal Audit Plan in the quarter. Of these, 22 are potential fraud or irregularity investigations.
12. The 13 other reviews, which were sourced from the service contingency provision within the Internal Audit Plan, are detailed below:

<b>Service Grouping</b>	<b>Audit</b>	<b>Audit Type</b>	<b>Reason</b>
Transformation and Partnerships (TaP)	Community Leisure Accounts	Advice and Consultancy	Review added at the request of the Head of Partnerships and Community Engagement.
Transformation and Partnerships (TaP)	Community Buildings – Health & Safety Compliance	Advice and Consultancy	Review added to participate in a working group to assist in the clarification of responsibilities in ensuring that all community buildings comply with Health and Safety requirements.
Adult & Health Services (AHS)	Holiday Calculation & Payment Arrangements	Advice and Consultancy	Review added to the plan
Children and Young People's Services (CYPS)	Children's Homes - High Etherley	Assurance	Follow Up Review of Limited Assurance
Children and Young People's Services (CYPS)	Schools - Safe Recruitment and Selection	Assurance	Request from Head of Education following concerns raised in relation to arrangements at one school
Regeneration and Local Services (Real)	Carbon Reduction Commitment	Advice and consultancy	Review to verify the accuracy and compliance with the requirements for the submission of the annual report.
Regeneration and Local Services (Real)	West Rainton and Leamside CA	Advice and consultancy	Review to evaluate the risks associated with investing in West Rainton and Leamside Community Association.
Regeneration and Local Services (Real)	Local Transport Capital Block Funding for NECA	Grant	Review added
Regeneration and Local Services (Real)	LSTF Capital Block UTMC	Grant	Review added
Regeneration and Local Services (Real)	Local Growth Fund – Durham Station Gateway Scheme	Grant	Review added
Resources (RES)	Financial Services Support for CAS	Assurance	Review added at the request of the Head of Service.
Resources (RES)	Financial Services – COP Petty Cash Account	Assurance	Review added at the request of the Head of Service
Resources (RES)	Teaching Assistants – Data Accuracy	Advice and Consultancy	Review added at the request of the Head of Service.

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

13. There are 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 2016.

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Transformation and Partnerships (TaP)	7	7	100	4.5
Adult & Health Services (AHS)	16	14	88	4.8
Children and Young People's Services (CYPS)	4	3	75	4.4
Schools	11	6	55	4.9
Regeneration and Local Services (ReaL)	26	23	88	4.3
Resources (RES)	24	23	96	4.4
<b>TOTAL</b>	<b>88</b>	<b>76</b>	<b>86</b>	<b>4.5</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 2016, 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
Transformation and Partnerships (TaP)	13	13	0	0	0
Adult & Health Services (AHS)	139	137	2	2	0
Children and Young People's Services (CYPS) – Excluding Schools	74	66	8	8	0
Regeneration and Local Services (ReaL)	357	*325	32	32	0
Resources (RES)	292	271	21	21	0
<b>TOTAL</b>	<b>875</b>	<b>812</b>	<b>63</b>	<b>63</b>	<b>0</b>

\* Note: Includes one high priority action, which is to be followed up to confirm implementation.

17. It is encouraging to note that, of the 875 actions due to be implemented, 812 (93%) 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 have been four audits finalised in this quarter that have been issued with a 'limited assurance' opinion. These are:

Service Grouping	Service Area	Audit
Adult and Health Services	Commissioning	Creditor Supplier Masterfile
Children & Young People's Services	Children's Services	Children's Home
Regeneration and Local Services	Planning and Assets	Asset Management
Resources	Corporate Finance and HR	Agency

20. Further details of the findings from these audits are included within Appendix 7.

### Employment Tribunal Outcome Review

21. At Committee's last meeting members requested an update following a meeting that was to take place between the former teacher, Legal Services, Education and Internal Audit to discuss the lessons learned following the review. The former teacher cancelled the planned meeting and a number of subsequent dates have since been offered. At the time of writing there has been no acceptance of any of these dates.

### Performance Indicators

22. A summary of our actual performance, at the end of September 2016, compared with our agreed targets is illustrated in Appendix 5.

### Recommendations

23. Members are asked to note:
  - The amendments made to the 2016/2017 Annual Audit Plan.
  - Work undertaken by Internal Audit during the period ending 30 September 2016 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.



---

**Appendix 1: Implications**

---

**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

**This page is intentionally left blank**

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2016

SERVICE GROUPING	FORMER SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
<b>2015 / 2016 Internal Audit Plan - Audits Brought Forward</b>						
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Planning and Performance	Data Quality Framework	Assurance	Final	Moderate
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Planning and Performance	DP - Data Breach arrangements	Assurance	Preparation	
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Planning and Performance	Freedom of Information	Assurance	Final	Moderate
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Partnerships and Community Engagement	AAPs: Performance Management Framework	Assurance	Final	Substantial
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Partnership Governance Framework	Key System	Final	Moderate
Adult & Health Services	Children and Adult Services (CAS)	Adult Services	Section 117 Process	Advice & Consultancy	In Progress	
Adult & Health Services	Children and Adult Services (CAS)	Adult Services	Extra Care Housing - Prepaid Card Roll Out	Advice & Consultancy	Final	N/A
Adult & Health Services	Children and Adult Services (CAS)	Adult Services	Reablement Car Mileages	Advice & Consultancy	Final	N/A
Adult & Health Services	Neighbourhood Services (NS)	EHCP	Inspection of Licensing - Body Art Licences	Assurance	Final	Substantial
Adult & Health Services	Neighbourhood Services (NS)	EHCP	Licensing Enforcement - Safeguarding Complaints	Assurance	Final	Substantial
Adult & Health Services	Neighbourhood Services (NS)	EHCP	Accumulations	Assurance	Final	N/A
Adult & Health Services	Neighbourhood Services (NS)	EHCP	Works in Default	Assurance	Final	Substantial
Adult & Health Services	Neighbourhood Services (NS)	EHCP	Consumer Services - Weights and Measures Approved Body Status	Assurance	Cancelled	N/A
Adult & Health Services	Children and Adult Services (CAS)	Planning & Service Strategy	E Market Place	Advice & Consultancy	Defer to 2017/18	N/A
Adult & Health Services	Children and Adult Services (CAS)	Planning & Service Strategy	SSID System Review	Assurance	Final	Substantial
Adult & Health Services	Children and Adult Services (CAS)	Planning & Service Strategy	POPPIE Systems Review	Assurance	Final	Substantial
Adult & Health Services	Children and Adult Services (CAS)	Planning & Service Strategy	County Durham Well Being for Life Service - DCRS	Assurance	Final	Moderate
Adult & Health Services	Children and Adult Services (CAS)	Public Health	Drug and Alcohol Treatment Services - Contract Management Arrangements	Assurance	Final	Moderate
Adult & Health Services	Children and Adult Services (CAS)	Public Health	Review of Lifeline Contract	Assurance	Final	Moderate
Adult & Health Services	Children and Adult Services (CAS)	Public Health	Delivery of 0-19 Services - Due Diligence	Advice & Consultancy	In Progress	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Children's Services	Foster Carer Payments	Assurance	Preparation	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Children's Services	Children's Homes - High Etherley	Assurance	Final	Limited
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Children's Services	Children's Homes - Framwellgate Moor	Assurance	Final	Moderate
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Children's Services	Children Safeguarding Governance Arrangements	Assurance	Preparation	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Children's Services	Supervised Spend - Leaving Care	Assurance	Final	Limited
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Planning & Service Strategy	SSID System Review	Assurance	Final	Substantial
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Transport and Contract Services	Telecare Services & Care Connect	Assurance	Final	Substantial
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Transport and Contract Services	Supported Housing - CCTV	Assurance	Final	Substantial
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Transport and Contract Services	Transport - Contractual arrangements	Assurance	Final	Limited
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Economic Development and Housing	Gypsy Roma Traveller Sites	Assurance	Draft	
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Economic Development and Housing	Business Durham	Assurance	Final	Moderate
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Economic Development and Housing	Financial Assistance Programme	Assurance	Final	Moderate
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Economic Development and Housing	Durham Employment and Skills	Assurance	Final	Substantial
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Economic Development and Housing	International Relations	Assurance	Final	Moderate
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Economic Development and Housing	Durham Villages Regeneration Company	Advice & Consultancy	Final	N/A
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Contract Audit - Direct Services	Assurance	Final	Moderate
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Effectiveness of MAIS and CSE Arrangements	Assurance	Preparation	
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Fly Tipping	Assurance	Preparation	
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Fleet Management - Development of Fleet Management System	Advice & Consultancy	In Progress	
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Projects and Business Services	Compensation Payments	Advice & Consultancy	Final	N/A
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Projects and Business Services	Environmental Compliance	Advice & Consultancy	Final	N/A
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Technical Services	Compliance with Construction, Design and Maintenance Procedures	Assurance	Final	Substantial
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Technical Services	Stores Management - Disposal of Waste Materials	Assurance	Final	Substantial
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Technical Services	Capital Project Review	Assurance	Final	Moderate
Resources		Legal and Democratic Services	Land Charges	Assurance	Final	Moderate
Resources		Corporate Finance and HR	Procurement - Off Contract Spend	Assurance	Final	Moderate
Resources		Corporate Finance and HR	Procurement - CPRs	Assurance	Final	Substantial
Resources		Corporate Finance and HR	Procurement cards	Assurance	Draft	
Resources		Corporate Finance and HR	Journals	Key System	Final	Substantial
Resources		Corporate Finance and HR	Recruitment and Selection	Assurance	Final	Substantial
Resources		Corporate Finance and HR	Appraisals	Assurance	Final	Moderate
Resources		Corporate Finance and HR	Violent Persons Register	Assurance	TOR	
Resources		Corporate Finance and HR / CAS	Employee tribunal arrangements	Advice & Consultancy	Final	N/A
Resources		Financial and HR Services	Council Tax	Key System	Final	Substantial
Resources		Financial and HR Services	Business Rates	Key System	Final	Substantial
Resources		Financial and HR Services	Housing Benefits	Key System	Final	Moderate
Resources		Financial and HR Services	Creditors	Key System	Final	Moderate
Resources		Financial and HR Services	Creditors - Invoices with no PO	Key System	Final	Moderate
Resources		Financial and HR Services	Creditors - Masterfile	Key System	Final	Moderate

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2016

SERVICE GROUPING	FORMER SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources		Financial and HR Services	Cash Collection	Key System	Draft	
Resources		Financial and HR Services	Debtors	Key System	Draft	
Resources		Financial and HR Services	Payroll	Key System	In Progress	
Resources		Financial and HR Services	Budgetary Control	Key System	Final	Substantial
Resources		Financial and HR Services	Better Care Fund	Assurance	Final	Substantial
Resources		Information and Communication Technology	ICT Service Level Agreements	Assurance	TOR	
Resources		Information and Communication Technology	ISP - Security Incident Management	Assurance	In Progress	
Resources		Information and Communication Technology	ISP - PSN Readiness	Assurance	TOR	
Resources		Information and Communication Technology	ISP - Systems Development & Maintenance	Assurance	Draft	
Resources		Information and Communication Technology	Active Directory	Advice & Consultancy	Defer to 2017/18	
Resources		Information and Communication Technology	Design and Print Service	Assurance	Final	Moderate
Resources		Internal Audit, Risk and Fraud	Counter Fraud arrangements	Key System	In Progress	
<b>2016 / 2017 Internal Audit Plan</b>						
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Policy and Communications	Business Continuity	Key System	Not Started	
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Planning and Performance	Data Quality	Assurance	Not Started	
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Planning and Performance	Equality Impact Assessment process for MTFP	Assurance	Final	Substantial
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Planning and Performance	Data Protection - Accessing External Databases	Assurance	Not Started	
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Planning and Performance	Data Protection - Neighbourhood Services Healthchecks	Assurance	Cancelled	
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Planning and Performance	County Records Office	Assurance	Final	Substantial
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Planning and Performance	Information Governance Group	Advice & Consultancy	In Progress	
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Community Grants	Assurance	TOR	
Transformation and Partnerships (TaP)	Regeneration and Economic Development	Strategy, Programmes and Performance	EU Structural Funds Programme	Assurance	Not Started	
Transformation and Partnerships (TaP)	Regeneration and Economic Development	Strategy, Programmes and Performance	Project Management arrangements	Advice & Consultancy	Not Started	
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Community Leisure Accounts	Advice & Consultancy	Complete	N/A
Transformation and Partnerships (TaP)	Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Community Buildings - Health and Safety Compliance	Advice & Consultancy	In Progress	
Adult & Health Services	Children and Adult Services (CAS)	Adult Services	Direct Payment Cards	Advice & Consultancy	In Progress	
Adult & Health Services	Children and Adult Services (CAS)	Adult Services	Continuing Health Care	Assurance	Preparation	
Adult & Health Services	Children and Adult Services (CAS)	Adult Services	Shared Lives - Review of effectiveness of service	Assurance	In Progress	
Adult & Health Services	Children and Adult Services (CAS)	Adult Services	Adaptations Service	Assurance	Not Started	
Adult & Health Services	Children and Adult Services (CAS)	Adult Services	Implementation of the Care Act	Advice & Consultancy	Not Started	
Adult & Health Services	Children and Adult Services (CAS)	Adult Services	Pathways - Establishment Audit	Assurance	Preparation	
Adult & Health Services	Children and Adult Services (CAS)	Adult Services	Pathways - Establishment Closure Audit - Consett	Assurance	Final	Substantial
Adult & Health Services	Children and Adult Services (CAS)	Adult Services	Pathways - Establishment Closure Audit - Chester Le Street	Assurance	Final	Substantial
Adult & Health Services	Children and Adult Services (CAS)	Adult Services	Pathways - Establishment Closure Audit - Bishop Auckland	Assurance	Final	Substantial
Adult & Health Services	Children and Adult Services (CAS)	Adult Services	Reablement Services - Review of effectiveness of service	Assurance	Draft	
Adult & Health Services	Children and Adult Services (CAS)	Commissioning	Transport Group - Outcomes of People 2 review	Advice & Consultancy	In Progress	
Adult & Health Services	Children and Adult Services (CAS)	Commissioning	Procurement - Arrangements for contract management and monitoring	Advice & Consultancy	In Progress	
Adult & Health Services	Children and Adult Services (CAS)	Commissioning/Resources	Creditors Supplier Masterfile	Assurance	Final	Limited
Adult & Health Services	Neighbourhood Services (NS)	EHCP	Control of Infectious Diseases (Third Party Assurance)	Assurance	Not Started	
Adult & Health Services	Neighbourhood Services (NS)	EHCP	Pollution Control - Planning Consultation Arrangements	Assurance	Preparation	
Adult & Health Services	Neighbourhood Services (NS)	EHCP	Contaminated Land	Assurance	Preparation	
Adult & Health Services	Neighbourhood Services (NS)	EHCP	Trading Standards Grant	Grant Claim	Final	N/A
Adult & Health Services	Children and Adult Services (CAS)	Planning & Service Strategy	Information Security - Caldicott compliance (attendance at Caldicott Group meetings)	Advice & Consultancy	Preparation	
Adult & Health Services	Children and Adult Services (CAS)	Planning & Service Strategy	Petty Cash Arrangements - Locality Offices	Advice & Consultancy	Preparation	
Adult & Health Services	Children and Adult Services (CAS)	Public Health	DCRS - Data Quality	Advice & Consultancy	Final	N/A
Adult & Health Services	Children and Adult Services (CAS)	Public Health	Stop Smoking Service (Nicotine Replacement Vouchers) Revisit	Advice & Consultancy	Final	N/A
Adult & Health Services	Children and Adult Services (CAS)	Public Health	Stop Smoking Service (Nicotine Replacement Vouchers) Revisit following Advice	Assurance	Not Started	
Adult & Health Services	Children and Adult Services (CAS)	Public Health	Alcohol Brief Interventions Service (PharmOutcomes)	Advice & Consultancy	Final	N/A
Adult & Health Services	Children and Adult Services (CAS)	Public Health	Supervised Consumption (Pharmoutcomes)	Advice & Consultancy	Final	N/A
Adult & Health Services	Neighbourhood Services (NS)	EHCP	Taxi Licensing - Driver Licence Verification	Advice & Consultancy	Final	N/A
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Children's Services	Troubled Families Programme - Milestone 1 of 4	Advice & Consultancy	Complete	N/A
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Children's Services	Troubled Families Programme - Milestone 2 of 4	Advice & Consultancy	Complete	N/A
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Children's Services	Troubled Families Programme - Milestone 3 of 4	Advice & Consultancy	Preparation	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Children's Services	Troubled Families Programme - Milestone 4 of 4	Advice & Consultancy	Preparation	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Children's Services	Children's Homes - Establishment Audit	Assurance	Not Started	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Children's Services	Supervised Spend - Leaving Care Service: Follow Up	Assurance	Not Started	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Children's Services	One Point Hubs - Establishment Audit	Advice & Consultancy	Preparation	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Children's Services	Aycliffe Locality Office, Residential and Secure Services - Follow Up	Assurance	Not Started	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	School Programme provided through SLA	Assurance	Various	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	Direct Salaried Grants	Advice & Consultancy	Not Started	

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2016

SERVICE GROUPING	FORMER SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	Collaborative Fund Grant	Advice & Consultancy	Not Started	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	Youth Employment Initiative - ESF Interim Claim Process	Advice & Consultancy	Final	N/A
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	Youth Employment Initiative - Training Provided to YEI Staff	Advice & Consultancy	Complete	N/A
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	Youth Employment Initiative - Grant Claim Stage 2 Review	Advice & Consultancy	Preparation	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	Youth Employment Initiative - Detailed instructions for claim procedure - DurhamWorks	Advice & Consultancy	In Progress	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	Schools Financial Value Standard (SFVS)	Advice & Consultancy	In Progress	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	Schools - Safe Recruitment and Selection	Assurance	Preparation	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	The Woodlands Pupil Referral Unit - (Finance and Governance)	Assurance	Not Started	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	Careers Service	Assurance	Cancelled	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	Education & Business Learning Organisation	Assurance	Cancelled	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	Governor Training: • Internal Audit Role in Supporting Schools • Schools Financial Value Standard – The Governors Role	Advice & Consultancy	Complete	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	School Business Manager Training	Advice & Consultancy	Complete	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	Head Teacher Group Attendance	Advice & Consultancy	Complete	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education	Schools User Provider Group	Advice & Consultancy	In Progress	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Planning & Service Strategy	Information Security - Caldicott compliance - Data Sharing Procedures - Foster Carers	Assurance	Preparation	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Planning & Service Strategy	Information Security - Caldicott compliance (attendance at Caldicott Group meetings)	Advice & Consultancy	In Progress	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Children's Services	Children's Homes - High Etherley Follow Up	Assurance	Not Started	
Children and Young People's (CYPS)	Children and Adult Services (CAS)	Education - Schools	Schools - Safe Recruitment and Selection	Assurance	In Progress	
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Planning and Assets	Utility Bills	Assurance	In Progress	
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Planning and Assets	Section 106 arrangements	Assurance	In Progress	
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Planning and Assets	Building Control - Systems Review	Assurance	Final	Moderate
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Planning and Assets	Asset Management	Assurance	Final	Limited
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Planning and Assets	Land Sales - Quality and Price	Advice & Consultancy	TOR	
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Planning and Assets	Low Carbo	Grant	Preparation	
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Planning and Assets	Rebus	Grant	Preparation	
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Transport and Contract Services	Public Right of Way	Assurance	Not Started	
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Transport and Contract Services	On Street and Off Street Parking	Assurance	Draft	
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Transport and Contract Services	Concessionary Fares	Assurance	Not Started	
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Transport and Contract Services	Transport Contractual Arrangements (follow up)	Assurance	TOR	
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Transport and Contract Services	Local Transport Capital Block Funding	Grant	Final	N/A
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Transport and Contract Services	Local Pinch Point Fund	Grant	Cancelled	
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	Grant	Final	N/A
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Economic Development and Housing	Seaham Marina Grant (Capital)	Grant	Not Started	
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Economic Development and Housing	Accommodation Project	Advice & Consultancy	Not Started	
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Economic Development and Housing	Disabled Facilities Grant	Grant	Final	N/A
Regeneration and Local Services (ReaL)	Regeneration and Economic Development	Economic Development and Housing	Netpark Phase 3	Grant	Not Started	
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Bulky Goods Collections Service	Advice & Consultancy	Defer to 2017/18	
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Bereavement Services - Public Health Funeral Arrangements	Assurance	Final	Substantial
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Allotment Management - Follow Up	Assurance	Preparation	
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Durham Crematorium	Assurance (Joint Ctte)	Preparation	
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Mounsett Crematorium	Assurance (Joint Ctte)	Preparation	
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Woodland Burial Trust – Follow Up	Advice & Consultancy	Final	N/A
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Fuel Stocks & Stores	Assurance	Preparation	
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Building Services, Repairs & Maintenance works billing processes	Assurance	In Progress	
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	QMS (Quarterly Visit)	Advice & Consultancy	Final	N/A
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Facilities Management	Assurance	Preparation	
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Electrical Components - Procurement Card Expenditure (Follow Up)	Assurance	Final	Substantial
Regeneration and Local Services (ReaL)	Neighbourhood Services (NS)	Direct Services	Play Areas - Inspection Mechanisms and Charges to Parish & Town Councils	Assurance	Preparation	

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2016

SERVICE GROUPING	FORMER SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Projects and Business Services	Garden Waste Collection	Assurance	Final	Substantial
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Projects and Business Services	Environmental Compliance	Advice & Consultancy	Not Started	
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Projects and Business Services	CRM System Implementation	Advice & Consultancy	Defer to 2017/18	
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Projects and Business Services	Customer Services Complaints	Assurance	In Progress	
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Sport and Leisure Services	Leisure Centre - Core Financial Systems (Teesdale)	Assurance	TOR	
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Sport and Leisure Services	Leisure Works Governance Arrangements (Consett Leisure Centre)	Assurance	Not Started	
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Sport and Leisure Services	1Life Governance arrangements (Peterlee and Seaham Leisure Centres)	Assurance	Not Started	
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Sport and Leisure Services	Review of Leisure Centre Timesheet authorisation procedures (10 DCC centres)	Assurance	TOR	
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Sport and Leisure Services	Sildon Leisure Centre - Follow Up	Assurance	TOR	
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Sport and Leisure Services	CLUK Income Share Agreement	Assurance	Draft	
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Sport and Leisure Services	County Durham Sport - Trust Arrangements	Advice & Consultancy	Final	N/A
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Sport and Leisure Services	Stanley Bowls	Advice & Consultancy	Preparation	
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Sport and Leisure Services	Integrated Leisure Management System	Assurance	Preparation	
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Sport and Leisure Services	DLI Museum	Assurance	Final	Substantial
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Sport and Leisure Services	Gala Stage School	Assurance	Preparation	
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Sport and Leisure Services	Picture House & Gala ticketing system arrangements	Advice & Consultancy	Not Started	
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Sport and Leisure Services	Locomotion - Follow Up	Assurance	In Progress	
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Technical Services	Civil Engineering Framework Sub £50K - Follow Up	Assurance	Final	Substantial
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Technical Services	Stores (Buildings & Highways)	Assurance	Final	Substantial
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Technical Services	Local Highways Maintenance Fund - Incentive Element	Grant	Not Started	
Regeneration and Local Services (Real)	Regeneration and Economic Development	Planning and Assets	Carbon Reduction Commitment	Advice & Consultancy	Final	N/A
Regeneration and Local Services (Real)	Regeneration and Economic Development	Economic Development and Housing	West Rainton and Leamside CA	Advice & Consultancy	Final	N/A
Regeneration and Local Services (Real)	Neighbourhood Services (NS)	Technical Services	Local Transport Capital Block Funding for NECA	Grant	Final	N/A
Regeneration and Local Services (Real)	Regeneration and Economic Development	Transport and Contract Services	LSTF Capital Block UTMC	Grant	Final	N/A
Regeneration and Local Services (Real)	Regeneration and Economic Development	Transport and Contract Services	Local Growth Fund - Durham Station Gateway Scheme	Grant	Final	N/A
Resources		Legal and Democratic Services	RIPA Officers Group	Advice & Consultancy	In Progress	
Resources		Legal and Democratic Services	Newco Trading Arrangements - Follow Up	Assurance	Not Started	
Resources		Corporate Finance and HR	Medium Term Financial Plan	Key System	Not Started	
Resources		Corporate Finance and HR	Capital Accounting	Key System	Not Started	
Resources		Corporate Finance and HR	General Ledger	Key System	Not Started	
Resources		Corporate Finance and HR	Bank Reconciliation	Key System	Not Started	
Resources		Corporate Finance and HR	Short Term Investments	Key System	Not Started	
Resources		Corporate Finance and HR	Banking Arrangements	Assurance	Not Started	
Resources		Corporate Finance and HR	Tendering/Quotation arrangements	Assurance	In Progress	
Resources		Corporate Finance and HR	Contract Management	Assurance	Final	Moderate
Resources		Corporate Finance and HR	Off Contract Spend	Assurance	Not Started	
Resources		Corporate Finance and HR	Procurement - Schools Commercial Focus	Advice & Consultancy	Not Started	
Resources		Corporate Finance and HR	Oracle Programme Board	Advice & Consultancy	In Progress	
Resources		Corporate Finance and HR	Oracle Project - Transactional Purchasing Improvement Group	Advice & Consultancy	In Progress	
Resources		Corporate Finance and HR	Oracle Project - Petty Cash and Payment Cards	Advice & Consultancy	In Progress	
Resources		Corporate Finance and HR	Service Reviews	Advice & Consultancy	Not Started	
Resources		Corporate Finance and HR	Attendance Management Framework	Assurance	In Progress	
Resources		Corporate Finance and HR	Flexible Working Pilot arrangements	Advice & Consultancy	Not Started	
Resources		Corporate Finance and HR	Learning & Development	Advice & Consultancy	Not Started	
Resources		Corporate Finance and HR	Health & Safety training requirements	Assurance	Draft	
Resources		Corporate Finance and HR	Employee Car Leasing Scheme	Advice & Consultancy	Complete	N/A
Resources		Corporate Finance and HR	SLAs with schools working group	Advice & Consultancy	In Progress	
Resources		Financial and HR Services	Flexible Working - Variations to Contracts	Assurance	Defer to 2017/18	
Resources		Financial and HR Services	Agency	Assurance	Final	Limited
Resources		Financial and HR Services	Learning Disability Shared Lives Service - Financial Inspections	Assurance	In Progress	
Resources		Financial and HR Services	Creditors	Key System	TOR	
Resources		Financial and HR Services	Creditors - Feeder Systems	Key System	In Progress	
Resources		Financial and HR Services	P2P Performance Improvement Project	Advice & Consultancy	In Progress	
Resources		Financial and HR Services	Payroll	Key System	TOR	
Resources		Financial and HR Services	Payroll - General Ledger Uploads	Key System	TOR	
Resources		Financial and HR Services	Business Rates	Key System	Preparation	
Resources		Financial and HR Services	HB, CTR, DHP and Welfare Assistance	Key System	Preparation	
Resources		Financial and HR Services	HB Sundry Debtor Overpayments	Key System	Not Started	
Resources		Financial and HR Services	Enforcement, including bailiff arrangements	Assurance	Not Started	
Resources		Financial and HR Services	Council Tax	Key System	Preparation	
Resources		Financial and HR Services	Council Tax - Reconciliations	Key System	Not Started	

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2016

SERVICE GROUPING	FORMER SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources		Financial and HR Services	Cash Collection	Key System	Preparation	
Resources		Financial and HR Services	Cash Collection - Wharton Park and Weighbridges	Key System	In Progress	
Resources		Financial and HR Services	Debtors	Key System	Preparation	
Resources		Financial and HR Services	Debtors Working Group	Advice & Consultancy	In Progress	
Resources		Financial and HR Services	Chapter Homes arrangements	Advice & Consultancy	Not Started	
Resources		Financial and HR Services	Caspar system	Advice & Consultancy	Final	N/A
Resources		Financial and HR Services	ResourceLink Migration Group	Advice & Consultancy	In Progress	
Resources		Financial and HR Services	Section 256 agreements	Grant certification	In Progress	
Resources		Financial and HR Services	Better Care Fund (Section 75)	Grant certification	Not Started	
Resources		Information and Communication Technology	Information Security - Backup Procedures	Assurance	Preparation	
Resources		Information and Communication Technology	Information Security - Information Sharing	Assurance	Preparation	
Resources		Information and Communication Technology	Mobile Computing	Assurance	In Progress	
Resources		Information and Communication Technology	SQL Server	Assurance	Preparation	
Resources		Information and Communication Technology	ICT Purchasing	Assurance	TOR	
Resources		Information and Communication Technology	ICT Strategy	Assurance	Final	Substantial
Resources		Information and Communication Technology	Windows	Assurance	In Progress	
Resources		Information and Communication Technology	Asset Register	Assurance	In Progress	
Resources		Corporate Finance and HR	Teachers Pension Fund	Advice & Consultancy	TOR	
Resources		Financial and HR Services	Teaching Assistants	Advice & Consultancy	Final	N/A
Resources		Financial and HR Services	Prepaid cards	Advice & Consultancy	Not Started	
Resources		Financial and HR Services	Equal Pay Claims	Advice & Consultancy	Final	N/A
Resources		Internal Audit, Risk & Fraud	Insurance - Employers Liability Process	Advice & Consultancy	TOR	
Resources		Financial and HR Services	Financial Services Support for CAS	Assurance	TOR	
Resources		Financial and HR Services	Financial Services Support for CAS - COP Petty Cash Account	Assurance	Draft	
Resources		Financial and HR Services	Teaching Assistants (2)	Advice & Consultancy	Final	N/A

This page is intentionally left blank



**FINAL REPORTS ISSUED IN PERIOD ENDING 30 SEPTEMBER 2016**

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
------------	---	---------------

<b>TRANSFORMATION and PARTNERSHIPS (TaP)</b>		
Area Action Partnerships – Performance Management Framework	Assurance review of the arrangements in place to mitigate against the risk of performance management arrangements for the monitoring of AAP projects not being carried out on a consistent basis.	Substantial
Durham County Record Office	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>• Records/archives are damaged or destroyed</li> <li>• Records/archives are lost or stolen</li> <li>• Insufficient/inadequate space available to securely hold records/archives</li> <li>• Records/archive disposals made in error and items removed from storage are not returned</li> <li>• Records/archives are not accessible to the public (where applicable)</li> <li>• Income targets are not achieved or income received is not correctly collected, recorded, receipted or banked</li> </ul>	Substantial
Equality Impact Assessment Process for MTFP	Assurance review of the arrangements in place to mitigate against the risk of a breach of legislation, e.g. Equality Act 2010, employment, equal pay, from failure to consider implications of decisions on those with protected characteristics.	Substantial
Data Quality Framework	Assurance review of the arrangements in place to mitigate against the risk of failure to report accurate and relevant performance indicators. <p>The following PIs were included within the scope of the review;</p> <ul style="list-style-type: none"> <li>• REDPI32a - Percentage of tourism businesses actively engaged with Visit County Durham</li> <li>• REDPI90 - Percentage change in the number of visitors to the core attractions in County Durham compared to the previous year</li> <li>• REDPI91 - Number of unique visitors to the thisisdurham website</li> <li>• REDPI41b - Percentage of major planning applications determined within 13 weeks</li> <li>• REDPI75a - Overall proportion of planning applications determined within deadline</li> </ul>	Moderate

<b>ADULT AND HEALTH SERVICES (AHS)</b>		
Creditors Supplier Masterfile	An Assurance review that considered the following risks: <ul style="list-style-type: none"> <li>• Payments are made to incorrect /out of date suppliers</li> <li>• Unauthorised or inappropriate procurement of goods/services and payments made.</li> </ul>	Limited
Taxi Licensing – Driver Licence Verification	An Advice and Consultancy review to consider the following risk <ul style="list-style-type: none"> <li>• potential breaches of the Data Protection protocol during the taxi drivers' driving licence verification procedures</li> </ul>	N/A

<b>ADULT AND HEALTH SERVICES (AHS) contd.</b>		
Introduction of PharmOutcomes for receiving and processing Public Health Claims	An Advice and Consultancy review that considered the submission and processing arrangements for NRT Voucher, Supervised Consumption and Alcohol Brief Intervention (ABI) claims submitted by Pharmacies within the PharmOutcomes claims system.	N/A
Reablement Services Mileages	An Advice and Consultancy review that considered the arrangements in place within Reablement Services for the submission and authorisation of mileage claimed.	N/A
DCRS Data Analysis	An Advice and Consultancy review that provided analysis of data held within the DCRS system	N/A

<b>CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)</b>		
Two Children's Homes	Assurance reviews that considered the following risks: <ul style="list-style-type: none"> <li>• Income is promptly collected, recorded, controlled and banked.</li> <li>• Expenditure is appropriately authorised in line with budgetary requirements</li> <li>• Young People allowances are paid in line with the approved rates and transactions are properly recorded</li> <li>• Young People monies are properly recorded and controlled</li> <li>• Assets are properly accounted for and securely held</li> <li>• Employee DBS checks are up to date.</li> <li>• Budgetary Control arrangements are effective</li> </ul>	One Limited and One Moderate
Troubled Families Programme – Milestones 1&2 of 4	Advice and support provided during the claim submission window and certification of two claims covering the period 01 April 2016 to 30 September 2016.	N/A
Youth Employment Initiative - YEI	Advice and & Consultancy support provided in the development of internal controls associated with operating the Youth Employment Initiative (YEI) County Durham including a review of the ESF Interim Claim Process – Guidance for Grant Recipients – Version 1, and Audit training to DurhamWorks employees.	N/A

<b>REGENERATION AND LOCAL SERVICES (Real)</b>		
Electrical Components Procurement Cards (Part 1 - Follow Up)	Follow up assurance review into the purchase of electrical components from a specific supplier.	Substantial
Stores Management – Disposal of Waste Materials	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>Waste metal is not safely, or securely held, transported, and disposed</li> <li>Full value of waste metal materials is not realised</li> </ul>	Substantial
Stores – Buildings and Highways	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>Misappropriation or loss of stock</li> <li>Stock holding is excessive or does not meet operational needs</li> <li>Obsolete/spoiled stock</li> <li>Cost of providing stores exceeds the benefits</li> <li>Unsafe practices within the stores</li> <li>Stock valuation is inaccurate</li> <li>Recharges/Invoices are not raised in a timely manner</li> </ul>	Substantial
Garden Waste Collection	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>Income collection methods are inefficient</li> <li>Income is not recorded or coded correctly</li> <li>Annual subscriptions are not collected or requested</li> <li>Subscribers have not been added to the database</li> <li>Changes of circumstances such as cancellations or house moves have not been actioned</li> <li>Non-renewals have not been removed from the database</li> <li>Data is lost or corrupted</li> <li>Requests from ineligible properties are accepted</li> <li>Data Protection breaches</li> <li>Bin stickers are lost, stolen, put on non-subscribing bins</li> <li>Cost of administration exceeds income</li> <li>Insufficient subscribers have joined the scheme</li> </ul>	Substantial
Compliance with Construction, Design and Maintenance	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>Construction projects are awarded to inappropriate contractors</li> <li>Client is unaware of responsibilities and/or does not carry out their responsibilities effectively</li> </ul>	Substantial
Public Health Funeral Arrangements	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>Authority is unable to fulfil its statutory duty</li> <li>Public Health Funerals are carried out where assets are available or next of kin have assets to pay</li> <li>Value for money is not achieved in purchase of funeral services</li> <li>Authority is unable to provide statutory information on Public Health Funerals</li> </ul>	Substantial

<b>REGENERATION AND LOCAL SERVICES (ReaL) contd.</b>		
DLI Museum	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Collection items are lost due to insufficient and incomplete inventory information</li> <li>• Collections items are lost or damaged due to inappropriate transport arrangements</li> <li>• Collection items are lost, damaged or deteriorate due to inadequate storage arrangements</li> <li>• Inadequate management of re-located collections</li> </ul>	Substantial
Telecare Services and Care Connect	<p>Assurance review of the arrangements in place to mitigate against the risk of the service not collecting all of the funding /income that it is entitled to.</p>	Substantial
International Relations	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Post employability and pre-employability programmes are not delivered</li> <li>• Participants do not receive maximum benefit or impact from activities and programmes</li> <li>• Available funding is not accessed or not paid over to the Council</li> <li>• Local organisations do not access additional funding</li> <li>• There is not an effective and efficient contribution to corporate objectives</li> </ul>	Moderate
Building Control	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• The service does not deliver benefits to the customer or is inconsistent, inefficient and ineffective</li> <li>• Fee income is not received, or not accounted for correctly or not monitored</li> <li>• Non-compliance with statutory regulations</li> </ul>	Moderate
Business Durham	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Not achieving or being seen to achieve: <ul style="list-style-type: none"> <li>○ value for money,</li> <li>○ transparency,</li> <li>○ fairness, or</li> <li>○ compliance with legislation</li> </ul> </li> <li>• Unauthorised orders are made</li> <li>• Unauthorised expenditure made through procurement cards</li> <li>• Income is not accounted for, misappropriated or not collected</li> <li>• Overspent budget or income not generated</li> <li>• Theft or loss of data; data is disposed of prior to its operational use ceasing; data disposal allows collection of data by unauthorised persons or data is retained beyond its usefulness</li> <li>• Poor decision making due to lack of or poorly structured performance reporting</li> </ul>	Moderate

<b>REGENERATION AND LOCAL SERVICES (ReaL) contd.</b>		
Asset Management	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• The Council cannot clearly identify and establish its asset portfolio</li> <li>• The Council does not know what assets it needs to deliver effective and efficient services</li> <li>• The Council does not know how its assets are performing</li> <li>• Disposals are not made efficiently, incurring avoidable costs or do not achieve optimum value or are not seen as transparent and fair</li> <li>• Targeted receipts and income are not achieved</li> <li>• Property valuations are not completed or not completed in a timely manner</li> </ul>	Limited
Electrical Components Procurement Cards (Part 2)	Second part of an investigation into the purchase of electrical components from a specific supplier.	N/A
Bridge Abutment	Investigation into whether procedures had been followed regarding the partial removal of an abutment from an Accommodation Bridge.	N/A
Carbon Reduction Commitment	Advice and consultancy review to verify the accuracy and compliance with the requirements for the submission of the annual report.	N/A
Compensation Payments	<p>Advice and consultancy review to;</p> <ul style="list-style-type: none"> <li>• identify the numbers and value of compensation payments and payments-in-kind that have been awarded by services across the authority as a result of corporate complaints</li> <li>• to identify the controls in place within the services for the processing of compensation payments and to ascertain whether these controls are adequate, are being applied consistently, and adhere to best practice and legal requirements</li> </ul>	N/A
Woodland Burial Trust – Follow Up	Follow up review of the burial records maintained by the Woodland Burial Trust.	N/A
West Rainton and Leamside CA	Advice and consultancy review to evaluate the risks associated with investing in the West Rainton and Leamside Community Association and other possible subsequent applications within the foreseeable future.	N/A
Environmental Compliance	Advice and consultancy review to determine whether there were any gaps in the authority's environmental compliance with regards to its activities and facilities.	N/A
Quality Management System	Advice and consultancy review of the Quality Management System and Procedures prior to external inspections.	N/A
Durham Station Gateway Scheme	Grant certification	N/A
LSTF Capital Block UTMC	Grant certification	N/A
Local Transport Capital Block Funding	Grant certification	N/A
Local Transport Capital Block Funding for NECA	Grant certification	N/A
Bus Subsidy Grant	Grant certification	N/A
Disabled Facilities Grant	Grant certification	N/A

<b>RESOURCES</b>		
Contract Procedure Rules	Assurance review of the arrangements in place to mitigate against the risk of not achieving or being seen to achieve value for money, transparency, fairness, or compliance with policies and legislation.	Substantial
Budgetary Control	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Budget targets are not communicated to budget holders or do not have a responsible officer</li> <li>• Staff do not have the skills to carry out their budget monitoring responsibilities or do not utilise the system as expected</li> <li>• Inaccurate budgets, and or budget profiles, are set that are not realistic</li> <li>• Finance teams do not adequately utilise or have the resources to support budget holders effectively and do not manage risks appropriately</li> <li>• Budget reports are not easily understood</li> <li>• Financial data is miscoded</li> </ul>	Substantial
ICT Strategy	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• ICT provision fails to meet organisational needs and is unable to support changing business needs</li> <li>• The ICT strategy is not in line with the corporate objectives</li> <li>• The ICT strategy does not clearly show goals and objectives and how they will be achieved</li> <li>• Interested and affected parties are not aware of the ICT strategy</li> </ul>	Substantial
Council Tax	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Failure to adhere to legislation, best practice, and/or procedures</li> <li>• The setting of Council Tax is not in line with The Local Government Finance Act 1992</li> <li>• Parameters are incorrectly input</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 bills</li> <li>• Refunds are incorrectly calculated and valued</li> <li>• Recovery action is not initiated promptly and relevant records and accounts are not updated to record the recovery action</li> <li>• There is insufficient documentation to support amendments</li> <li>• Debt Recovery is inefficient</li> <li>• Direct Debits improperly managed</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>• Property records are incorrectly input or updated</li> <li>• Accounts are inaccurately and/or fraudulently deleted, set up, or amended</li> <li>• Discounts / Exemptions are incorrectly awarded</li> <li>• Performance is not monitored</li> </ul>	Substantial

## RESOURCES contd.

Business Rates	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Failure to adhere to legislation, best practice, and/or procedures</li> <li>• Parameters are incorrectly input</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 bills</li> <li>• Contributions and returns are not submitted promptly</li> <li>• Refunds are incorrectly calculated and valued</li> <li>• Recovery action is not initiated promptly and relevant records and accounts are not updated to record the recovery action</li> <li>• There is insufficient documentation to support amendments</li> <li>• Debt Recovery is inefficient</li> <li>• Direct Debits improperly managed</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>• Property records are incorrectly input or updated</li> <li>• Accounts are inaccurately and/or fraudulently deleted, set up, or amended</li> <li>• Amendments are not initiated and recorded promptly</li> <li>• Discounts / Exemptions are incorrectly awarded</li> <li>• Performance is not monitored</li> </ul>	Substantial
Creditor Payments	<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>• Incorrect payments are made / payments are not made in time</li> <li>• Relationships with suppliers breakdown due to mismanagement of disputed invoices</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
Housing Benefits	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>• Accounts are inaccurately and/or fraudulently deleted, set up, or amended</li> <li>• Failure to adhere to legislation, best practice and/or procedures</li> <li>• System parameters are incorrectly input</li> <li>• Letters produced to notify claimants of their entitlement are incorrect</li> <li>• Valuation Office amendments are not processed in a timely manner</li> <li>• Council Tax Reduction Scheme is not implemented effectively</li> <li>• Benefit claims are not processed promptly, are not accurate and assessments are made incorrectly</li> <li>• DWP data is accessed inappropriately</li> <li>• Personal claimant data is not kept in accordance with DWP guidelines</li> <li>• Payments are incorrectly calculated</li> <li>• Inaccurate assessments are not identified and corrected</li> <li>• Performance is not monitored</li> <li>• Material errors / fraudulent activities between systems and / or the General Ledger are not identified and corrected</li> </ul>	Moderate

**RESOURCES contd.**

Contract Management	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"><li>• The contractor does not fulfil the contract to the required standard or level of performance</li><li>• Contract management arrangements are not in place for the end of a contract and the transition to a new provider with a new contract</li><li>• The Council pays for goods, services or works that are not provided or completed</li><li>• The contract manager is not sufficiently objective in their relationship with the supplier</li><li>• The contract has been varied inappropriately and without regard to the Council's Contract Procedure Rules and / or the Public Contract Regulations 2015</li></ul>	Moderate
Agency	Following an investigation, this assurance review was carried out to determine if the controls in place reduce the risk of any overpayments being made.	Limited
Equal Pay Claims	Advice and consultancy review of the spreadsheet that is to be used to estimate the financial impact of Equal Pay Claims and confirm whether or not the basis and logic used with in the spreadsheet are appropriate for providing an estimate of the impact of Equal Pay Claims.	N/A
Teaching Assistants (2) – Data Accuracy	Advice & consultancy review of the formulae used in the Teaching Assistants spreadsheet.	N/A
Financial Services – Caspar System	Advice and consultancy review to provide advice to management on the parameters to be included within the system to identify exceptions to expected income or expenditure that will need to be reviewed.	N/A
Employee Tribunal Arrangements	Report to Full Council reviewing how the escalation of a compensation award payment to a former teacher was allowed to happen, how it occurred and the lessons to be learned from it.	N/A



# Progress on the Implementation of Audit Recommendations

	Number of Actions Raised	Actions Due	Actions Implemented			Overdue Actions by original target date	Number of Actions where the original target has been revised	Overdue Actions following a revised target date	Total Revised Actions Due	Revised Total Recommendations Overdue
			Due	Not Yet Due	Total					
<b>TRANSFORMATION AND PARTNERSHIPS (TAP)</b>										
<b>2015/16</b>										
High	0	0	0	0	0	0	0	0	0	0
Medium	8	8	8	0	8	0	0	0	8	0
<b>Total</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>0</b>
<b>2016/17</b>										
High	0	0	0	0	0	0	0	0	0	0
Medium	12	5	5	0	5	0	0	0	5	0
<b>Total</b>	<b>12</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>
<b>Overall Total</b>	<b>20</b>	<b>13</b>	<b>13</b>	<b>0</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>0</b>
<b>ADULT AND HEALTH SERVICES (AHS)</b>										
<b>2015 / 2016</b>										
High	1	1	1	0	1	0	0	0	1	0
Medium	112	112	111	0	111	1	1	0	111	0
<b>Total</b>	<b>113</b>	<b>113</b>	<b>112</b>	<b>0</b>	<b>112</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>112</b>	<b>0</b>
<b>2016/17</b>										
High	2	0	0	0	0	0	0	0	0	0
Medium	33	26	25	0	25	1	1	0	25	0
<b>Total</b>	<b>35</b>	<b>26</b>	<b>25</b>	<b>0</b>	<b>25</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>25</b>	<b>0</b>
<b>Overall Total</b>	<b>148</b>	<b>139</b>	<b>137</b>	<b>0</b>	<b>137</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>137</b>	<b>0</b>
<b>CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)</b>										
<b>2015 / 2016</b>										
High	0	0	0	0	0	0	0	0	0	0
Medium	39	39	33	0	33	6	6	0	33	0
<b>Total</b>	<b>39</b>	<b>39</b>	<b>33</b>	<b>0</b>	<b>33</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>33</b>	<b>0</b>
<b>2016/17</b>										
High	0	0	0	0	0	0	0	0	0	0
Medium	39	35	33	0	33	2	2	0	33	0
<b>Total</b>	<b>39</b>	<b>35</b>	<b>33</b>	<b>0</b>	<b>33</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>33</b>	<b>0</b>
<b>Overall Total</b>	<b>78</b>	<b>74</b>	<b>66</b>	<b>0</b>	<b>66</b>	<b>8</b>	<b>8</b>	<b>0</b>	<b>66</b>	<b>0</b>
<b>REGENERATION AND LOCAL SERVICES (REAL)</b>										
<b>2013/2014</b>										
High	14	14	14	0	14	0	0	0	14	0
Medium	78	78	75	0	75	3	3	0	75	0
<b>Total</b>	<b>92</b>	<b>92</b>	<b>89</b>	<b>0</b>	<b>89</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>89</b>	<b>0</b>
<b>2014 / 2015</b>										
High	4	4	3	0	3	1	1	0	3	0
Medium	57	57	55	0	55	2	2	0	55	0
<b>Total</b>	<b>61</b>	<b>61</b>	<b>58</b>	<b>0</b>	<b>58</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>58</b>	<b>0</b>
<b>2015/2016</b>										
High	7	7	6	0	6	1	1	0	6	0
Medium	116	111	100	0	100	11	11	0	100	0
<b>Total</b>	<b>123</b>	<b>118</b>	<b>106</b>	<b>0</b>	<b>106</b>	<b>12</b>	<b>12</b>	<b>0</b>	<b>106</b>	<b>0</b>
<b>2016/17</b>										
High	8	7	4	0	4	3	3	0	4	0
Medium	127	79	68	0	68	11	11	0	68	0
<b>Total</b>	<b>135</b>	<b>86</b>	<b>72</b>	<b>0</b>	<b>72</b>	<b>14</b>	<b>14</b>	<b>0</b>	<b>72</b>	<b>0</b>
<b>Overall Total</b>	<b>411</b>	<b>357</b>	<b>325</b>	<b>0</b>	<b>325</b>	<b>32</b>	<b>32</b>	<b>0</b>	<b>325</b>	<b>0</b>
<b>RESOURCES</b>										
<b>2014 / 2015</b>										
High	7	7	7	0	7	0	0	0	7	0
Medium	134	134	127	0	127	7	7	0	127	0
<b>Total</b>	<b>141</b>	<b>141</b>	<b>134</b>	<b>0</b>	<b>134</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>134</b>	<b>0</b>
<b>2015 / 2016</b>										
High	3	2	2	0	2	0	0	0	2	0
Medium	123	107	101	0	101	6	6	0	101	0
<b>Total</b>	<b>126</b>	<b>109</b>	<b>103</b>	<b>0</b>	<b>103</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>103</b>	<b>0</b>
<b>2016 / 2017</b>										
High	1	1	0	0	0	1	1	0	0	0
Medium	50	41	34	0	34	7	7	0	34	0
<b>Total</b>	<b>51</b>	<b>42</b>	<b>34</b>	<b>0</b>	<b>34</b>	<b>8</b>	<b>8</b>	<b>0</b>	<b>34</b>	<b>0</b>
<b>Overall Total</b>	<b>318</b>	<b>292</b>	<b>271</b>	<b>0</b>	<b>271</b>	<b>21</b>	<b>21</b>	<b>0</b>	<b>271</b>	<b>0</b>
<b>TOTAL COUNCIL</b>										
<b>2013 / 2014</b>										
High	14	14	14	0	14	0	0	0	14	0
Medium	78	78	75	0	75	3	3	0	75	0
<b>Total</b>	<b>92</b>	<b>92</b>	<b>89</b>	<b>0</b>	<b>89</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>89</b>	<b>0</b>
<b>2014 / 2015</b>										
High	11	11	10	0	10	1	1	0	10	0
Medium	191	191	182	0	182	9	9	0	182	0
<b>Total</b>	<b>202</b>	<b>202</b>	<b>192</b>	<b>0</b>	<b>192</b>	<b>10</b>	<b>10</b>	<b>0</b>	<b>192</b>	<b>0</b>
<b>2015 / 2016</b>										
High	11	10	9	0	9	1	1	0	9	0
Medium	398	377	353	0	353	24	24	0	353	0
<b>Total</b>	<b>409</b>	<b>387</b>	<b>362</b>	<b>0</b>	<b>362</b>	<b>25</b>	<b>25</b>	<b>0</b>	<b>362</b>	<b>0</b>
<b>2016 / 2017</b>										
High	11	8	4	0	4	4	4	0	4	0
Medium	261	186	165	0	165	21	21	0	165	0
<b>Total</b>	<b>272</b>	<b>194</b>	<b>169</b>	<b>0</b>	<b>169</b>	<b>25</b>	<b>25</b>	<b>0</b>	<b>169</b>	<b>0</b>
<b>OVERALL TOTAL</b>	<b>975</b>	<b>875</b>	<b>812</b>	<b>0</b>	<b>812</b>	<b>63</b>	<b>63</b>	<b>0</b>	<b>812</b>	<b>0</b>

This page is intentionally left blank

## Performance Indicators as at 30 September 2016

<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	51% at 30 September 2016 (on target)
Timeliness of Draft Reports	% of draft reports issued within 30 Calendar days of end of fieldwork/closure interview	90% (Quarterly)	99% (77 out of 78)
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response	95% (Quarterly)	100% (84 out of 84)
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 4.5
Customers providing feedback Response	% of Customer returning satisfaction returns	70% (Quarterly)	86%
<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

**This page is intentionally left blank**

By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

**Document is Restricted**

**This page is intentionally left blank**

By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

**Document is Restricted**

**This page is intentionally left blank**



By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

**Document is Restricted**

**This page is intentionally left blank**

**Document is Restricted**

**This page is intentionally left blank**