



Audit Committee

Date **Thursday 30 November 2017**
Time **10.00 am**
Venue **Committee Room 1B, County Hall, Durham**

Business

Part A

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

1. Apologies for absence
2. Minutes of the meeting held on 29 September 2017 (Pages 3 - 8)
3. Declarations of interest, if any
4. Cyber Security - Presentation from Customer and Digital Services
5. Co-opted Members to the Audit Committee - Report of Corporate Director of Resources (Pages 9 - 10)
6. Annual Audit Letter 2016/2017 - Report of External Auditor (Pages 11 - 28)
7. External Audit Progress Report - November 2017 - Report of External Auditor (Pages 29 - 36)
8. Update on the Local Code of Corporate Governance - Report of Corporate Director of Resources (Pages 37 - 68)
9. Strategic Risk Management - Progress Report for the quarter ended 30 September 2017 - Report of the Corporate Director of Resources (Pages 69 - 84)
10. Risk Management Process Review - Report of Corporate Director of Resources (Pages 85 - 88)
11. Internal Audit Progress Report for the quarter ended 30 September 2017 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 89 - 108)
12. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration
13. 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)

14. Internal Audit Progress Report for the quarter ended 30 September 2017 - Report of Chief Internal Auditor and Corporate Fraud Manager (Pages 109 - 126)
15. Protecting the Public Purse - Activity Update as at 30 September 2017 - Report of Chief Internal Auditor and Corporate Fraud Manger (Pages 127 - 144)
16. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration

Helen Lynch

Head of Legal and Democratic Services

County Hall
Durham
22 November 2017

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

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

Councillors C Carr, J Carr, M Davinson, J Robinson, S Robinson,
J Shuttleworth and O Temple

Co-opted Member:

Mr C Robinson

Contact: Jackie Graham

Tel: 03000269704

DURHAM COUNTY COUNCIL

At a Meeting of **Audit Committee** held in Committee Room 1A, County Hall, Durham on **Friday 29 September 2017 at 11.00 am**

Present:

Councillor E Bell (Chairman)

Members of the Committee:

Councillors J Rowlandson (Vice-Chairman), C Carr, M Davinson, J Robinson and O Temple

Co-opted Member:

Mr C Richardson

Prior to the commencement of business the Chairman reported the resignation of Co-opted Member David Beavis due to other commitments on his time. The Chair read out Mr Beavis' letter of resignation which expressed his thanks and gratitude to all those involved with the Committee.

The Committee agreed that a letter be sent to Mr Beavis expressing the Committee's appreciation for his valuable contribution to the work of the Committee throughout his time as a co-opted Member.

1 Apologies for absence

There were no apologies for absence.

2 Minutes

The Minutes of the meeting held on 31 July 2017 were agreed as a correct record and were signed by the Chairman, subject to it being recorded that Mr David Beavis was not in attendance and had submitted his apologies.

3 Declarations of interest

There were no declarations of interest.

4 Audit Completion Report 2016/2017 - Durham County Council - Report of External Auditor

The Committee considered a report of the External Auditor which asked Members to note the contents of the External Auditor report on the audit of the statement of

accounts for the County Council for the year ended 31 March 2017 (for copy see file of Minutes).

Mr M Kirkham, Mazars introduced the report and stated that with the exception of the errors identified in the floor areas used in the valuation of assets which was reported at the last meeting, there were no matters of concern to report. Further work had been completed with Officers in Assets with satisfactory results and an unqualified opinion on the accounts, together with an unqualified Value for Money conclusion would be issued on 30 September 2017.

Given that the results of the work carried out were 'satisfactory' the Chairman asked if there were any material errors to report. Mr Kirkham explained that their role as External Auditor was to provide an opinion based on reasonable assurance and did not control programmes of work that followed as a result.

Following a request for clarification from Councillor Carr regarding the errors identified, Members were informed by Mr J Collins of Mazars that sample testing had been extended across the Children and Young People's Service and to Regeneration and Local Services.

The Asset Services Manager advised that the cause had been simple human error in that the information used in the calculation of floor areas had been incorrect. This had now been addressed and a process implemented to update the data used.

Following a question from Mr C Richardson, Mr Kirkham advised that there were no additional caveats in terms of their opinion and the conclusions Mazars had reached. An assurance for the Committee was the work that had been completed to prevent future errors and the internal controls put in place to ensure that correct data was used in current and future valuations.

Following comments from Councillor Temple, the Corporate Director of Resources advised that in addition to the control recommendations, asset valuation would be part of a wider review of Assets.

Resolved:

That the information contained in the report, including the adjustments to the financial statements included in Appendix A of the report, be noted.

5 Governance Statement for the year April 2016 to March 2017 - Report of Corporate Director, Resources

The Committee considered a report of the Corporate Director of Resources which sought approval of the final Annual Governance Statement (AGS) to be published as part of the Council's audited Statement of Accounts 2016/2017 (for copy see file of Minutes).

Resolved:

That the final AGS included at Appendix 2 of the report, be approved.

6 Statement of Accounts for the year ended 31 March 2017 - Report of Corporate Director, Resources

The Committee considered a report of the Corporate Director of Resources which sought approval of the Statement of Accounts for the Council for the financial year ended 31 March 2017 (for copy see file of Minutes).

On behalf of the Committee the Chairman thanked all those employees who had been involved in the preparation of the Statement of Accounts.

Resolved:

That the Statement of Accounts for the Council for the financial year ended 31 March 2017, be approved.

7 External Audit Progress Report - September 2017 - Report of the External Auditor

The Committee considered a report of the External Auditor which asked the Committee to note progress with the external audit of Durham County Council to date (for copy see file of Minutes).

Mr Collins reported that work on the Council's Housing Benefits subsidy return was ongoing and would be reported to the next meeting of the Committee.

Councillors Carr and Robinson noted proposed changes to housing benefits and were informed by the Corporate Director of Resources that the potential impact of the changes on the Council in terms of the MTFP, would be explored and addressed.

Mr Collins highlighted that the Annual Regulatory Compliance and Quality Report 2016/2017 had concluded that Mazars had maintained its performance against the regulatory compliance indicators since last year, with all of the 2016/2017 indicators scored as green.

Mr C Richardson noted that in accordance with National Audit Office Guidance on cyber security and information risk that Audit Committees should be scrutinising the Council's arrangements. The Chairman suggested that this be considered by the Committee at its next meeting.

Councillor Robinson understood that Mazars would be taking on the audit of a number of Parish Councils in County Durham, and was informed by Mr Kirkham that hand-over arrangements were in place with dedicated Officers assigned to this work.

Resolved:

That the contents of the External Auditor's progress report be noted, and consideration be given to the Council's arrangements for cyber security at the next meeting.

8 Internal Audit Progress Report for the quarter ended 30 June 2017 - Report of Chief Internal Auditor and Corporate Fraud Manager

The Committee considered a report of the Chief Internal Auditor and Corporate Fraud Manager which informed Members of the work that had been carried out by Internal Audit during the period 1 April 2017 to 30 June 2017 as part of the 2017/2018 Internal Audit Plan (for copy see file of Minutes).

The Audit and Fraud Manager highlighted progress with the Plan for each Service Grouping, and informed Members of the unplanned audit reviews in the quarter. The report also provided a summary of progress on actions due, implemented and overdue, and finalised audits that had been issued with a limited assurance opinion. A summary of actual performance as at the end of June 2017 was included in Appendix 5 of the report.

Councillor Temple referred to the limited assurance opinion given in respect of the Final Report issued for safe recruitment at Sacriston Primary School. The Chief Internal Auditor and Corporate Fraud Manager advised that the Audit Report had been referred to the Corporate Director of Children and Young People's Services and it had been agreed that a wider sample of schools would be carried out. The Member considered that the Final Report should also be considered by the Children and Young People's Overview and Scrutiny Committee. Councillor Robinson also suggested that local Members be made aware of the findings.

In response to a question from Councillor Davinson about the review of Assets, the Member was informed that this had been added to the Internal Audit Plan as at the end of June 2017.

Resolved:

That

- a) the amendments made to the 2017/2018 Annual Internal Audit Plan be noted;
- b) the work undertaken by Internal Audit during the period ending 30 June 2017 be noted;
- c) the performance of the Internal Audit Service during the period be noted;
- d) the progress made by service managers in responding to the work of Internal Audit be noted;

- e) the Final Report and the work to be carried out regarding safe recruitment at schools be referred to Children and Young People's Overview and Scrutiny Committee.

9 Exclusion of the Public

Resolved:

That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A of the Act.

10 Internal Audit Progress Report for the quarter ended 30 June 2017 - Report of Chief Internal Auditor and Corporate Fraud Manager

The Committee considered the report of the Chief Internal Auditor and Corporate Fraud Manager which presented the appendices in the Internal Audit Progress Report referred to in Part A of the Agenda (for copy see file of Minutes).

Members expressed concern that the target dates in respect of overdue actions in a number of Service Groupings had been revised. The Committee was concerned about the potentially significant wider implications of failure to complete actions by the original target date.

Members discussed suggestions for monitoring overdue actions by the Committee. It was proposed that Officers complete the report for quarter two and discuss with the Chairman and Vice-Chairman of the Committee the areas where slippage had occurred. It was also proposed that Managers be informed that the owners of actions may be invited to attend Audit Committee to discuss the reasons for the slippage in target dates.

Resolved:

That the content of Appendices 6 and 7 be noted, and the proposed actions in respect of the overdue areas as outlined, be agreed.

The Chairman agreed that consideration be given to the following item of business.

11 Any Other Business - Communications

The Chief Internal Auditor and Corporate Fraud Manager informed Members that he was unable to provide any information at present but would provide an update with regard to ongoing matters regarding Communications in due course.

This page is intentionally left blank

Audit Committee

30 November 2017

Co-opted Members to the Audit Committee



Report of John Hewitt, Corporate Director of Resources

Purpose of the Report

- 1 To advise the Committee of the recruitment process to be undertaken to fill the vacancy that has recently arisen on the Audit Committee.

Background

- 2 In accordance with the Authority granted by full council on 24 February 2016 two new co-opted members to the Audit Committee were appointed for a three year term ending on 30 April 2019.
- 3 David Beavis resigned from his appointment as a co-opted member in October thus leaving one vacancy on the Committee.
- 4 Provision was made by full council at its meeting in February 2016 that should a vacancy arise within the three year term of office of the two co-opted members that an appointment be made through the same procedure. This involved placing an advert in the press and on the council's website inviting applications, interviewing prospective candidates following which appointments were made by the Corporate Director of Resources in consultation with the Chairman and Vice-Chairman of the Audit Committee.
- 5 A recruitment process will be undertaken to fill the position on the Committee for the remaining period of the three year term which will expire on 30 April 2019.

Recommendation

- 6 To note the recruitment process that will be undertaken to fill the vacant co-opted member position as outlined in paragraphs 4 and 5.
- 7 To place on record the contribution of David Beavis for his service as a co-opted member to the Audit Committee.

**Contact: Ros Layfield, Committee, Member & Civic Services Manager
03000 269 708**

Appendix 1: Implications

Finance- Travelling and subsistence costs of the successful applicants in attending meetings/ training events of the Audit Committee will be paid. Advertising and printing costs can be met from within existing budgets.

Staffing- None specific in this report

Risk- None specific in this report

Equality and Diversity/ Public Sector Equality Duty-

A recruitment process would be carried out in accordance with the Council's recruitment procedure.

Accommodation- None specific in this report

Crime and disorder- None specific in this report

Human rights- None specific in this report

Risk- None specific in this report

Consultation- None specific in this report

Procurement- None specific in this report

Disability Issues- A recruitment process would be carried out in accordance with the Council's recruitment procedure.

Legal Implications- None specific in this report

Audit Committee

30 November 2017

Annual Audit Letter 2016/2017



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 2016/2017.

Summary

2. The Audit Letter provides a summary of the work and findings of the External Auditor in the 2016/2017 audit period and summarises many of the points raised in the Audit Completion Reports presented to Audit Committee on 29 September 2017.
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.

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.

Annual Audit Letter

Durham County Council and Durham County Council Pension Fund



For the year ended 31 March 2017



Contents

Executive summary	3
Audit of the financial statements: Durham County Council	4
Audit of the financial statements: Durham County Council Pension Fund	8
Value for Money (VFM) conclusion	10
Other reporting responsibilities.....	13
Our fees.....	14
Future challenge	15

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

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.

Executive summary

Purpose of this report

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Durham County Council ('the Council') and Durham County Council Pension Fund ('the Pension Fund') for the year ended 31 March 2017. Although this letter is addressed to the Council and the Pension Fund, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 ('the 2014 Act') and the Code of Audit Practice issued by the National Audit Office ('the NAO'). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of work	Summary
Financial statements opinion	On 29 September we issued our opinion that the financial statements give a true and fair view of the Council's and the Pension Fund's financial position as at 31 March 2017 and of its financial performance for the year then ended.
Opinions on other matters	On 29 September 2017 we issued our opinion that the Narrative Report published with the financial statements, is consistent with those financial statements.
Value for Money conclusion	On 29 September 2017 we issued our conclusion that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
Whole of Government Accounts	In line with instructions issued by the NAO, on 29 September 2017 we issued our assurance certificate which reported that the Council's consolidation pack was consistent with the audited financial statements.
Matters that we report by exception	<p>We have not identified any matters to report in relation to:</p> <ul style="list-style-type: none"> • whether the Annual Governance Statement is in line with our understanding of the Council and the requirements of the Delivering Good Governance in Local Government Framework 2016; • reports in the public interest or written recommendations made under s24 of the 2014 Act; • exercise of other audit powers under the 2014 Act.
Audit of financial statements included in the Pension Fund Annual Report	On 29 September we issued our opinion that the Pension Fund financial statements within the Pension Fund Annual Report are consistent with the full Annual Statement of Accounts of Durham County Council.

As we have discharged all of our responsibilities under the 2014 Act for the 2016/17 audit, we certified the closure of the audit on 29 September 2017.

Audit of the financial statements: Durham County Council

Financial statements opinion

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and Pension Fund and whether they give a true and fair view of the Council's and Pension Fund's financial position as at 31 March 2017 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing for the UK and Ireland (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2017:

Financial statement materiality	£24.277 million
Specific materiality	We have applied a lower level of materiality to the following items of account: <ul style="list-style-type: none"> • senior officer remuneration; • members allowances; and • termination benefits and exit packages.
Trivial threshold	£0.728 million

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Significant risk	How we addressed the risk	Audit conclusion
<p>Management override of control</p> <p>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 overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We addressed this risk by performing work in the following areas:</p> <ul style="list-style-type: none"> considered accounting estimates affecting amounts included in the financial statements; considered significant transactions outside the normal course of business; considered the selection and application of accounting policies; and using a risk based approach, we tested journals recorded in the general ledger and considered other adjustments made in preparation of the financial statements. 	<p>Our work provided the assurance we sought and did not highlight any material issues.</p>
<p>Revenue recognition</p> <p>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 2016/17.</p>	<p>We completed the following substantive procedures:</p> <ul style="list-style-type: none"> tested revenue items posted prior and post year end to ensure they have been recognised in the appropriate year; tested adjustment journals; and for major grant income, agreed amounts to third party documentation. 	<p>Our work provided the assurance we sought and did not highlight any material issues.</p>
<p>Valuation of defined benefit pension scheme</p> <p>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</p>	<p>We completed the following procedures:</p> <ul style="list-style-type: none"> evaluated the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and challenged the reasonableness of the Actuary's assumptions that underpin the entries in the financial statements. We did this using an expert commissioned by the National Audit Office. 	<p>Our work provided the assurance we sought and did not highlighted any material issues.</p>

of actuarial assumptions. This results in an increased risk of material misstatement.

Identified key areas of management judgement

Area of management judgement	How we considered this judgement	Audit conclusion
<p>Valuation of property, plant and equipment</p> <p>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.</p> <p>The value of the Council's PPE is material to the accounts and involve management judgements over the valuations and useful lives of assets.</p>	<p>We completed the following procedures :</p> <ul style="list-style-type: none"> considered the Council's arrangements for ensuring that PPE values are reasonable; engaged our own expert to provide data to enable us to challenge the reasonableness of the valuations provided by the Council's valuer; assessed the competence, skills and experience of the valuer and the instructions issued to the valuer; and performed audit procedures on individual assets to ensure that the basis and level of valuation was appropriate. 	<p>Our valuations testing identified several errors in the floor areas used in the valuation of assets.</p> <p>As a consequence, additional work was necessary to obtain sufficient assurance that PPE was not materially misstated.</p> <p>Further details of the errors identified and the impact are detailed in appendix A of our Audit Completion Report presented to the Audit Committee on the 29 September 2017.</p>

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

Description of deficiency	Our testing of land and buildings valuations identified errors in the areas recorded in the asset manager system for several council properties tested, in particular school buildings. In one case the whole second floor of a building had not been recorded. In another the asset system had not been updated and the valuation was based on the old school site which was no longer operational.
Potential effects	A significant amount of council properties are valued using the Depreciated Replacement Cost (DRC) method. DRC is calculated using area information. Inaccurate area information will therefore result in incorrect valuations. This increases the risk of the Property, Plant and Equipment figure being materially misstated on the Council's Balance Sheet.
Recommendation	The Council should ensure that area information is regularly reviewed and updated. There should be a process, in particular for schools, where the Asset Team are informed of any changes in property area.
Management response	Lessons have been learnt following the most recent School Valuations under the Capital Accounting Rolling Programme, processes will be updated with more defined and increased communications across all services as a necessity

Description of deficiency	<p>IT user access testing identified that for one leaver (from 25 tested) access to Council IT systems had not been disabled. This occurred because additional leavers were added to the HR Turnover Sheet, used to record leavers, after it was submitted to the Service Direct team for processing.</p> <p>In two further cases (from 25 tested), we noted that access had not been disabled in a timely manner.</p>
Potential effects	<p>Leaver access is not disabled in a timely manner, meaning that inappropriate access to business critical systems would be possible.</p> <p>We noted, however, that for the three exceptions identified, leavers had not accessed the systems after their leave date.</p>
Recommendation	<p>Processes should implemented to ensure that, once the HR list has been submitted to the Service Direct team:</p> <ol style="list-style-type: none"> 1. Service Direct team monitors the timely removal of all leavers requiring deactivation, for example by adding an additional column to the deactivation spreadsheets to confirm which member of the team has deactivated each leaver, and on what date. 2. The HR lists cannot be amended after submission to Service Direct.
Management response	<p>We are acting on the recommendation and changing the process for notifying leavers to Service Direct to ensure leavers are processed in a timely manner and to ensure the list cannot be amended. We are developing a new report to extract all leavers based on the date the change was processed rather than the leaving date. This will ensure that any back-dated leavers do not get missed.</p>

Audit of the financial statements: Durham County Council Pension Fund

Financial statements opinion

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and Pension Fund and whether they give a true and fair view of the Council's and Pension Fund's financial position as at 31 March 2017 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing for the UK and Ireland (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of

our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2017:

Financial statement materiality	£11.415 million
Trivial threshold	£0.342million

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Pension Fund's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Committee within our Pension Fund Audit Strategy Memorandum and provided details of how we responded to those risks in our Pension Fund Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Significant risk	How we addressed the risk	Audit conclusion
<p>Management override of control</p> <p>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.</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> • 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. 	<p>Our work provided the assurance we sought and has not highlighted any material issues to bring to your attention.</p>
<p>Valuation of unquoted investments for which a market price is not readily available</p> <p>As at 31 March 2017, the fair value of investments which were not quoted on an active market was £165 million, which accounted for 6% 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.</p>	<p>In addition to our standard programme of work in this area we agreed valuations provided by fund managers to evidence for individual funds including:</p> <ul style="list-style-type: none"> • audited accounts; • investment manager valuation statements; and • cashflows. 	<p>Our work provided the assurance we sought and has not highlighted any material issues to bring to your attention.</p>

Value for Money (VFM) conclusion

Value for Money conclusion

Unqualified

Summary of our work

We are required to form a conclusion as to whether the Council made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment;
- working with partners and other third parties.

The following table provides commentary of our findings in respect of each of the sub-criteria and an indication as to whether proper arrangements are in place.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The Council has a Constitution in place which is reviewed annually. The Constitution records the leadership and committee structure of the Council. A new Council structure has been introduced to adapt to the Council's future plans and challenges. This includes creation of the Transformation and Partnerships service and separate Children and Adult service areas.</p> <p>The Council has an active Audit Committee who receive regular risk management reports. Key strategic risks are regularly reported.</p> <p>Internal Audit report progress and recommendations at every Audit Committee. Where necessary Committee members challenge officers on internal control weaknesses. Internal Audit delivered its planned audit days in 2016/17.</p> <p>During the year there has been regular financial and performance reporting. Financial information includes details of outturn against budget and explanations for any variances. Medium Term Financial Plan progress reports were presented to the Cabinet for each quarter. Key target indicators and key tracker indicators are used to track performance across the Councils 'Altogether' priority themes. Scrutiny, including the Overview and Scrutiny</p>	Yes

	<p>Management Board, was in place to challenge the financial and operational performance of the Council, including at individual services.</p> <p>The Quality Improvement Board has monitored the delivery of the Ofsted Improvement Plan. Updates have also been provided to the Cabinet during 2016/17.</p>	
Sustainable resource deployment	<p>The Council delivered a surplus in 2016/17, including delivery of just over £28 million of planned savings. This is consistent with recent financial performance of the Council. As at the 31 March 2017 the Council reported £23 million General Fund and £233 million earmarked reserves. This includes a Business Support Reserve which is intended to support the delivery of future Medium Term Financial Plan's (MTFP).</p> <p>MTFP(6) was presented to Council in February 2016 and MTFP (7) in February 2017. Both ahead of the start of the financial year and after consultation and scrutiny. An update on MTFP (8) was provided to the July 2017 Cabinet. Development of the Transformation Programme continued in 2016/17. The programme is intended to focus on how services are delivered and ensuring outcomes are appropriate.</p> <p>A Capital Plan is in place and progress against the plan was reported during the year. The Capital Member Officer Working Group (MOWG) was in place during the year to monitor delivery of the Capital Plan.</p> <p>Staff indicators, including sickness levels, are reported within the regular performance management reporting. Staff surveys have also been conducted and results analysed.</p>	Yes
Working with partners and other third parties	<p>The Council's Constitution details the arrangements for contracting with third parties. Where appropriate partnerships are monitored through Council performance reporting arrangements. Area Action Partnerships are intended to give local residents a voice in how services are provided locally. Consultation with partners feeds into the Council's MTFP development. The County Durham Partnership is in place bringing together key partners in the County.</p> <p>The Health and Well-being Board is responsible for the Durham Better Care Fund plan. Financial and health outcome performance of the plan is monitored.</p> <p>The Council has written procedures for procuring products and services, which are within its constitution.</p>	Yes

Significant Value for Money risks

As part of our continuous planning processes, we carry out work to identify whether or not a risk to our VFM conclusion exists. In our Audit Strategy Memorandum, we reported that we had not identified a significant audit risk. We did, however, identify an area requiring additional work. The work we carried out in relation to this is outlined below.

Area of additional Value for Money work	Work undertaken	Conclusion
<p>Sustainable resource deployment</p> <p>Our audit work in previous years concluded that the Council has arrangements in place for medium term financial planning. We are not aware</p>	<p>We completed the following work:</p> <ul style="list-style-type: none"> documented how the Council had developed its MTFP; reviewed the delivery of 2016/17 savings against plans; 	<p>We identified no matters to suggest a significant value for money risk.</p>

of any matters to suggest a significant change in arrangements.
The Council will continue to face financial pressure in the coming years is updating its MTFP to meet these pressures. We need to ensure our knowledge of the Council's MTFP arrangements and its monitoring of the planned delivery of savings, remains up to date in order to ensure we give the correct VFM conclusion.

- reviewed the arrangements for 2017/18 savings;
- reviewed the arrangements for the Transformation Programme; and
- reviewed the arrangements for identifying savings in 2018/19 to 2019/20.

Other reporting responsibilities

Exercise of statutory reporting powers	No matters to report
Annual Governance Statement	No matters to report
Whole of Government Accounts consistency with the financial statements	Consistent
Other information published alongside the financial statements	Consistent
Pension Fund financial statements included in Pension Fund Annual Report	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters which we report by exception

The 2014 Act provides us with specific reporting powers where matters come to our attention that require reporting to parties other than the Council. We have the power to:

- report in the public interest; and
- make statutory recommendations to the Council, which must be responded to publicly.

In addition we must respond to any objections or questions on items contained within the accounts raised by a local government elector. We did not receive any such objections or questions.

We are also required to report if, in our opinion, the Annual Governance Statement does not comply with the guidance issued by CIPFA in 'Delivering Good Governance in Local Government; Framework 2016' or is inconsistent with our knowledge and understanding of the Council.

We did not exercise any of our reporting powers during our 2016/17 audit and had no matters to report to the Council in relation to the Annual Governance Statement.

Reporting to the NAO in respect of Whole of Government Accounts

The NAO requires us to report to them whether consolidation data that the Council has submitted is consistent with the audited financial statements, and to undertake specified procedures on that data. We have concluded and reported that the consolidation data is consistent with the audited financial statements.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the information in the Narrative Report is consistent with the audited financial statements.

Our fees

Fees for work as the Council's appointed auditor

We reported our proposed fees for the delivery of our work in the audit plans we presented to the February 2017 meeting of the Audit Committee. Having completed our work for the 2016/17 financial year, we can confirm that our final fees are as follows:

Area of work	2016/17 proposed fee £	2016/17 final fee £
Code audit work – Durham County Council	250,688	250,688
Code audit work – Durham County Council Pension Fund	25,918	25,918
Certification of Housing Benefit Subsidy Claim*	24,158	24,158
Other non-Code work		
Skills Funding Agency assurance	2,000	2,000
Teachers' Pensions	TBC	TBC

We confirm that these fees are in line with the scale fee set by Public Sector Audit Appointments Ltd.

* Our work on the Housing Benefit Subsidy Claim is not yet completed and consequently the final fee quoted above is still on an estimated basis.

Future challenge

Durham County Council

Financial outlook

The Council continues to make good progress in delivering planned savings. In 2017/18 the Council's MTFP 7 requires savings of just over £23 million for the financial year 2017/18. It was reported to Cabinet in September 2017 that £17.2 million (74%) of this requirement had been delivered by the end of June 2017. This means the level of savings delivered since 2011 is over £203 million.

MTFP 8 is forecasting further savings of £37 million between 2018/19 – 2021/22 (£14.8 million required in 2018/19). MTFP 8 recognises that managerial and back office savings alone may not be sufficient to deliver the required levels of savings and the Transformation Programme is expected to contribute to the achievement of the Council's required savings. There is still uncertainty regarding the level of future government funding owing to the pressures in the national finances, Brexit and the introduction of 100% business rates retention.

Demographic pressures being faced by the Council's Adult and Health Service (AHS) and Children and Young Persons Service (CYPS) are expected to continue in the coming years. The Council's most recent budget reports show pressures in CYPS placements and AHS Learning Disability / Mental Health Services. We note that careful management means there are forecast underspends in other areas.

Operational challenges

The key challenges in future include:

- the continued delivery of the savings identified in the 2017/18 budget round and identification of savings covering the 2018/19-2021/22 period;
- implementation of the Transformation Programme;
- agreement of revised terms and conditions for teaching assistants with involved parties in order to resolve the ongoing employment dispute; and
- continued implementation of the Ofsted Improvement Plan.

How we will work with the Council

We will focus our 2017/18 audit on the risks that these challenges present to the Council's financial statements and its ability to maintain proper arrangements for securing value for money. We will also share with the Council relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

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 focus in the coming year will be working with officers to prepare for the earlier accounts and audit timetable which will take effect from the 2017/18 financial year. We will work with the officers to learn the lessons from the 2016/17 audit to ensure matters which prevented an earlier sign off are not replicated.

Durham Council Pension Fund

Pooling of investments

In the July 2015 Budget, the Chancellor announced the Government's intention to work with LGPS administering authorities to ensure the pooling of investments to significantly reduce costs whilst maintaining performance, with the intention that pooling should take place from April 2018. The Pension Committee will need to continue to consider the risks and practical issues associated with pooling and support officers to ensure that pooling is effective, and delivers the expected cost reductions.

Audit Committee

30 November 2017



External Audit - Progress Report – November 2017

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; and
 - National Publications and other updates

Summary of Audit Progress

3. The report details the progress to date on the 2017/18 external audit.

National publications and other updates

4. This section provides an update on other areas that Members of the Audit Committee may find useful.

Recommendation

5. 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

Audit Progress Report

Durham County Council



November 2017



Contents

Audit progress.....	3
National publications and other updates	4
Contact details	6

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any Member or officer in their individual capacity or to any third party.

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.

Audit progress

Purpose of this report

The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

This paper also seeks to highlight key emerging national issues and developments which may be of interest to Members of the Audit Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

Finally, please note our website address (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.

Progress on the audit – 2016/17 audit

Our Annual Audit Letter is on the agenda of this meeting. Our Annual Audit Letter summarises the work we have undertaken as the auditor for Durham County Council ('the Council') and Durham County Council Pension Fund ('the Pension Fund') for the year ended 31 March 2017.

Progress on the audit – 2017/18 audit

Since the last Audit Committee meeting we have;

- continued to meet senior management and review minutes;
- met with officers to document and walkthrough the key financial systems; and

- met with officers to discuss emerging issues for the 2017/18 financial statements.

This work will inform our risk assessment for the 2017/18 audit. We will issue our Audit Strategy Memorandum to the Audit Committee in early 2018, which will set out the risks we have identified and the programme of work we plan to carry out in response to those risks.

Certification of claims and returns

As Members will be aware, the Council is required by funding bodies to arrange independent certification of a range of grant claims and returns.

Work on claims and returns includes:

- 2016/17 Housing Benefits Subsidy Claim; our work is complete and, and we expect to certify the claim before the DWP deadline of 30 November 2017. The scale fee for this work is £24,158. There are no significant issues arising to bring to your attention;
- 2016/17 Teachers Pension Return; we have agreed an engagement pack, the fee being £5,500 to £6,500 plus VAT. Our work is substantially complete and we expect to report before the DWP deadline of 30 November 2017. There are no significant issues arising to bring to your attention.

We will provide full details of our certification work in our grant and certification report which will be presented at the next Audit Committee meeting.

National publications and other updates

National publications and other updates

- | | |
|----|--|
| 1. | Online Fraud, NAO, June 2017 |
| 2. | Annual Regulatory Compliance and Quality Report 2016-17, Public Sector Audit Appointments Ltd, August 2017 |
| 3. | Cyber security and information risk guidance for Audit Committees, NAO, September 2017 |

1. Online Fraud, NAO, June 2017

Online fraud is now the most commonly experienced crime in England and Wales, but has been overlooked by government, law enforcement and industry.

<https://www.nao.org.uk/report/online-fraud/>

2. Annual Regularity, Compliance and Quality Report, Public Sector Audit Appointments Ltd, August 2017

Public Sector Audit Appointments Limited (PSAA) monitors the performance of all audit firms in its regime. The audit quality and regulatory compliance monitoring for 2016/17 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 internal quality monitoring;
- reviews (QMRs) of its financial statements and Value for Money (VFM) arrangements conclusion audit 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 PSAA's inspection of each firm by the FRC's Audit Quality Review team (AQRT) as part of a 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 2015/16 work.

The report concludes the following in respect of Mazars LLP:

“Mazars is meeting our standards for overall audit quality and our regulatory compliance requirements. We calculated the red, amber, green (RAG) indicator for overall audit quality and regulatory compliance using the principles detailed in Appendices 1 and 2. For 2016/17, Mazars’ combined audit quality and regulatory compliance rating was green. The satisfaction survey results show that audited bodies are very satisfied with the performance of Mazars as their auditor. Mazars has maintained its performance against the regulatory compliance indicators since last year, with all of the 2016/17 indicators scored as green”.

Figure 1: 2017 Comparative performance for audit quality and regulatory compliance

	BDO	EY	Deloitte	PwC	Grant Thornton	KPMG	Mazars
2017	Amber	Amber	n/a	n/a	Amber	Amber	Green
2016	Green	Green	Green	Amber	Amber	Amber	Green
2015	Amber	Green	Amber	Amber	Amber	Amber	Green

For comparison, we have added in the previous years to the figure above taken from the report.

<http://www.psaa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/>

3. Cyber-security and information risk governance for Audit Committees, National Audit Office, September 2017

Cyber incidents pose an increasing threat to public bodies’ management of their information, with hacking, ransomware, cyber fraud and accidental information losses all present throughout the public sector. Government guidance makes it clear that cyber security is now an area of management activity that audit committees should scrutinise. Together with the rapidly changing nature of the risk, this means that audit committees need to understand whether management is adopting a clear approach, and whether the organisation is complying with its rules and standards, and is adequately resourced for cyber security. To aid them, this National Audit Office (NAO) guidance complements government advice by setting out high-level questions and issues for audit committees to consider. It also contains a link to a related report on on-line fraud, which NAO published earlier in the year, noting that online fraud is now the most commonly experienced crime in England and Wales, but has been overlooked by government, law enforcement and industry.

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

Contact details

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

www.mazars.co.uk

Mark Kirkham
Partner
0191 383 6300
mark.kirkham@mazars.co.uk

James Collins
Senior Manager
0191 383 6331
james.collins@mazars.co.uk

Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS

Audit Committee

30 November 2017



**Governance Review Process and
Updated Local Code of Corporate
Governance**

**John Hewitt, Corporate Director of Resources
Councillor Alan Napier, Cabinet Portfolio Holder for the Deputy
Leader and Finance**

Purpose of the Report

- 1 This report,
 - a) informs the Council of the outcome following the review of the process to develop the annual governance statement, and
 - b) seeks Council approval to update the Local Code of Corporate Governance.

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.
- 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, including the management of risks.
- 4 The Accounts and Audit Regulations 2015 require a local authority to review, at least once a year, the effectiveness of its system of internal control. This requirement will be fulfilled if the review is conducted in accordance with the Delivering Good Governance (DGG) in Local Government Framework (2016).
- 5 The Council should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the Framework and, to facilitate this, it should therefore develop and maintain a Local Code of Corporate Governance reflecting the principles set out.

Governance Review Process

- 6 The Council's governance review process has been re-assessed against the good practice features in appendix 2 and, while most requirements are met, four areas were identified as needing improvement:-

- a) Most assurance-gathering work by services is undertaken in a short period of intense activity during March and April. Senior management teams have now agreed to move towards continuous assurance by considering governance issues during quarterly risk reviews.
- b) The process for gathering assurance for around 30 corporate support functions is time-consuming and, often, the same arrangements are reported in successive years without change. Services presently maintain pages for some functions on the website, which contain some of the evidence required. Good examples include [performance management](#), [partnerships](#) and [consultations](#). Extending this practice would provide more scope for hyperlinking to meet the 'living document' and 'easily accessible' good practice features.
- c) The [Constitution](#) sets out the governance arrangements for a large range of subjects (around 48 articles, rules of procedure, codes, protocols, schemes, etc.) in a single, 476-page document. Consequently, individual items are not easily accessible and this does not facilitate the use of hyperlinks. The new Head of Legal and Democratic Services is aware of this issue and will seek to address it in the annual review of the Constitution.
- d) There remains significant scope for consolidating the Council's governance arrangements and presenting them in a more concise, reader-friendly style with the use of diagrams. To this end, we are working towards improving these aspects on the intranet before proposing similar developments on the Council's website.

Local Code of Corporate Governance

- 7 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.
- 8 The Local Code was updated last year to meet the requirements of the new DGG in Local Government Framework (2016) and has recently been reviewed to ensure that it remains fit for purpose. An updated version is attached in appendix 3 and this includes one proposed change, which is detailed below.
- 9 To help address the points in paragraphs 6 (a) and 6 (b) above, the text highlighted in grey below should be inserted at paragraph 4.66 as follows:

*The Council seeks to provide **continuous** assurance with regard to its arrangements for governance and internal control by,*

- ***Maximising the amount of assurance available online.***

Recommendation

10 The Council is requested to:

- a) note and endorse the outcome of the governance process review; and
- b) approve the amendment to Local Code of Corporate Governance as set out at paragraph 9 above and delegate authority to the Head of Legal and Democratic Services to update the Council's Constitution accordingly.

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 – The governance review process ensures that the Council discharges its statutory duties under the Local Government Act 1999 and the Accounts and Audit Regulations 2015 as set out at paragraphs 2 and 4 of the report.

The Code of Corporate Governance enables the Council to demonstrate how it complies with the Delivering Good Governance in Local Government Framework 2016.

Appendix 2: Key Good Practice Features of an AGS

The following text is an extract from the CIPFA/SOLACE: *Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016*.

4.4 Key good practice features of an annual governance statement are described below:

- The statement has been properly approved.
- It is regarded as a valuable means of communications which will enable stakeholders to understand the authority's governance arrangements.
- It is easily accessible by authority members and members of the public, for example:
 - through its prominent display on the authority's website
 - publishing it with, but separately from, the statement of accounts.
- It has been clearly thought out and reflects the vision, character and structure of the authority, ie the big picture and not the detail.
- It demonstrates ownership by the authority and has a high status within senior management.
- It is a genuinely shared effort with wide input from outside the finance and audit functions.
- It is a key document for showing how the authority is achieving its strategic objectives.
- It is in an open and readable style.
- It demonstrates challenge.
- Issues are clearly articulated and it communicates a clear and concise message.
- Weaknesses together with areas for improvement are highlighted.
- It clearly communicates what has been done to resolve significant control issues and what remains to be done.
- Actions identified are specific, measurable, achievable, realistic and time-related (SMART).
- Responsibility for those actions is clearly identified.
- It is a 'living' document, ie it is not focused exclusively on year end and communicates significant issues which may change from year to year.

4.5 Other innovative features might include the following:

- Good use of diagrams to communicate the message more effectively and reduce the need for text.
- Use of hyperlinks to key governance documents to facilitate a brief and more user friendly statement.

This page is intentionally left blank.

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 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) , “The DGG Framework”.

2. What is Governance?

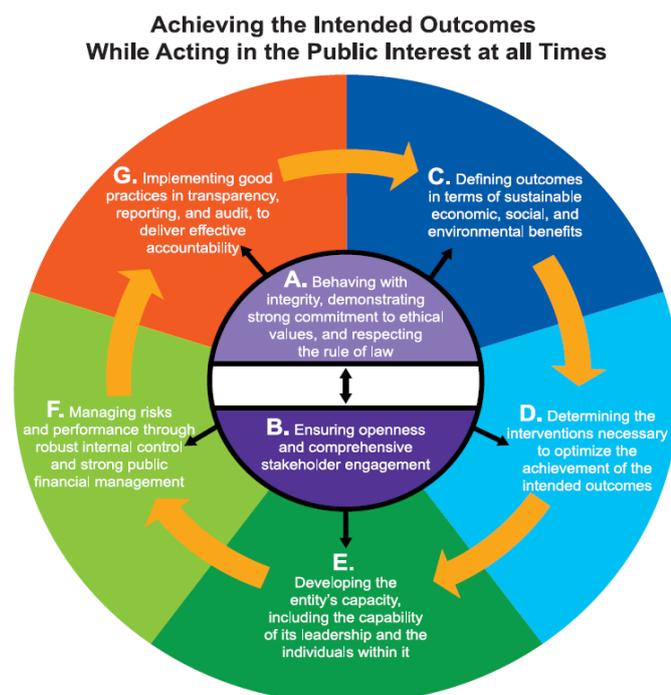
- 2.1. The International Framework: Good Governance in the Public Sector (Chartered Institute of Public Finance and Accountancy / International Federation of Accountants, 2014), the ‘International Framework’, defines governance as follows:

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 shows how the various principles of good governance in the public sector relate to each other.



3. The Principles of Good Governance

- 3.1. 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.
- 3.2. 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.**
- 3.3. 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**

4. The Council's Local Code of Corporate Governance

- 4.1. The Council is committed to, and endeavours to maintain, an effective governance framework to meet the principles set out in this Code.
- 4.2. This Code also aims to ensure that the Council responds appropriately to sustained pressures from a variety of sources.
- 4.3. 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 and identify 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 and 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.
- 4.4. 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.
- 4.5. 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.
- 4.6. This section describes, with reference to the components of the Council's governance framework, how each of the principles and sub-principles of this Code will be met. 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

- 4.7. 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

- 4.8. 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

- 4.9. 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.
- 4.10. 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

4.11. 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 Staff Scheme](#), and awarding instant recognition certificates to those who make an exceptional contribution in this area.

- 4.12. 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.
- 4.13. 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

- 4.14. 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.
- 4.15. 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.
- 4.16. 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

- 4.17. 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

4.18. 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

4.19. 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.

4.20. 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

4.21. 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

4.22. 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.

4.23. 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

4.24. 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

4.25. 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, Crime and Victim's Plan 2016 - 2021](#); [Regeneration Statement 2012 – 2022](#); [Risk Management Strategy and Policy](#); [Safe Durham Partnership Plan 2016 - 2019](#); [Sustainable Community Strategy \(SCS\) 2014 – 2030](#).

C1 Defining outcomes

4.26. 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, Crime and Victims' Plan 2016 - 2021](#).

- 4.27. 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

- 4.28. 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.

4.29. 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

4.30. 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

4.31. 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 \(MFTP\)](#); [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

4.32. 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

4.33. 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

- 4.34. 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

4.35. 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

4.36. 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

4.37. 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.
- 4.38. 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.
- 4.39. 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

- 4.40. 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.
- 4.41. 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.
- 4.42. 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.
- 4.43. 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.
- 4.44. 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.
- 4.45. 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.

4.46. 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

4.47. 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.

4.48. 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.

4.49. 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

4.50. Key governance documents supporting Principle F include:

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

4.51. 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

4.52. 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](#) [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.

4.53. 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.

4.54. 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

4.55. 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.

4.56. 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

4.57. 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

4.58. 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

4.59. 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

4.60. 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

4.61. 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.

4.62. 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. 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

4.63. 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.

4.64. 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.

4.65. 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

4.66. The Council seeks to provide **continuous** assurance with regard to its arrangements for governance and internal control by,

- **Maximising the amount of assurance available online.**
- 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.

4.67. The Council welcomes peer challenge, reviews and inspections from regulatory bodies and seeks to ensure that recommendations are implemented.

4.68. 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.

5. 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;
- 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; and
- promote equality and diversity across all of its work and the work of the County Council

Audit Committee

30 November 2017

Strategic Risk Management Progress Report for the Quarter period July to September 2017



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 to September 2017.

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 the Deputy Leader and Finance 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 2017, there were 23 risks on the corporate strategic risk register, the same as at 30 June 2017. During quarter 2, one risk was added and one was removed.
- 5 In summary, the key risks to the Council remain as being:
 - (a) If there was to be slippage in the delivery of the agreed MTFP savings projects, this will require further savings to be made from other areas, which may result in 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) Failure to protect child from death or serious harm (where service failure is a factor or issue);
- (d) A service failure of Adult Safeguarding leads to death or serious harm to a service user;
- (e) 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 2017.
- 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.

Contact: Kevin Roberts Tel: 03000 269657

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 the Deputy Leader and Finance 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 and the Director of Transformation and Partnerships 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 2017, there were 23 risks on the corporate strategic risk register, the same as at 30 June 2017. During quarter 2, one risk was added and one was removed.

The following matrix profiles the strategic risks according to their net risk evaluation as at 30 September 2017. To highlight changes in each category during the last quarter, the number of risks as at 30 June 2017 is shown in brackets.

Overall number of Strategic Risks as at 30 September 2017

Impact					
Critical	1 (1)	0 (1)	4 (4)		1 (1)
Major		4 (3)	3 (3)		
Moderate			9 (9)	1 (1)	
Minor					
Insignificant					
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

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

The key risks are reported in more detail below. In summary, key points to draw to your attention are:

New Risks

- 1 'Potential breach of the EU General Data Protection Regulations'.

The EU General Data Protection Regulations (GDPR) will replace the Data Protection Act in May 2018 and will require significant changes to the way services use personal data, including additional responsibilities for data controllers and new rights for data subjects. A GDPR Action Plan, reflecting latest ICO guidance, was approved by CMT in February 2017, and a sub-group of the Information Governance Group has been established to oversee the implementation. A detailed risk assessment concluded that the potential impact was major with an unlikely chance of occurrence. **(T&P)**

Increased Risks

2 No corporate strategic risks have increased during the quarter.

Removed Risks

3 One risk was removed during the quarter because, in September 2017, the Council achieved the necessary accreditation from Central Government.

- *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. (RES)*

Reduced from critical impact and unlikely occurrence to critical / remote.

Reduced Risks

4 No corporate strategic risks have reduced during the quarter.

Other Changes

5 New guidance from the Chartered Institute of Public Finance and Accountancy will be used to further strengthen the Council's counter fraud arrangements, including the development of a fraud risk register for key functions. This will help to mitigate the following strategic risk:-

'Due to the current economic climate and amount of change occurring across the Council, there is potential for increases in fraud and corruption'. (RES)

Key Risks

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

Key Risks Matrix

Net Impact					
Critical			Risk 1 MTFP Slippage Risk 3 Child Safeguarding Risk 4 Adult Safeguarding Risk 5 Major Interruption to IT Service Delivery		Risk 2 Ongoing Government funding cuts
Major					
Moderate					
Minor					
Insignificant					
Net Likelihood	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: Jeff Garfoot	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: Jeff Garfoot	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	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.

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	AHS Risk Owner: Lee Alexander	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.
5	RES Risk Owner: Alan Patrickson	Altogether Better Council	Major Interruption to IT Service Delivery	Critical	Possible	A programme for an electrical upgrade has been developed		Following a change to the scope of works required by ICT, the anticipated completion date for the electrical upgrade has been put back from December 2017 to March 2018.

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

Based on the **Net** risk assessment as at 30 September 2017, the following tables highlight the risks for each Corporate Theme.

Corporate Theme – Altogether Better Council

Ref	Service	Risk
1	RES	If there was to be slippage in the delivery of the agreed MTFP savings projects, this will require further savings to be made from other areas, which may result in further service reductions and job losses.
2	RES	Ongoing Government funding cuts which now extend to at least 2019/20 will continue to have an increasing major impact on all Council services.
3	RES	Major Interruption to IT Service Delivery
4	T&P	Serious breach of law regarding management of data/information, including an unauthorised release requiring notification to ICO
5	T&P	Risk that the Council does not respond to the Government's changes to Welfare Reform
6	T&P	Failure to consult with communities on major service & policy changes leading to legal challenge & delays in implementation
7	REAL	Potential adverse financial and operational impacts of the Homelessness Reduction Bill on the Housing Solutions service.
8	RES	Serious breach of Health and Safety Legislation
9	T&P	If the Council suffered a major cyber-attack, then it may be unable to effectively deliver essential services
10	T&P	Potential breach of the EU General Data Protection Regulations
11	T&P	Failure to consider equality implications of decisions on communities leading to legal challenge and delays in implementation
12	RES	Due to the current economic climate and amount of change occurring across the Council, there is potential for increases in fraud and corruption.
13	T&P	Failure to prepare for, respond to and recover from a disruptive event, leading to a major interruption to the provision of essential services by the Council.

Altogether Better for Children and Young People

Ref	Service	Risk
14	CYPS	Failure to protect child from death or serious harm (where service failure is a factor or issue)
15	CYPS	Inability to recruit and retain children's social workers and social work managers may seriously inhibit the delivery of services.
16	CYPS	Proposed changes to the School Funding Formula threaten the viability of some schools

Altogether Greener

No significant strategic risks have been identified under this theme.

Altogether Healthier

	Service	Risk
17	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
18	AHS	A service failure of Adult Safeguarding leads to death or serious harm to a service user.
19	T&P	Breach of duty under Civil Contingencies Act by failing to prepare for, respond to and recover from a major incident, leading to a civil emergency.
20	REAL	Damage to Highways assets as a result of a severe weather event.
21	REAL	Serious injury or loss of life due to Safeguarding failure (Transport Service)

Altogether Wealthier

	Service	Risk
22	REAL	Future strategic direction of the Council and the County will be adversely impacted if the County Durham Plan is not adopted.
23	REAL	Progressive land slippage near the A690 may develop to an extent where a major road closure is necessary for repairs.

Appendix 5: Performance of Risk Management

Performance Indicators - Tangible Measures

Objective: To demonstrate that risks are being effectively managed				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Last Quarter	This Quarter
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 current risks where Net risk scores have reduced over the quarter	Target N/A (Quarterly)	One	None
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 28 June 2017.	The Annual Governance Statement was approved by Audit Committee on 29 September 2017.
Objective: To ensure that Officers and Members are appropriately skilled in risk management				
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Last Quarter	This Quarter
Appropriate staff are adequately skilled in risk management	Tier 4 managers attending risk management training course	Target N/A (Quarterly)	No training provided in this quarter.	No training provided in this quarter.
Appropriate staff are adequately skilled in risk management	Tier 5 managers attending risk management training course	Target N/A (Quarterly)	No training provided in this quarter.	No training provided in this quarter.
Members are adequately skilled in risk management	New Members 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.	Five DCC members attended a risk management briefing. Training was provided to officers and members from the town councils of Peterlee, Ferryhill and Sedgfield.

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	Effective management of the following risk has helped maintain the delivery of critical services such as revenues and benefits, and to avoid financial penalties and reputational damage. <ul style="list-style-type: none"> <i>'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'. (RES)</i>
Successfully delivered projects	As above	As above	Twelve capital projects were completed during the quarter
Reputation protected	As above	As above	Effective management of the following risks, including maintaining awareness of the issue throughout the organisation, seeks to ensure that the Council is protected against cyber-attacks. <ul style="list-style-type: none"> <i>'Major Interruption to IT Service Delivery'. (RES)</i> <i>'If the Council suffered a major cyber-attack, then it may be unable to effectively deliver essential services during the period of recovery'. (T&P)</i>
Innovative decisions that were risk managed	As above	As above	
Financial return for the Council	As above	As above	

Appendix 6: Emerging Strategic Risks

In this context, emerging risks are newly developing or changing risks which are difficult to quantify, but which may have a major impact on the Council if they materialise in the future.

Ref	Emerging Risk	Description	Risk Owner	Update and Actions
1	Fire safety	<p>The fire at Grenfell Tower, Kensington in June 2017 has raised new concerns about fire safety, particularly in large, multi-storey buildings with cladding made from Aluminium Composite Material. The Government has ordered a public inquiry, which may result in changes to fire safety regulations.</p> <p>There is no high rise residential accommodation in County Durham, either in existing property stock or social housing.</p>	Ian Thompson	<p>The nature of this risk has changed. Potential changes to building regulations may lead to increased responsibilities for the Council and consequent financial impacts. Fire safety issues continue to be managed as follows.</p> <p>In County Durham, investigations are largely complete in reviewing the risks for other types of building in the light of recent events with no issues raised in terms of health and safety. At the present time, no new formal safety advice has been issued by central government or local fire and rescue services.</p> <p>A Public Safety Review Group has been convened and this will continue to monitor guidance and instruction from the Grenfell Tower expert advisory panel and any other central government guidance and act upon this accordingly.</p> <p>Other ongoing actions include:-</p> <ul style="list-style-type: none"> • Signposting social housing providers, the Council's business tenants and other service providers to central government guidance post Grenfell and reminding them of their statutory duties and fire safety responsibilities. • Compiling a list of all Council premises to evidence that suitable and sufficient fire safety standards are in place. • Preparing reassurance communications for the general public in relation to the situation within County Durham, actions being taken by the Council and how to report any concerns regarding fire safety. • Reviewing emergency procedures to take on board any lessons learnt from Grenfell

Ref	Emerging Risk	Description	Risk Owner	Update and Actions
2	European Union	<p>Following the referendum in June 2016, in which the United Kingdom voted to leave the European Union, there will potentially be adverse effects on the economy, safety and welfare of the County.</p> <p>Potential economic impacts include loss of EU funding for DCC regeneration and employment programmes, and valuable programmes such as Durham Works are vulnerable.</p>	Sarah Robson	<p>There is still uncertainty about the impacts and CMT is monitoring developments.</p> <p>Preliminary mitigations include:-</p> <ul style="list-style-type: none"> • Tracking of visitor economy & perceptions • Monitoring business concerns, which are being lobbied at national level • Tracking the national legislative position • Tracking the position on EU funding and applying for other sources of funding where possible.
3	Potential increase in equal pay claims	Increasing numbers of equal pay claims from staff using a specific group as a comparator.	John Hewitt	Officers are monitoring developments and there are ongoing negotiations and consultation with trade unions.

This page is intentionally left blank

Audit Committee**30 November 2017****Risk Management Process Review**

Report of John Hewitt, Corporate Director Resources

Purpose of the Report

- 1 To report the findings of a review the strategic risk management process to determine whether it is fit for purpose, and recommend options for the future reporting of risk.

Background

- 2 The strategic risk management process is the mechanism by which significant risks are escalated to Corporate Management Team (CMT) and Audit Committee. In addition to providing risk management assurance, it also enables CMT and Audit Committee to:
 - have a good understanding of, and regularly review, the risks facing the Council and their likely implications for service delivery;
 - challenge the analysis and evaluation of key risks;
 - ensure that mitigating actions are implemented for key risks; and
 - ensure that the Council learns lessons from risk events.

Current arrangements

- 3 The review process is co-ordinated by the Principal Risk and Governance Officer (PR&GO), and is designed to facilitate corporate oversight, consultation and constructive challenge. The process involves the risk owner (usually the head of service), the service grouping senior management team, Corporate Risk Management Group, CMT and Audit Committee. The publication of risk management reports to the Audit Committee provides assurance to Committee members, the general public and other stakeholders. Quarterly performance reports to Cabinet include a brief update on the management of key risks.
- 4 These arrangements are now well established, having existed broadly in this format since 2010. The process has gradually become more structured and formal, with various improvements being made over this period:-
 - there is now a common report format across all service groupings;
 - the PR&GO has regular, direct contact with each head of service and presents the quarterly risk update, in person, to each senior management team;
 - operating efficiencies have been achieved following an upgrade to the risk management database; and
 - formal arrangements for recording and monitoring emerging risks have been implemented.

Conclusions

- 8 Currently, a full review is undertaken by Services of their strategic risks four times per year, in line with the approved Risk Management Strategy. Ideally, these reviews would take place evenly throughout the year on a quarterly basis. However, due to the summer recess, this cannot be achieved. For example, the risk update reports for 2016/17 quarter 4 and 2017/18 quarter 1 were submitted to Audit Committee in successive months (June and July 2017), and due to this major overlap in services reviewing risks, there were no key changes to risks between both reports. As a result, there seems to be minimal benefit in terms of either assurance provided or best use of resources in continuing to provide these reports so close together.

By nature, strategic risks only tend to change over the medium to long term period. Therefore, we recommend an alternative option to the existing arrangements, with the dual aims of maintaining the provision of assurance to Audit Committee and making better use of resources in the services to improve value for money from the risk management function

Having considered a number of options, we believe that the only two viable options are detailed as follows:

Option 1

Maintain the status quo of four full reviews per year, reporting to Audit Committee in February, June, July and November

- Benefits of this option
 - More regular formal reporting of risk;
 - Longest interval between Audit Committee meetings is only 18 weeks.
- Disadvantages of this option
 - Three of the review periods overlap.

Option 2

Change to three full reviews per year, reporting to Audit Committee in February, July and November. To supplement this and thereby continue to regularly provide assurance to Audit Committee, we propose to meet formally with the chair and vice-chair between February and July, prior to the May Audit Committee meeting, to brief them on any emerging risk issues, and to respond to any risk issues raised by the committee members. A formal process for this will be established.

- Benefits of this option
 - Continues to provide assurance that strategic risks are being effectively managed within the risk management framework across the Council;
 - Better use of management resources and greater value-for-money;
 - Avoids Summer holidays, peak corporate governance work and financial year-end;
 - No overlap of review periods.

- Disadvantages of this option
 - Longest interval between Audit Committee meetings is 22 weeks (although there will be a meeting with the Chair and Vice-chair midway during this period).

Recommendations and reasons

10 Audit Committee is requested to approve Option 2.

Contact: David Marshall Tel: 03000 269648

Appendix 1: Implications

Finance – None

Staffing – None

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.

Audit Committee

30 November 2017



**Internal Audit Progress Report
Period Ended 30 September 2017**

**Report of Paul Bradley, 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 2017 to 30 September 2017 as part of the 2017/2018 Internal Audit Plan.
- 2 The report aims to:
 - (a) 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;
 - (b) Advise of issues where controls need to be improved in order to effectively manage risks;
 - (c) 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;
 - (d) Advise of amendments to the Internal Audit Plan;
 - (e) Track the progress of responses to Internal Audit reports and the implementation of agreed audit recommendations;
 - (f) Advise of any changes to the audit process;
 - (g) Provide an update on the performance indicators comparing actual performance against planned.

- 3 The appendices attached to this report are summarised below. Those marked with an asterisk are not for publication (Exempt information under Part 3 of Schedule 12a to the Local Government Act 1972, paragraph 3).
- (a) Appendix 2 – Progress against the Internal Audit Plan;
 - (b) Appendix 3 – Final reports issued in the quarter ended 30 June 2017;
 - (c) Appendix 4 – The number of high and medium priority actions raised and implemented;
 - (d) Appendix 5 – Internal Audit performance indicators;
 - (e) Appendix 6* – Overdue Actions
 - (f) Appendix 7* – Limited Assurance Audit Opinions

Background

- 4 As an independent consultancy service, the Council's Internal Audit Team strives to continue to add value and improve the organisation's operations as well as providing objective assurance to service managers and the Council.
- 5 The Internal Audit Strategy and Annual Internal Audit Plan, covering the period 1 April 2017 to 31 March 2018, was approved by the Audit Committee on 28 June 2017.

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 status of each audit as at 30 September 2017 and, where applicable, also gives the resultant assurance opinion.
- 7 A summary of the status of audits in 2017/18 is illustrated in the table below:

Service Grouping	Not Started	Planning and Preparation	In Progress	Draft Report	Final Report / Complete
Adult and Health Services (AHS)	10	4	6	1	3
Children and Young People's Services (CYPS) *Excluding Schools	12	12	4	3	5
Regeneration and Local Services (REAL)	14	14	4	6	13
Resources (RES)	55	10	17	3	39
Schools	23	5	7	17	31
Transformation and Partnerships (TAP)	7	1	5	1	3
TOTAL	121	46	43	31	94

- 8 A summary of the final internal 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 4,301. As at 30 September 2017, the service had delivered 2,037 productive days, representing 47% of the total plan. The target at the end of the quarter was for 45% to be delivered, therefore performance has achieved the target.

Internal Audit activity in the quarter

Amendments to the Approved 2017/2018 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.

Service Grouping	Audit	Audit Type	Reason
Adult and Health Services (AHS)	Contaminated Land - Planning Consultation	Assurance	Cancelled further to initial Internal Audit review of the planning consultation process, which delivered a Substantial Assurance opinion with no recommendations for action and is the same process for developments where there are implications for both air quality and contaminated land.
Children and Young People's Services (CYPS)	Youth Employment Initiative	Advice and consultancy	Cancelled further to initial Internal Audit review undertaken in 2016 and subsequent confirmation from the Government Internal Audit Agency (GIAA) that they are going to carry out an Article 127 audit on the claims processes arrangements.
Regeneration and Local Services (REAL)	Effectiveness of MAIS and CSE arrangements (to be renamed as Vulnerability Intervention Pathways – VIP)	Assurance	Service request to defer review to 2018/19 to allow time for new arrangements to become embedded.
Regeneration and Local Services (REAL)	Allotments (Follow Up)	Assurance	Service request to defer review to 2018/19 to allow time to consider future arrangements for allotments.
Regeneration and Local Services (REAL)	QMS Quarterly Visit	Advice and consultancy	Service request to cancel review as no longer required.
Resources (RES)	Teachers' Pension Fund: Process Review	Advice and consultancy	Service request to cancel review as no longer required.

- 11 Seven unplanned audit reviews were added to the Internal Audit Plan in the quarter. These reviews, which are detailed below, were sourced from the service contingency provision within the Internal Audit Plan.

Service Grouping	Audit	Audit Type	Reason
Regeneration and Local Services (REAL)	New Bonus Homes – Affordable Homes	Advice and consultancy	Service request to provide advice and consultancy on the process in place.
Regeneration and Local Services (REAL)	Natural Burials	Advice and consultancy	Service request to provide advice and consultancy following the dissolution of the Woodland Burial Trust.
Regeneration and Local Services (REAL)	Asbestos Management	Advice and consultancy	Service request for advice and consultancy.
Regeneration and Local Services (REAL)	Asset Management	Assurance	Request from Audit Committee to add review.
Regeneration and Local Services (REAL)	North Pennines Area of Outstanding Natural Beauty (AONB) Partnership	Grant	Grant Certification
Resources (RES)	Use of Social Media in Covert Investigations.	Assurance	The Information Commissioner is to include a check of the use of social media in covert investigations the next time a review of compliance with the Regulation of Investigatory Powers Act (RIPA) is carried out.
Resources (RES)	Deputy and Appointee Working Group	Advice and consultancy	Service request to attend working group to provide advice and consultancy.

Outstanding Management Responses to Draft Internal Audit Reports

- 12 There are no draft internal audit reports overdue at the time of writing.

Survey Response Rate

- 13 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 30 September 2017.

Service Grouping	Surveys issued	Surveys returned	% returned	Av. score
Adult and Health Services (AHS)	2	2	100	4.6
Children and Young People's Services (CYPS) *Excluding Schools	4	3	75	4.5
Regeneration and Local Services (REAL)	5	4	80	4.5
Resources (RES)	38	33	87	4.4
Schools	31	17	55	4.8
Transformation and Partnerships (TAP)	3	2	67	4.7
TOTAL	83	61	73	4.6

Responses to Internal Audit Findings and Recommendations

- 14 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.
- 15 A summary of progress on the actions due, implemented and overdue, as at 30 September 2017, 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
Adult and Health Services (AHS)	57	51*	6	6	0
Children and Young People's Services (CYPS) *Excluding Schools	84	80**	4	4	0
Regeneration and Local Services (REAL)	485	452	33	33	0
Resources (RES)	422	398	24	24	0
Transformation and Partnerships (TAP)	23	22	1	1	0
TOTAL	1,071	1,003	68	68	0

* Includes 5 high priority actions, which need to be confirmed as implemented at the follow up audit.

** Includes 1 high priority action, which needs to be confirmed as implemented at the follow up audit.

- 16 It is encouraging to note that, of the 1,071 actions due to be implemented, 1,003 (94%) have been implemented.
- 17 Details of the actions that are overdue, following their agreed original target dates, are included at Appendix 6.

Limited Assurance Audit Opinions

- 18 There have been five audits, finalised in this quarter, that have been issued with a 'limited assurance' opinion. These all relate to Primary schools, as summarised in the table below.

Service Grouping	Service Area	Audit
Children and Young People's Services (CYPS)	Education Services	Five Primary Schools

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

Performance Indicators

- 20 A summary of actual performance, as at the end of September 2017, compared with our agreed targets is detailed in Appendix 5.

Recommendations

- 21 Members are asked to note:
- (a) The amendments made to the 2017/18 Annual Internal Audit Plan;
 - (b) The work undertaken by Internal Audit during the period ending 30 September 2017;
 - (c) The performance of the Internal Audit Service during the period;
 - (d) The progress made by service managers in responding to the work of Internal Audit.

Contact: Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager
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 – All Corporate Directors, the Director of Transformation and Partnerships and all Heads of Service.

Procurement – None.

Disability Issues – None.

Legal Implications – None.

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2017

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
2016 / 2017 Internal Audit Plan - Audits Brought Forward					
Adult and Health Services	Adult Care	Section 117 Process	Advice & Consultancy	Draft Report	
Adult and Health Services	Adult Care	Continuing Health Care	Assurance	Not Yet Started	
Adult and Health Services	Adult Care	Shared Lives - Follow Up	Assurance	Not Yet Started	
Adult and Health Services	Adult Care	Direct Payments - Direct Payment Cards	Advice & Consultancy	In Progress	
Adult and Health Services	Adult Care	Pathways - Establishment Audit	Advice & Consultancy	In Progress	
Adult and Health Services	Adult Care	Holiday Averages Calculation and Payment Arrangements for Part Time Adult Care	Advice & Consultancy	In Progress	
Adult and Health Services	EHCP	Pollution Control - Planning Consultation Arrangements	Assurance	Final Report	Substantial
Adult and Health Services	EHCP	Contaminated Land - Planning Consultation	Assurance	Cancelled	
Adult and Health Services	EHCP	Accumulations Protocol	Assurance	Planning and Preparation	
Adult and Health Services	Public Health	Public Health Claims Processed via Pharmoutcomes	Assurance	In Progress	
Children and Young People's Services	Children's Services	Supervised Spend - Leaving Care Service: Follow Up	Assurance	Final Report	Moderate
Children and Young People's Services	Children's Services	Aycliffe Secure Services Centre (Follow Up)	Assurance	Draft Report	
Children and Young People's Services	Children's Services	9 Cedar Drive Children's Home (Follow Up)	Assurance	Final Report	Substantial
Children and Young People's Services	Children's Services	Foster Carer Payments (Follow Up)	Assurance	Not Yet Started	
Children and Young People's Services	Children's Services	Scheme of Delegation for both Professional and Financial Decision Making within	Assurance	Planning and Preparation	
Children and Young People's Services	Children's Services	Review of Locality Offices Petty Cash	Assurance	Planning and Preparation	
Children and Young People's Services	Children's Services	Section 17 Payments	Assurance	Draft Report	
Children and Young People's Services	Education Services	Youth Employment Initiative - YEI Procurement	Assurance	Final Report	Substantial
Children and Young People's Services	Education Services	Schools - Safe Recruitment and Selection	Assurance	Final Report	Limited
Children and Young People's Services	Education Services	Schools - Safe Recruitment and Selection	Assurance	Not Yet Started	
Children and Young People's Services	Education Services	The Woodlands Pupil Referral Unit - (Finance and Governance)	Assurance	Planning and Preparation	
Regeneration and Local Services	Planning and Assets	Land Sales - Quality/Price	Advice & Consultancy	Draft Report	
Regeneration and Local Services	Transport and Contract Services	Public Rights of Way	Assurance	Final Report	Moderate
Regeneration and Local Services	Direct Services	Play Areas	Assurance	Final Report	Moderate
Regeneration and Local Services	Direct Services	Facilities Management	Assurance	Final Report	Substantial
Regeneration and Local Services	Direct Services	Environmental Compliance	Advice & Consultancy	Not yet started	
Regeneration and Local Services	Technical Services	Stores Budgetary Control	Advice & Consultancy	Final Report	N/A
Resources	Legal and Democratic Services	Newco Trading Arrangements - Follow Up	Assurance	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Capital Accounting	Key System	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Teachers Pension Fund: Process Review	Advice & Consultancy	Cancelled	
Resources	Corporate Finance and Commercial Services	Treasury Management - Short Term Investments	Key System	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Bank reconciliation	Key System	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	General Ledger	Key System	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Medium Term Financial Plan	Key System	Planning and Preparation	
Resources	Corporate Finance and Commercial Services	Banking Arrangements	Assurance	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Violent Person Register	Assurance	In Progress	
Resources	Corporate Finance and Commercial Services	Off Contract Spend	Assurance	Final Report	Moderate
Resources	Corporate Finance and Commercial Services	Procurement - Schools Commercial Focus	Advice & Consultancy	Planning and Preparation	
Resources	Finance and Transactional Services	Council Tax: Recovery	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Council Tax: Maintenance of Debt, Annual Updates and PIs	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Council Tax: Discounts and Exemptions	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Business Rates: Recovery	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Business Rates: Maintenance of Debt, Annual Update and PIs	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Business Rates: Discounts and Exemptions	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	HB & CTR New Claims and Change of Circumstances	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	HB & CTR Annual Updates & PIs	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	HB, Council Tax and Business Rates: System Access & Declarations of Interest	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Prepaid Cards	Advice & Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	Creditor Payments	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Payroll: Establishment & Core Data	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Payroll: Adjustments & System Access	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Payroll: Processing, Payments and System Parameters	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Debtors	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Cash Collection: 02 - Annand House	Key System	Final Report	Moderate
Resources	Finance and Transactional Services	Cash Collection: 03 - Music Service	Key System	Final Report	Moderate

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2017

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Finance and Transactional Services	Cash Collection: 04 Revenues	Key System	Final Report	Substantial
Resources	Finance and Transactional Services	Cash Collection: 06 - County Hall Canteen	Key System	Draft Report	
Resources	Finance and Transactional Services	Chapter Homes Arrangements	Advice & Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	FST: Petty cash and Imprests	Advice & Consultancy	Complete	N/A
Resources	Finance and Transactional Services	FST: Monitoring Visits	Advice & Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	FST: Procurement, Payment and Collections Team Process Mapping	Advice & Consultancy	Final Report	N/A
Resources	Finance and Transactional Services	FST: Debtors	Advice & Consultancy	Complete	N/A
Resources	Digital and Customer Services	ICT Purchasing	Assurance	Final Report	Moderate
Resources	Digital and Customer Services	ISP - Security Incident Management	Assurance	Final Report	Moderate
Resources	Digital and Customer Services	PSN Remedial Action Plan	Assurance	Final Report	Substantial
Resources	Digital and Customer Services	ISP - Backup Procedures	Assurance	Final Report	Moderate
Resources	Digital and Customer Services	ICT Service Level Agreements	Assurance	Final Report	Moderate
Transformation and Partnerships	Communications and Information Management	Data Breach Arrangements - Quality Review Team	Assurance	Final Report	Substantial
Transformation and Partnerships	Communications and Information Management	Data Protection - Accessing External Databases	Assurance	In Progress	
Transformation and Partnerships	Communications and Information Management	Caldicott Compliance: Data Sharing Procedures - Foster Carers	Assurance	Final Report	Moderate
Transformation and Partnerships	Strategy	Data Quality	Assurance	Final Report	Moderate
2017 / 2018 Internal Audit Plan					
Adult and Health Services	Adult Care	Notification of Service – Impact of Financial Assessment on Income Collection (RES)	Assurance	Not Yet Started	
Adult and Health Services	Adult Care	Debt Management - Collection of Social Care Fees for Domiciliary and Residential Care	Assurance	Not Yet Started	
Adult and Health Services	Adult Care	County Durham Care & Support Review	Advice & Consultancy	In Progress	
Adult and Health Services	Adult Care	Information Security - Caldicott Compliance (TaP)	Assurance	Not Yet Started	
Adult and Health Services	Adult Care	SSID Replacement	Advice & Consultancy	Planning and Preparation	
Adult and Health Services	Adult Care / Commissioning	Transition Arrangements between Childrens and Adult Services	Assurance	Not Yet Started	
Adult and Health Services	Adult Care / Commissioning	Commissioning of Learning Disability Services	Assurance	In Progress	
Adult and Health Services	Commissioning	Payments to Independent Residential Homes (Quality Band Assessment etc)	Assurance	Not Yet Started	
Adult and Health Services	Commissioning	Approval and Payment of Commissioned Services - Panel arrangements for payments	Assurance	Planning and Preparation	
Adult and Health Services	Commissioning	Supplier masterfile - SSID Independent Sector Suppliers follow up (RES)	Assurance	Not Yet Started	
Adult and Health Services	EHCP	Licensing Arrangements for Houses in Multiple Occupation	Advice & Consultancy	Not Yet Started	
Adult and Health Services	EHCP	Intelligence Handling within EHCP	Assurance	Planning and Preparation	
Adult and Health Services	EHCP	Trading Standards Grant	Grant Certification	Final Report	N/A
Adult and Health Services	Public Health	Medical Examiners Service	Assurance	Not Yet Started	
Adult and Health Services	Commissioning	Payments to Independent Residential Homes - Calculation and Payment of Care Home	Advice & Consultancy	Complete	N/A
Children and Young People's Services	Children's Services	West Rainton Children's Home (Establishment Audit)	Assurance	Planning and Preparation	
Children and Young People's Services	Children's Services	Park House (Establishment Audit)	Assurance	Planning and Preparation	
Children and Young People's Services	Children's Services	Children's Centres (Establishment Audit)	Assurance	Planning and Preparation	
Children and Young People's Services	Children's Services	Troubled Families Programme - Milestone 1 of 4	Grant Certification	Complete	N/A
Children and Young People's Services	Children's Services	Troubled Families Programme - Milestone 2 of 4	Grant Certification	Planning and Preparation	
Children and Young People's Services	Children's Services	Troubled Families Programme - Milestone 3 of 4	Grant Certification	Planning and Preparation	
Children and Young People's Services	Children's Services	Troubled Families Programme - Milestone 4 of 4	Grant Certification	Planning and Preparation	
Children and Young People's Services	Children's Services	Adoption Services	Assurance	Not Yet Started	
Children and Young People's Services	Children's Services	Special Guardianship and Child Arrangement Orders	Assurance	Not Yet Started	
Children and Young People's Services	Education Services	Youth Employment Initiative - Durham Works	Advice & Consultancy	Not Yet Started	
Children and Young People's Services	Education Services	Youth Employment Initiative	Advice & Consultancy	Cancelled	
Children and Young People's Services	Education Services	Arrangements for the allocation of SEN funding and its application in schools	Assurance	Planning and Preparation	
Children and Young People's Services	Education Services	Schools Organisations and Capital Programme	Assurance	Not Yet Started	
Children and Young People's Services	Education Services	Children Missing from Education	Assurance	Draft Report	
Children and Young People's Services	Education Services	Arrangements for the allocation of Pupil Premium Funding and its application in schools	Assurance	Not Yet Started	
Children and Young People's Services	Education Services	Award of additional pay in Schools	Assurance	Not Yet Started	
Children and Young People's Services	Education Services	Schools Financial Value Standard (SFVS)	Advice & Consultancy	Planning and Preparation	
Children and Young People's Services	Education Services	Governor Training:	Advice & Consultancy	In Progress	
Children and Young People's Services	Education Services	School Business Manager Training	Advice & Consultancy	Not Yet Started	
Children and Young People's Services	Education Services	Head Teacher induction to Finance and Budgeting	Advice & Consultancy	Not Yet Started	
Children and Young People's Services	Education Services	Schools User Provider Group	Advice & Consultancy	In Progress	
Children and Young People's Services	Children's Services	SSID Replacement	Advice & Consultancy	Planning and Preparation	

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2017

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Children and Young People's Services	Education Services	School Programme (governance and financial management)	Assurance	5 Substantial 17 Moderate 9 Limited	
Children and Young People's Services	Education Services	Audit of School Voluntary Funds	Fund Certification	17 Complete	
Children and Young People's Services	Education Services	National College for Teaching and Leadership (NCTL) - Direct Salaried Grant	Grant Certification	Not Yet Started	
Children and Young People's Services	Education Services	National College for Teaching and Leadership (NCTL) - Collaborative Fund Grant	Grant Certification	Not Yet Started	
Children and Young People's Services	Education Services	The Woodlands - Data Protection and Information Security Arrangements	Advice & Consultancy	In Progress	
Children and Young People's Services	Children's Services	Looked After Placement Referral Process and Placement and Resource Panel (PRP) Gu	Advice & Consultancy	In Progress	
Regeneration and Local Services	Direct Services	Bulky Goods Collections Service	Advice & Consultancy	Not yet started	
Regeneration and Local Services	Direct Services	Allotments (Follow Up)	Assurance	Defer to 2018/19	
Regeneration and Local Services	Direct Services	Flytipping	Assurance	Not yet started	
Regeneration and Local Services	Direct Services	Effectiveness of MAIS and CSE arrangements - to be renamed as Vulnerability	Assurance	Defer to 2018/19	
Regeneration and Local Services	Planning and Assets	Low Carbo 1	Grant	Final Report	N/A
Regeneration and Local Services	Planning and Assets	Low Carbo 2	Grant	Planning and Preparation	
Regeneration and Local Services	Planning and Assets	Rebus 1	Grant	Final Report	N/A
Regeneration and Local Services	Planning and Assets	Rebus 2	Grant	Planning and Preparation	
Regeneration and Local Services	Planning and Assets	Planning Applications	Assurance	Planning and Preparation	
Regeneration and Local Services	Economic Development and Housing	Accommodation	Advice & Consultancy	In Progress	
Regeneration and Local Services	Economic Development and Housing	Stephanie	Grant	Final Report	N/A
Regeneration and Local Services	Economic Development and Housing	Choice Based Letting Scheme	Assurance	Planning and Preparation	
Regeneration and Local Services	Economic Development and Housing	Disabled Facilities Grant	Grant	In Progress	
Regeneration and Local Services	Transport and Contract Services	Local Transport Capital Block Funding	Grant	Final Report	N/A
Regeneration and Local Services	Transport and Contract Services	Bus Subsidy Ring Fenced Grant	Grant	Final Report	N/A
Regeneration and Local Services	Transport and Contract Services	Local Growth Fund - Station Cycle Links	Grant	In Progress	
Regeneration and Local Services	Transport and Contract Services	Local Growth Fund - Forest Park	Grant	Planning and Preparation	
Regeneration and Local Services	Transport and Contract Services	Local Growth Fund - Bishop Auckland Market Place	Grant	Planning and Preparation	
Regeneration and Local Services	Transport and Contract Services	Wheels to Work	Grant	Final Report	N/A
Regeneration and Local Services	Transport and Contract Services	Transport (Follow Up)	Assurance	Planning and Preparation	
Regeneration and Local Services	Transport and Contract Services	On Street and Off Street Parking (Follow Up)	Assurance	Draft Report	
Regeneration and Local Services	Direct Services	Bereavement Services	Assurance	Draft Report	
Regeneration and Local Services	Direct Services	Durham Crematorium	Assurance (Joint Ctte)	Planning and Preparation	
Regeneration and Local Services	Direct Services	Mounsett Crematorium	Assurance (Joint Ctte)	Planning and Preparation	
Regeneration and Local Services	Direct Services	ASB Powers / Training in relation to Crime Policing Bill	Assurance	Not yet started	
Regeneration and Local Services	Direct Services	Fleet Management	Assurance	Planning and Preparation	
Regeneration and Local Services	Direct Services	Hire of Vehicles and Skips	Assurance	Final Report	Substantial
Regeneration and Local Services	Direct Services	QMS Quarterly Visit	Advice & Consultancy	Cancelled	
Regeneration and Local Services	Direct Services	Waste Transfer Station (Thornley) - Financial Procedures	Advice & Consultancy	In Progress	
Regeneration and Local Services	Culture and Sport	Rolling Programme of Leisure Centres - Chester le Street	Assurance	Draft Report	
Regeneration and Local Services	Culture and Sport	Rolling Programme of Leisure Centres - Woodhouse Close	Assurance	Draft Report	
Regeneration and Local Services	Culture and Sport	Leisure Centres Timesheets (Follow Up)	Assurance	Not yet started	
Regeneration and Local Services	Culture and Sport	Leisureworks	Advice & Consultancy	Not yet started	
Regeneration and Local Services	Culture and Sport	CLUK Income Share Agreement	Assurance	Planning and Preparation	
Regeneration and Local Services	Culture and Sport	Stanley Bowls	Advice & Consultancy	Not yet started	
Regeneration and Local Services	Culture and Sport	Library System	Advice & Consultancy	Not yet started	
Regeneration and Local Services	Culture and Sport	Locomotion	Assurance	Not yet started	
Regeneration and Local Services	Culture and Sport	Gala - Box Office	Assurance	Draft Report	
Regeneration and Local Services	Culture and Sport	Gala - Cinema and Catering	Advice & Consultancy	Planning and Preparation	
Regeneration and Local Services	Culture and Sport	Catering	Advice & Consultancy	Not yet started	
Regeneration and Local Services	Technical Services	Local Highways Maintenance Funding - Incentive Element	Grant	Not yet started	
Regeneration and Local Services	Technical Services	Local Transport Capital Block Funding for NECA	Grant	Final Report	N/A
Regeneration and Local Services	Planning and Assets	Carbon Reduction Commitment	Advice & Consultancy	Final Report	N/A
Regeneration and Local Services	Economic Development and Housing	New Homes Bonus - Affordable Homes	Advice & Consultancy	Planning and Preparation	
Regeneration and Local Services	Direct Services	Natural Burials	Advice & Consultancy	Not yet started	
Regeneration and Local Services	Direct Services	Asbestos Management	Advice & Consultancy	Planning and Preparation	
Regeneration and Local Services	Planning and Assets	Asset Management - Final Accounts	Assurance	Not yet started	
Regeneration and Local Services	Planning and Assets	North Pennines AONB Partnership	Grant	Not yet started	
Resources	People and Talent Management	Flexible Working - Variations to Contracts	Assurance	Planning and Preparation	

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2017

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Finance and Transactional Services	Enforcement, including bailiff arrangements	Assurance	Planning and Preparation	
Resources	Digital and Customer Services	Active Directory	Advice & Consultancy	Not yet started	
Resources	Digital and Customer Services	CRM System	Assurance	Not yet started	
Resources	All	Transformation Assurance	Assurance	Not yet started	
Resources	Legal and Democratic Services	Electoral Services	Assurance	Not yet started	
Resources	Legal and Democratic Services	Registrars	Assurance	Not yet started	
Resources	Legal and Democratic Services	RIPA Officers Group	Advice & Consultancy	In Progress	
Resources	People and Talent Management	ER/VR arrangements	Assurance	In Progress	
Resources	Corporate Finance and Commercial Services	General Ledger	Key System	Not yet started	
Resources	Corporate Finance and Commercial Services	VAT	Key System	Not yet started	
Resources	Corporate Finance and Commercial Services	Bank Reconciliation	Key System	Not yet started	
Resources	Corporate Finance and Commercial Services	Apprenticeship Levy Implementation Group	Advice & Consultancy	In Progress	
Resources	Corporate Finance and Commercial Services	Treasury Management	Key System	Not yet started	
Resources	Corporate Finance and Commercial Services	Contract Register	Assurance	Not yet started	
Resources	Corporate Finance and Commercial Services	Contract Management	Assurance	Planning and Preparation	
Resources	Corporate Finance and Commercial Services	Specifications	Assurance	Final Report	Substantial
Resources	Corporate Finance and Commercial Services	Off Contract Spend	Assurance	Not yet started	
Resources	Corporate Finance and Commercial Services	Procurement Cards (Follow Up)	Assurance	Draft Report	
Resources	Corporate Finance and Commercial Services	Oracle Programme Board	Advice & Consultancy	In Progress	
Resources	Corporate Finance and Commercial Services	Transactional Purchasing Improvement Group	Advice & Consultancy	Not yet started	
Resources	Corporate Finance and Commercial Services	Petty Cash and Payment Cards	Advice & Consultancy	In Progress	
Resources	Corporate Finance and Commercial Services	Health and Safety Training Requirments (Follow Up)	Assurance	In Progress	
Resources	Finance and Transactional Services	SLAs	Assurance	Not yet started	
Resources	Finance and Transactional Services	Section 256	Grant	Not yet started	
Resources	Finance and Transactional Services	Shared Lives Service - Financial Inspections (Follow Up)	Assurance	Planning and Preparation	
Resources	Finance and Transactional Services	Financial Assessments and Reassessments	Assurance	Not yet started	
Resources	Finance and Transactional Services	FST Debit Card Account (Follow Up)	Assurance	Not yet started	
Resources	Finance and Transactional Services	Financial Deputees	Assurance	Not yet started	
Resources	Finance and Transactional Services	Deputy and Appointee Working Group	Advice & Consultancy	In Progress	
Resources	Finance and Transactional Services	Supporting People with Oxford Computer Consultants (SPOCC)	Assurance	Not yet started	
Resources	Finance and Transactional Services	Creditor Payments	Key System	Not yet started	
Resources	Finance and Transactional Services	Creditor Payments - NFI	Key System	In Progress	
Resources	Finance and Transactional Services	Creditor Payments - Transparency	Key System	In Progress	
Resources	Finance and Transactional Services	Creditor Payments - Transactional Purchasing Team	Key System	Planning and Preparation	
Resources	Finance and Transactional Services	Creditor Payments - No Purchase Order	Key System	Not yet started	
Resources	Finance and Transactional Services	IPIG	Advice & Consultancy	In Progress	
Resources	Finance and Transactional Services	Better Care Fund (Sn 75)	Assurance	Final Report	Substantial
Resources	Finance and Transactional Services	Payroll	Key System	Not yet started	
Resources	Finance and Transactional Services	Payroll - Implementation/Upgrade	Advice & Consultancy	Not yet started	
Resources	Finance and Transactional Services	Payroll - Starters and Leavers	Key System	Not yet started	
Resources	Finance and Transactional Services	Payroll - Temporary Input	Key System	Not yet started	
Resources	Finance and Transactional Services	Payroll - Permanent Input	Key System	Not yet started	
Resources	Finance and Transactional Services	Agency (Follow Up)	Assurance	In Progress	
Resources	Finance and Transactional Services	Business Rates	Key System	Not yet started	
Resources	Finance and Transactional Services	Business Rates - Valuation	Key System	Not yet started	
Resources	Finance and Transactional Services	Business Rates - Liability	Key System	Not yet started	
Resources	Finance and Transactional Services	Business Rates - Refunds	Key System	Not yet started	
Resources	Finance and Transactional Services	Business Rates - System Access	Key System	Not yet started	
Resources	Finance and Transactional Services	Housing Benefit and Council Tax Reduction	Key System	Not yet started	
Resources	Finance and Transactional Services	Housing Benefit - New Claims and Change of Circumstance	Key System	Not yet started	
Resources	Finance and Transactional Services	Housing Benefit - Assessment and Review of Claims	Key System	Not yet started	
Resources	Finance and Transactional Services	Housing Benefit - System Access	Key System	Not yet started	
Resources	Finance and Transactional Services	Housing Benefit - Supported Accommodation	Key System	Not yet started	
Resources	Finance and Transactional Services	Welfare Assistance Scheme	Key System	Not yet started	
Resources	Finance and Transactional Services	Discretionary Housing Payments	Key System	In Progress	
Resources	Finance and Transactional Services	Welfare Rights	Key System	Not yet started	
Resources	Finance and Transactional Services	Council Tax	Key System	Not yet started	

INTERNAL AUDIT PLAN PROGRESS AS AT 30 SEPTEMBER 2017

SERVICE GROUPING	SERVICE	AUDIT ACTIVITY	AUDIT TYPE	STATUS	OPINION
Resources	Finance and Transactional Services	Council Tax - Liability	Key System	Not yet started	
Resources	Finance and Transactional Services	Council Tax - Refunds	Key System	Not yet started	
Resources	Finance and Transactional Services	Council Tax - System Access	Key System	Not yet started	
Resources	Finance and Transactional Services	Cash Management	Key System	Not yet started	
Resources	Finance and Transactional Services	Cash Management - County Hall	Key System	Not yet started	
Resources	Finance and Transactional Services	Cash Management - Dales Centre	Key System	Not yet started	
Resources	Finance and Transactional Services	Debtors	Key System	Not yet started	
Resources	Finance and Transactional Services	Debtors - Supporting Documents	Key System	Not yet started	
Resources	Finance and Transactional Services	Debtors - Credit Notes and Write Offs	Key System	Not yet started	
Resources	Finance and Transactional Services	Debtors - Refunds	Key System	Not yet started	
Resources	Finance and Transactional Services	Debtors - Customer Masterfile	Key System	Not yet started	
Resources	Finance and Transactional Services	Debtors - Standing Charges	Key System	Not yet started	
Resources	Finance and Transactional Services	Debtors - Write Off Relief	Key System	In Progress	
Resources	Finance and Transactional Services	Debtors Working Group	Advice & Consultancy	Not yet started	
Resources	Finance and Transactional Services	Caspar System	Assurance	Not yet started	
Resources	Digital and Customer Services	Mobile Computing (Follow Up)	Assurance	Planning and Preparation	
Resources	Digital and Customer Services	Information Security - PSN	Assurance	Not yet started	
Resources	Digital and Customer Services	Information Security - Procurement	Assurance	Not yet started	
Resources	Digital and Customer Services	Business Continuity for ICT	Assurance	Planning and Preparation	
Resources	Digital and Customer Services	Software Licenses	Assurance	In Progress	
Resources	Digital and Customer Services	Asset Register (Follow Up)	Assurance	In Progress	
Resources	Digital and Customer Services	Business Travel and Accommodation	Assurance	In Progress	
Resources	Digital and Customer Services	Coroner	Assurance	Planning and Preparation	
Resources	Internal Audit, Risk and Fraud	Risk Management	Assurance	Draft Report	
Resources	Digital and Customer Services	Digital Durham	Grant	Final Report	N/A
Resources	Finance and Transactional Services	Teaching Assistants	Advice & Consultancy	Final Report	N/A
Resources	Legal and Democratic Services	Use of Social Media in Covert Investigations	Assurance	Not yet started	
Transformation and Partnerships	Transformation	Project Management	Advice & Consultancy	Not yet started	
Transformation and Partnerships	Transformation	Transformation Programme	Advice & Consultancy	Not yet started	
Transformation and Partnerships	Communications and Information Management	Business Continuity	Key System	Not yet started	
Transformation and Partnerships	Communications and Information Management	Data Protection - General Data Protection Regulation (GDPR)	Advice & Consultancy	In Progress	
Transformation and Partnerships	Communications and Information Management	Data Protection - EDMS	Assurance	Not yet started	
Transformation and Partnerships	Communications and Information Management	Data Protection - Use of privacy notices	Assurance	Not yet started	
Transformation and Partnerships	Communications and Information Management	Environmental Information Requests	Assurance	Draft Report	
Transformation and Partnerships	Communications and Information Management	Information Governance Group	Advice & Consultancy	In Progress	
Transformation and Partnerships	Communications and Information Management	Information Security - Caldicott Compliance	Assurance	Not yet started	
Transformation and Partnerships	Communications and Information Management	Information Security - Caldicott Group	Advice & Consultancy	In Progress	
Transformation and Partnerships	Strategy	Data Quality Framework	Assurance	Not yet started	
Transformation and Partnerships	Partnerships and Community Engagement	Community Buildings - Health & Safety Compliance	Assurance	In Progress	
Transformation and Partnerships	Partnerships and Community Engagement	Community Grants Sample	Assurance	Planning and Preparation	

FINAL REPORTS ISSUED IN PERIOD ENDING 30 SEPTEMBER 2017

AUDIT AREA	BRIEF DESCRIPTION OF SCOPE OF THE AUDIT	FINAL OPINION
ADULT AND HEALTH SERVICES (AHS)		
Pollution Control – Planning Consultation Arrangements	An assurance review that considered the effectiveness of the control framework in place for the management of the following risk: <ul style="list-style-type: none"> } Developments permitted that have a negative environmental impact. 	Substantial
Payments to Independent Residential Homes - Calculation and Payment of Care Home Arrears	An advice and consultancy review to support arrangements for the calculation and payment of Care Home Arrears to Independent Residential Homes. The review tested the robustness of assumptions made and formulae applied within the spreadsheet used for the calculation and payment of Care Home Arrears in order to confirm its accuracy.	N/A
CHILDREN AND YOUNG PEOPLE’S SERVICES (CYPS)		
Children’s Home - Follow Up	Assurance review that followed up on actions taken by the Service in responding to recommendations made within wider a review of the Children’s Services.	Substantial
Youth Employment Initiative Procurement	Assurance review to verify compliance with the terms and conditions of the European Structural and Investment Funds (ESIF), the European Social Fund (ESF) Funding Agreement, European Procurement Law and Durham County Council’s Contract Procedure Rules of contracts procured by DurhamWorks in relation to the Youth Employment Initiative.	Substantial
Supervised Spend (Leaving Care) Follow Up	Assurance review that followed up on actions taken by the Service in responding to recommendations made within the Supervised Spend (Leaving Care) report action plan.	Moderate
Troubled Families	Advice and Support provided during claim submission window and certification of claim covering period 01 April 2017 to 31 July 2017.	N/A
REGENERATION AND LOCAL SERVICES (ReaL)		
Hire of Vehicles and Skips	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> } Vehicles and skips are hired that do not meet operational requirements; } Vehicles and skips hired are not the most cost-effective. 	Substantial

Real (Contd.)		
Public Rights of Way	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none">) Legal records are not adequately maintained in line with requirements;) Failure to create and develop a Local Access Forum as required by the 2000 Act;) Statutory guidance not followed in producing an improvement plan / improvement plan not created;) Definitive map modification orders are not appropriately considered;) Applications to delete, modify or create a right of way are not appropriately dealt with in accordance with relevant legislation;) Failure to ensure that rights of way are available for use / Failure to take adequate action against landowners who deliberately obstruct the right of way;) Maintenance is not carried out leading to injuries being sustained by users and subsequent financial loss. 	Moderate
Carbon Reduction Commitment	Grant certification	N/A
Stephanie (Space technology with photonics for market and societal challenges)	Grant certification	N/A
Local Transport Capital Block Funding for North East Combined Authority (NECA)	Grant certification	N/A
Local Transport Capital Block Funding	Grant certification	N/A
Bus Subsidy Ring Fenced Grant	Grant certification	N/A

RESOURCES		
Specifications	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none">) Greatest VFM solution is not selected due to a variety of alternative solutions not being examined as service needs are not appropriately defined using broad outcome based terms;) Sourcing strategy (Make or buy, outsource decision) is ill-considered or has a pre-determined outcome;) Specifications are not clear on what is required, leading to expected goods, services or works not being delivered, comparisons between offers cannot be made, legal challenges to procurement exercises;) The specification limits competition, precludes alternative solutions, favours one supplier, has complicated partnership / consortium supplier arrangements, is unrealistic or extravagant;) Poor drafting of specifications delays the procurement process or diverts resources into additional preparation of the specification. 	Substantial
Public Services Network (PSN) Remedial Action Plan	Assurance review of the arrangements in place to mitigate against the risk of the authority being unable to remain connected to secure Government Departments and services due to lack of security and integrity in the systems in place.	Substantial

RESOURCES (Contd.)		
Capital Accounting	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none">) Financial systems do not comply with the organisation's financial regulations, policies and procedures or the CIPFA Code of Practice for Local Authority Accounting;) Service disruption;) Financial management is ineffective;) Data protection laws are breached. 	Substantial
Council Tax and Business Rates – Maintenance of Debt, Year End Processes and PIs	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none">) Failure to adhere to legislation, best practice, and/or procedures;) The setting of Council Tax is not in line with The Local Government Finance Act 1992) Contributions and returns are not submitted promptly) Annual bills are incorrectly calculated, are issued too late to collect first payments or are not issued at all) Records and accounts are not updated to record new and amendments to properties) Valuation Office amendments are not processed in a timely manner;) Property records are incorrectly input or updated) Inaccurate reporting of performance) Inefficient use of resources 	Substantial
Cash Collection – Revenues	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none">) Non-compliance with financial regulations;) Theft / Misappropriation;) Inappropriate recovery action taken against a customer who has paid;) Mispostings / fraudulent activity go undetected;) Information and data are not protected from loss, damage or unauthorised disclosure;) Payments are not promptly made due to the inability to access an appropriate payment channel. 	Substantial
Pension Fund: Debt Recovery	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none">) Failure to collect or recover income;) Invoices being raised incorrectly. 	Substantial
Better Care Fund	Assurance review of the arrangements in place to mitigate against the risk of poor decisions being made as a result of insufficient, incomplete or inaccurate pooled budget accounting information	Substantial
Off Contract Spend	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 legislation.	Moderate
Cash Collection – Music Service	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none">) Non-compliance with financial regulations;) Theft/misappropriation) Postal remittances are not recorded or are misappropriated) Lack of corporate understanding, and/or buy in, of PCI requirements;) Loss/theft of card data. 	Moderate

RESOURCES (Contd.)		
Cash Collection – Annand House	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none">)] Non-compliance with financial regulations;)] Theft/misappropriation;)] Postal remittances are not recorded or are misappropriated;)] Lack of corporate understanding, and/or buy in, of PCI requirements;)] Loss/theft of card data. 	Moderate
Payroll – Adjustments and System Access	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none">)] Incorrect payments are made, salary payments are not made or deductions are made incorrectly;)] Information and data are not protected from loss, damage or unauthorised disclosure or are inaccurate. 	Moderate
Payroll – Establishment and Core Data	Assurance review of the arrangements in place to mitigate against the risk of incorrect payments being made, salary payments not being made or deductions being made incorrectly.	Moderate
Pension Fund – Admission Bodies	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none">)] The admitting body (LGPS) does not fulfil its responsibilities;)] Admission and funds are delayed;)] Current regulations are not applied to new admission bodies. 	Moderate
Creditor Payments	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none">)] Unauthorised or inappropriate procurement of goods or services;)] Incorrect payments are made or payments are not made in time. 	Moderate
Debtors	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none">)] Failure to collect or recover income in line with policies and procedures;)] Invoices are raised incorrectly;)] Loss of income due to invoice values being inappropriately reduced;)] Inappropriate recovery action taken against a customer who has made payment;)] Financial penalties due to breach of direct debit regulations;)] Inefficient use of resources / Single point of expertise. 	Moderate
ICT Backup Procedures	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none">)] Systems and data are unavailable;)] Breach of law regarding management of data/information. 	Moderate
ICT Service Level Agreements	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none">)] ICT is unable to fulfil the requirements of SLAs;)] Costs incurred relating to the provision of external services are not recovered. 	Moderate
Security Incident Management	Assurance review of the arrangements in place to mitigate against the risk of data and/or service being lost or interrupted due to a security incident.	Moderate

RESOURCES (Contd.)

Finance Support Team – Monitoring Visits	Advice and consultancy review of the payment authorisation process.	N/A
---	---	-----

TRANSFORMATION AND PARTNERSHIPS (TaP)

Caldicott Compliance: Data Sharing Procedures – Foster Carers	Assurance review of the arrangements in place to mitigate against the risk of information/data being lost, stolen or accessed by unauthorised/inappropriate individuals.	Moderate
--	--	----------

	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					
ADULT AND HEALTH SERVICES (AHS)										
2016/17										
High	7	7	6	0	6	1	1	0	6	0
Medium	47	47	43	0	43	4	4	0	43	0
Total	54	54	49	0	49	5	5	0	49	0
2017/18										
High	0	0	0	0	0	0	0	0	0	0
Medium	6	3	2	0	2	1	1	0	2	0
Total	6	3	2	0	2	1	1	0	2	0
Overall Total	60	57	51	0	51	6	6	0	51	0
CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS)										
2016/17										
High	1	1	1	0	1	0	0	0	1	0
Medium	53	52	52	0	52	0	0	0	52	0
Total	54	53	53	0	53	0	0	0	53	0
2017/18										
High	2	2	2	0	2	0	0	0	2	0
Medium	69	29	25	0	25	4	4	0	25	0
Total	71	31	27	0	27	4	4	0	27	0
Overall Total	125	84	80	0	80	4	4	0	80	0
REGENERATION AND LOCAL SERVICES (REAL)										
2013/2014										
High	14	14	14	0	14	0	0	0	14	0
Medium	78	78	77	0	77	1	1	0	77	0
Total	92	92	91	0	91	1	1	0	91	0
2014/2015										
High	4	4	4	0	4	0	0	0	4	0
Medium	60	60	60	0	60	0	0	0	60	0
Total	64	64	64	0	64	0	0	0	64	0
2015/2016										
High	7	7	6	0	6	1	1	0	6	0
Medium	115	115	105	0	105	10	10	0	105	0
Total	122	122	111	0	111	11	11	0	111	0
2016/17										
High	11	10	8	0	8	2	2	0	8	0
Medium	192	188	170	0	170	18	18	0	170	0
Total	203	198	178	0	178	20	20	0	178	0
2017/18										
High	0	0	0	0	0	0	0	0	0	0
Medium	22	9	8	0	8	1	1	0	8	0
Total	22	9	8	0	8	1	1	0	8	0
Overall Total	503	485	452	0	452	33	33	0	452	0
RESOURCES (RES)										
2014 / 2015										
High	7	7	7	0	7	0	0	0	7	0
Medium	134	134	133	0	133	1	1	0	133	0
Total	141	141	140	0	140	1	1	0	140	0
2015/2016										
High	3	3	3	0	3	0	0	0	3	0
Medium	121	121	120	0	120	1	1	0	120	0
Total	124	124	123	0	123	1	1	0	123	0
2016/17										
High	17	17	15	0	15	2	2	0	15	0
Medium	112	109	98	0	98	11	11	0	98	0
Total	129	126	113	0	113	13	13	0	113	0
2017/18										
High	0	0	0	0	0	0	0	0	0	0
Medium	84	31	22	0	22	9	9	0	22	0
Total	84	31	22	0	22	9	9	0	22	0
Overall Total	478	422	398	0	398	24	24	0	398	0
TRANSFORMATION AND PARTNERSHIPS (TAP)										
2016 / 2017										
High	0	0	0	0	0	0	0	0	0	0
Medium	26	23	22	0	22	1	1	0	22	0
Total	26	23	22	0	22	1	1	0	22	0
2017 / 2018										
High	0	0	0	0	0	0	0	0	0	0
Medium	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0
Overall Total	26	23	22	0	22	1	1	0	22	0
TOTAL COUNCIL										
2013 / 2014										
High	14	14	14	0	14	0	0	0	14	0
Medium	78	78	77	0	77	1	1	0	77	0
Total	92	92	91	0	91	1	1	0	91	0
2014 / 2015										
High	11	11	11	0	11	0	0	0	11	0
Medium	194	194	193	0	193	1	1	0	193	0
Total	205	205	204	0	204	1	1	0	204	0
2015 / 2016										
High	10	10	9	0	9	1	1	0	9	0
Medium	236	236	225	0	225	11	11	0	225	0
Total	246	246	234	0	234	12	12	0	234	0
2016 / 2017										
High	36	35	30	0	30	5	5	0	30	0
Medium	430	419	385	0	385	34	34	0	385	0
Total	466	454	415	0	415	39	39	0	415	0
2017 / 2018										
High	2	2	2	0	2	0	0	0	2	0
Medium	181	72	57	0	57	15	15	0	57	0
Total	183	74	59	0	59	15	15	0	59	0
OVERALL TOTAL	1192	1071	1003	0	1003	68	68	0	1003	0

Performance Indicators as at 30 September 2017

Efficiency			
Objective: To provide maximum assurance to inform the annual audit opinion			
KPI	Measure of Assessment	Target & (Frequency of Measurement)	Actual
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage	90% Annually	47% at 30 September 2017
Timeliness of Draft Reports	% of draft reports issued within 30 Calendar days of end of fieldwork/closure interview	90% (Quarterly)	94% (78 out of 83)
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response	95% (Quarterly)	95% (87 out of 92)
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)	100%
Quality			
Objective: To ensure that the service is effective and adding value			
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
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)	73%
Cost			
Objective: To ensure that the service is cost effective			
KPI	Measure of Assessment	Target & (Frequency of Measurement)	
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) 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) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank