

**FINAL REPORTS ISSUED THIS QUARTER**

<b>Audit Area</b>	<b>Brief Scope</b>	<b>Opinion</b>
<b>ACE</b>		
Data Protection - Encryption	Assurance review of the arrangements in place to ensure that the risk of non-compliance with the Data Protection Act is reduced through the use of encryption on portable devices.	Moderate
Data Protection - Training	Assurance review of the arrangements in place to ensure that the risk of non-compliance with the Data Protection Act is reduced through a comprehensive training programme to educate staff to a reasonable level with regard to the awareness of data protection legislation and issues.	Moderate
<b>CAS</b>		
Medium Term Financial Plan - Home to School and College Transport	An assurance review that considered whether the savings documented in the MTFP for Home to School and College Transport were realistic and achievable, and that sufficient monitoring had been undertaken against expected targets.	Moderate
One Point - Arrangements with the Health Service	An assurance review that evaluated the control framework in place to manage the risks associated with One Point and the integration between Durham County Council (DCC) and County Durham and Darlington NHS Foundation Trust (CDD NHS FT).	Moderate
<b>NS</b>		
Trade Waste	An assurance review that considered the management of risks associated with Trade Waste.	Limited
Competition Line UK Income Share Agreements	An advice and consultancy type review that provided assurance that the Authority had made the correct payment to the Company in respect of the financial year 2012/13 in compliance with the Income Share Agreements in place.	N/A
County Durham Sport	A grant certification statement was provided to Sport England providing assurance that expenditure had been fairly stated in respect to the County Durham Sport grant funding for the 2012/13 financial year.	N/A
<b>RED</b>		
Grant Certification – Renergy Claim 3	Confirmation of all receipts and payments related to 'Regional Strategy for Energy Conscious Communities' (REENERGY) for the period 01/01/13 to 30/06/13.	N/A
Grant Certification - Local Transport Capital Block Funding	Certification that the conditions attached to the Local Transport Capital Block Funding, (Integrated Transport and Highway Maintenance), Specific Grant Determination 2012/13 No 31/2001 were complied with.	N/A
Business Durham	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"> <li>- Poor condition or unsuitability of premises</li> <li>- DCC procedures inhibit revenue generation</li> <li>- Rents are not competitive</li> <li>- Lease terms are not fit for purpose and/or are not enforced</li> <li>- Businesses are unable to trade due to DCC negligence or natural disaster</li> <li>- Rents not collected</li> <li>- Records are inaccurate or inadequate</li> </ul>	Moderate

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	<ul style="list-style-type: none"> <li>- Loss of key personnel</li> <li>- Loss of funding from DCC and other sources</li> </ul>	
Housing Lettings	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- Breach of legislation or internal policies</li> <li>- Major system failure</li> <li>- Redecoration allowances and rent free periods are inappropriate/inaccurate</li> <li>- Personal information security breach</li> <li>- Housing officers attacked/injured</li> <li>- Housing occupied by people to whom not allocated</li> <li>- Key performance indicators not met</li> <li>- Council properties in unfit condition to let</li> <li>- Properties are unoccupied for excessive periods</li> <li>- Properties allocated that do not meet or exceed tenants need or eligibility</li> <li>- Persons in need not identified or housed promptly</li> <li>- Applicants are unaware of policy and application process</li> </ul>	Substantial
<b>RES</b>		
Counter Fraud – Cash Security	Counter fraud review which focussed on validating that the any cash held at a selection of establishments was as expected and that it was held securely.	N/A
Flexible Working Policy and Contract Variations	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- Loss of key/skilled employees due to their inability to work standard full time hours</li> <li>- Policy is not applied/is applied inconsistently/is abused by some staff</li> <li>- Management decisions lead to difficulties delivering the service/inefficiency in service delivery</li> <li>- Management decision to refuse request challenged by employee</li> <li>- Employees are paid for work not undertaken</li> <li>- Expected financial savings are not achieved e.g. staff are made redundant under the Section 188 process rather than allowing consideration for alternative ways of working</li> </ul> <p>However, as there was no process in place to capture the details of employees who exercise their right to flexible working, it was not possible to productively select a sample of employees to test to ensure that the expected controls in place were working effectively. This issue is being addressed through the PID which has been developed for ResourceLink.</p> <p>Only limited testing could be carried out on contract variations.</p> <p>Due to the above, an assurance opinion could not be provided.</p>	N/A
Pension Fund – Contributions	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- Contributions may be recorded in an incomplete or inaccurate manner</li> <li>- A (material) failure to correctly deduct contributions from employers at a member body may not be identified</li> </ul>	Substantial

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	<ul style="list-style-type: none"> <li>- Exceptions and outstanding contributions may not be identified and raised with the participating employer in a timely manner, and the council may be exposed to the risk of irrecoverable debtors</li> </ul>	
Budgetary Control and Financial Reporting	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- Budget targets are not communicated to budget holders / do not have a responsible officer</li> <li>- Budgets are not broken down to an appropriate level to allow adequate budget monitoring to take place</li> <li>- Staff do not have the skills to carry out their budget monitoring responsibilities / do not utilise the system as expected</li> <li>- Inaccurate budgets, and or budget profiles, are set that are not realistic</li> <li>- The budgeted position is not regularly reported or is out-of-date</li> <li>- Finance teams do not adequately utilise or have the resources to support budget holders effectively and do not manage risks appropriately</li> <li>- Deliberate financial misstatement to conceal irregularities and fraudulent transactions</li> <li>- Financial information reported to CMT and cabinet is inaccurate</li> <li>- Budget reports are not easily understood</li> <li>- Financial information is not updated prior to the production of budget monitoring reports</li> <li>- Budgets are not uploaded correctly into the accounting system; and</li> <li>- Variances are not reported or acted upon, including those at the year-end</li> </ul>	Substantial
Corporate Credit Cards	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- Inappropriate / unnecessary / fraudulent transactions (for personal use / inappropriate items) are processed via the credit card</li> <li>- Accounting arrangements are not adhered to</li> </ul>	Moderate
Petty Cash Usage	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- Inappropriate / Unnecessary / fraudulent transactions (for personal use / inappropriate items) are processed via petty cash</li> <li>- Significant penalties are imposed by HMRC due to VAT being paid / reclaimed incorrectly</li> </ul>	Moderate
Information Security – Review Process	<p>Assurance review of the arrangements in place to mitigate against the risk of the Authority's Information Security Policies failing to comply with ISO27001, legislation (eg DPA &amp;FOI) and associated compliance regimes (e.g. GCSx/PSN)</p>	Moderate
Pension Fund – Investments	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- The investment managers' activities are not properly managed and monitored</li> </ul>	Moderate

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	<ul style="list-style-type: none"> <li>- In-house investments, including short-term investments made through the Council's Treasury Management functions, are not properly managed and monitored</li> <li>- Performance of the investments is not monitored against market conditions or relevant benchmarks, and appropriate reports are not taken to the Pension Fund Committee where adverse performance is noted</li> </ul>	
Pension Fund – Key Financial Controls	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- Total fund balances are not managed to ensure optimal performance (e.g. excess balances are retained in cash or for working capital / balances are not passed over to fund managers on a timely basis)</li> <li>- Insufficient information may be retained to provide a clear audit trail of all transactions</li> <li>- Contributions received into the Fund may be coded against the incorrect employer code</li> <li>- Exceptions and outstanding contributions may not be identified and raised with the participating employer in a timely manner, and the council may be exposed to the risk of irrecoverable debtors</li> <li>- That benefit calculations, once calculated, and not completely or accurately processed into the pensions payroll</li> <li>- That benefits are paid to ineligible individuals</li> <li>- Cash transfer values out are not calculated correctly</li> <li>- Transfer values in are not received or paid in an accurate and timely manner</li> </ul>	Moderate
Taxation (PAYE)	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- Incorrect payment of Income Tax and NIC to HMRC</li> <li>- Late payment of Income Tax and NIC to HMRC</li> <li>- Inadequate information produced regarding tax/NI deductions</li> <li>- The payroll system is not adequate for new Real Time Information required by HMRC</li> </ul>	Moderate
P2P	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- Incorrect payments are made / payments are not made in time due to the Council operating inefficient / ineffective</li> <li>- Inappropriate / unnecessary / fraudulent transactions (for personal use / inappropriate items) are processed</li> <li>- Payments are not made / are made late due to disputes with the supplier not being adequately recorded or resolved</li> <li>- Performance is not properly managed and monitored</li> </ul>	Moderate
Procurement Cards	<p>Assurance review of the arrangements in place to mitigate against the risks of;</p> <ul style="list-style-type: none"> <li>- Inappropriate / Unnecessary / fraudulent transactions (for personal use / inappropriate items) are processed via the procurement card</li> <li>- Significant penalties are imposed by HMRC due to VAT being paid / reclaimed incorrectly</li> </ul>	Moderate
Information Security Policy – Physical	Assurance review of the physical security arrangements at Comeleon House and to ensure that these arrangements	Limited

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Security	comply with the Physical Security Policy.	
Bank Reconciliation	Assurance review of the arrangements in place to mitigate against the risks of; <ul style="list-style-type: none"><li>- Material errors/fraudulent activities within bank accounts and/or the general ledger are not identified and corrected on a timely basis</li><li>- Theft or misuse of Council funds and/or bank accounts</li><li>- Transaction errors made by the bank go unnoticed</li><li>- Inaccurate or misleading financial information</li><li>- Performance is not properly managed or monitored</li></ul>	Limited