

**INTERNAL AUDIT**

**ANNUAL REPORT**

**2014 / 2015**

*Altogether better*



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## **1. Introduction and Background**

- 1.1 This report summarises the work carried out by Internal Audit during the financial year 2014/15 and provides assurance on the effectiveness of the Council's control environment, risk management and corporate governance arrangements in place during the year.
- 1.2 The requirement for an internal audit function is implied by Section 151 of the Local Government Act 1972 which requires Local Authorities 'make arrangements for the proper administration of their financial affairs and ensure that one of its officers has responsibility for the administration of those affairs'.
- 1.3 The Accounts and Audit (England) Regulations 2011 requires the Council to, "undertake an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with proper practices in relation to internal control". The Council has delegated this responsibility to the Corporate Director, Resources and the Internal Audit and Risk service carry out the Internal Audit role.
- 1.4 From 1 April 2013 Public Sector Internal Audit Standards (PSIAS) define the proper internal control practices alongside the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note.
- 1.5 This report fulfils the requirement of PSIAS 2450 for the Chief Internal Auditor and Corporate Fraud Manager ("Chief Audit Executive") to provide an annual report to the Audit Committee ("The Board") timed to support the Annual Governance Statement (AGS).
- 1.6 The report sets out:
  - The annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment).
  - A summary of the audit work carried out from which the opinion is derived.
  - Details of the quality assurance arrangements in place during 2014/2015 which incorporates the outcomes of the last annual review of the effectiveness of Internal Audit carried out by the Audit Committee in June 2014. A review of effectiveness against compliance with the PSIAS.

## **2. Service Provided and Audit Methodology**

- 2.1 Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations.
- 2.2 The primary objective of Internal Audit is to provide an independent and objective opinion on the Council's control environment.
- 2.3 The Internal Audit Charter, agreed by Corporate Management Team and the Audit Committee, establishes and defines the terms of reference and audit strategy for how the service is to be delivered. Audit services are also provided to a number of external clients including the Durham Police and Crime Commissioner and the Durham Constabulary, Durham and Darlington Fire and Rescue Authority and the Durham and Mountsett Crematoria Joint Committees. The service is also responsible for the internal audit of the Durham County Pension Fund.
- 2.4 The agreed audit strategy to provide independent assurance, is summarised as follows:
- To work in consultation with senior management teams and other providers of assurance to prepare strategic and annual audit plans.
  - To carry out planned assurance reviews of the effectiveness of the management of operational risks in all key service activities/systems over a rolling five year programme (Strategic Audit Plan).
  - To carry out assurance reviews of the management of strategic risks where the effective management of the risk is heavily dependent on identified controls.
  - To carry out annual reviews of key risks where a high level of assurance is required to demonstrate the continuous effectiveness of internal controls, for example those associated with key financial and non-financial systems.
  - To use a Control Risk Assessment (CRA) methodology to focus audit resources on providing assurance on key controls where there is little or no other independent assurance on their adequacy or effectiveness.

### **3. Types of Audit Work Carried Out in 2014/2015**

#### ***Assurance Reviews***

- 3.1 Assurance reviews are those incorporated into annual audit plans from strategic plans where the CRA methodology is to be applied. They also include service requests to provide assurance on more specific risks within a particular service activity.
- 3.2 On completion of each assurance review an opinion on the adequacy and / or the effectiveness of the control framework in place is provided to inform the annual audit opinion.
- 3.3 The audit methodology for arriving at audit opinions on individual assurance reviews is attached at Appendix D.

#### ***Advice and Consultancy Work***

- 3.4 In addition to planned assurance reviews, provision is also made in annual audit plans to support service managers by undertaking advice and consultancy type work. The outcomes from this work can also provide assurance on the control framework even though an assurance opinion is not provided on the completion of this work.

#### ***Counter Fraud Work***

- 3.5 Provision is made in annual audit plans to support service managers at an operational level to mitigate the strategic risk of fraud and corruption. Control weaknesses identified when fraud is suspected or proven also impacts on the overall opinion on the adequacy and effectiveness of the Council's internal control system.

#### ***Grant Certification***

- 3.6 Some provision is also made in internal audit plans for the certification of external grant claims where required. Again, the outcomes of this work can help inform the annual opinion on the control environment.

#### **4. Audit Quality Assurance Framework**

- 4.1 The Internal Audit Charter sets out the performance and quality framework for the service. This reflects the requirements of the PSIAS.
- 4.2 Key elements of the quality assurance framework operating during 2014/2015 include:
- Independent quality reviews undertaken by audit managers as a matter of routine and periodically by the Chief Internal Auditor and Corporate Fraud Manager to ensure consistent application of agreed processes and procedures and to ensure expected quality standards are maintained.
  - Key contacts, determined by appropriate Heads of Service, agree the Terms of Reference for each audit review and are able to challenge the findings and content of draft reports prior to them being finalised.
- 4.3 A summary of our performance against agreed indicators is provided in Appendix A.
- 4.4 It should be noted that the audit planning year was revised in 2014 and the approved audit plan for 2014/2015 covered work to be carried out in the period July 2014 to March 2015. The actual performance shown therefore does not relate to a full 12 months but to the period July 2014 to March 2015.
- 4.5 As at the 31 March 2015, the % of planned work completed indicated that the service has achieved its target to complete 90% of the audit plan in terms of productive days.
- 4.6 The Accounts and Audit (England) Regulation 2011 requires the Council to carry out an annual review of the effectiveness of Internal Audit. The outcome is reported to Audit Committee. This was last completed in June 2014 and will be performed again in June 2015. The assessment involves an evaluation against the requirements of PSIAS. Overall the Committee concluded that the service was effective and reliance could be placed on the audit opinion provided.
- 4.7 It is the intention of the Service to have an external assessment completed via peer review in early 2016, the results of which will be reported to management and the Audit Committee.

4.8 A further review of the effectiveness of the internal audit service has been completed and is informed by a formal review of the service in terms of its performance, skills and experience mix and against PSIAS completed by the Chief Internal Auditor and Corporate Fraud Manager and has been reviewed by the Corporate Director, Resources. An action plan has been produced to address areas of non or partial compliance and improvements that are required in order to strive towards full compliance. The outcomes of this latest review will be reported to Audit Committee.

## **5. Improvements made during the year to improve the quality and effectiveness of the service**

5.1 The main areas of improvement were identified through the last annual review of the effectiveness of the service related to a number of areas of PSIAS compliance and progress has been made in all areas, however where further work is required these have again been highlighted in the 2015/16 action plan. The areas highlighted in the last review and the progress made are highlighted below:

- PSIAS Ref 1130 – Audit Responsibilities are to be rotated periodically.

On 1 April 2015 audit responsibilities were reallocated across all at Principal Auditor and Senior Auditor level. Work is regularly allocated on the basis to ensure individual auditors gain experience in a variety of areas in order to maintain their training and development. The rotation of responsibilities will now occur annually.

- PSIAS Ref 1230 – Internal Auditors Programme of Continuing Professional Development.

From June 2014, quarterly internal CPD sessions have been organised and delivered by the Chief Internal Auditor and Corporate Fraud Manager. On occasion sessions have been delivered by specialists from service areas. For example in March 2015 Corporate Procurement delivered a session on new procurement rules that have come into force. Additionally external training is provided for where required.

- PSIAS 1220 – Terms of Reference to be drafted for all audit engagements

From 2014/15 audit year all audit engagements have Terms of Reference and are evidenced via quarterly reviews by Audit Manager and Chief Internal Auditor and Corporate Fraud Manager.

- PSIAS 1300 – Development of a Quality Assurance and Improvement Programme (QAIP)

From 1 July 2014 a QAIP was established documented in an Internal Audit Manual. Audit Managers and Chief Internal Auditor and Corporate Fraud Manager conduct quarterly review of audit assignment files to ensure compliance with PSIAS and that the Audit Manual is consistently followed. Any common learning is shared at quarterly CPD meetings and longer term issues are added to the Service Improvement Group Agenda.

- PSIAS 1312 – An External Assessment of the Internal Audit Service compliance with PSIAS to be completed once every five years.

An external assessment has been arranged for early 2016 which will take place via peer review by one of Newcastle City Council, North Tyneside Council or South Tyneside Council, with a view that this will be reciprocated by Durham County Council across one of the other three authorities. The exact date of the assessment is to be confirmed.

- PSIAS 1320 – Formally report the results of the Quality Assurance and Improvement Programme. (QAIP)

The results of the QAIP are reported as part of this document and the internal self-assessment of the service compliance with PSIAS which is reported separately.

- PSIAS 2010 – Development of the Council's Assurance Framework

A first draft of an 'Assurance Map' has been developed with further work being completed in 2015/16 so that further reliance can be placed on it in developing future audit work.

- PSIAS 2050 – The Chief Internal Auditor should share information and coordinate activities with internal and external providers of assurance.

The first draft of the 'Assurance Map' has assisted in developing areas where further work can be focused, particularly with a view to ensuring all external inspections or reviews are captured so as to avoid any potential duplication of work.



- PSIAS 2110 – Internal Audit should evaluate the design, implementation and effectiveness of the Council's ethics and its related ethics and its related objectives, programmes and activities.

Work has started on creating a programme of work that evaluates the Council's ethics. An initial review of the Council's Gifts and Hospitality registers was conducted in 2014/15 and further work is planned for 2015/16.

- PSIAS 2410 – Audit reports to include acknowledgement of satisfactory and good performance where it is noted.

All audit reports from 1 July 2014 have been reviewed by the Chief Internal Auditor and Corporate Fraud Manager prior to their issue to clients. This has ensured upon review that satisfactory and good performance is noted in all reports where it is noted.

- 5.2 The service has a trainee IT auditor to provide business continuity to the service and it is pleasing to report that they are progressing well with their final exams to be completed in June 2015.
- 5.3 A specialist Procurement and Contract Auditor was appointed and has been in post from January 2014. This has added value to both the service and to Corporate Procurement who have found their experience and knowledge to be beneficial in developing improvements across the Council in matter relating to procurement.
- 5.4 The Corporate Fraud Team has been in place for over 12 months and has begun to influence pro-active fraud work and promote the counter fraud strategy across the organisation.
- 5.5 In addition one employee has successfully achieved the Institute of Internal Auditors (IIA) Diploma in Internal Auditing qualification and is progressing to the next stage during the year adding to the professional diversity of the section and another employee sitting their final papers in June 2015 in order to become a qualified IIA member.

## **6. Summary of Audit Work Carried Out**

### ***Assurance Work***

- 6.1 Our work programme for the financial year 2014/2015 included work carried out in April to June 2014 from the 2013/2014 audit plan and work carried out between July 2014 and March 2015 from the approved 2014/2015 audit plan, therefore giving a full 12 months coverage.

6.2 A summary of assurance work completed during the year is attached at Appendix E.

### ***Advice and Consultancy Work***

6.3 All planned reviews are designed to add value as they provide independent assurance, through evaluation and challenge, on the adequacy and effectiveness of arrangements in place to manage risks and the development of controls. This evaluation and challenge supports the effective and efficient use of resources and value for money (VFM).

6.4 Through our advice and consultancy work we are able to add value proactively and reactively.

6.5 Reactive work involves positively responding to ad-hoc requests for advice and reviews added to the audit plan to address new or emerging issues and risks. It also includes responding to potential fraud and irregularities and we ensure that all such incidents are properly investigated and that appropriate action is taken by managers, whether or not fraud or malpractice is proven. This work is delivered from the contingency provision within the audit plan.

6.6 As summary of key advice and consultancy work completed during the year is attached at Appendix B.

## **7. Key Areas for Opinion**

7.1 The three main areas of the control environment considered when determining our assurance opinion are:

- Financial Management
- Risk Management
- Corporate Governance

7.2 Assurance has been provided on some aspects of all key financial systems during the year. It is acknowledged that good progress continues to be made during the year in improving the operational efficiency and performance of key financial systems. However, testing of the control environment in operation during the year still highlighted some weaknesses in controls.

7.3 Independent assurance on the effectiveness of the Council's risk management arrangements has been provided by consideration of the adequacy and effectiveness of operational risk management through the risk based audit approach and the CRA methodology applied to individual audit assignments. This in turn provides some assurance on the management of related strategic risks.

- 7.4 A number of audits have been carried out during the year to provide independent assurance on the effectiveness of specific key corporate governance arrangements. In addition, compliance with relevant key council policies and procedures has also been considered as part of the risk based approach to the audit service related planned assurance reviews.
- 7.5 Key issues arising from audit work where controls have improved or further improvements have been identified are summarised in Appendix C.
- 7.6 The implementation of audit recommendations made to improve the control environment helps to embed effective risk management and strengthen the effectiveness of the Council's corporate governance arrangements. Details of progress made on the implementation of all High and Medium ranking recommendations are reported quarterly to Corporate Directors and the Audit Committee. A summary of progress on actions due at the 31 March 2015 is given below:

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

- 7.7 The % of audit recommendations implemented by service managers within agreed target dates continues to improve and the Council out performs many of its benchmarked comparators. This statistic stands at 94% before revised targets are incorporated, this increases to 100% if revised to include revised target dates.

## **8. Audit Opinion Statement**

- 8.1 The Council has responsibility for maintaining a sound system of internal control that supports the achieving of its objectives.

- 8.2 Internal Audit is required to provide an opinion on the Council's risk management, control and governance process.
- 8.3 In giving this opinion it should be noted that assurance can never be absolute and therefore only reasonable assurance can be provided that there are no major weaknesses in these processes.
- 8.4 In assessing the level of assurance to be given, we based our opinion on:
- All of the audit work undertaken during the year.
  - Follow up actions on audit recommendations.
  - Any significant recommendations not accepted by management and the consequent risk.
  - The effects of any significant changes in the Council's systems.
  - Matters arising from previous reports to the Audit Committee.
  - Any limitations which may have been placed on the scope of the internal audit.
  - The extent to which resource constraints may impinge on internal audit's ability to meet the full audit needs of the Council.
  - The outcomes of the audit quality assurance process.
  - The reliability of other sources of assurance considering when determining the scope of audit reviews.
- 8.5 Consideration of the direction of travel on the adequacy and effectiveness of the control environment since becoming a unitary authority. We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Councils system of internal control. Based on the work undertaken, we are able to provide a **Moderate** overall assurance opinion on the adequacy and effectiveness of internal control operating across the Council in 2014/2015. This moderate opinion ranking provides assurance that there is a sound system of control in place, but there are some weaknesses and evidence of non-compliance with controls or ineffective controls.

- 8.6 This overall 'moderate' opinion reflects the same overall opinion as the last five years and reflects the widening scope of internal audit, with new audit areas being undertaken each year as part of the agreed audit strategy to review key service activities over a five year rolling programme.
- 8.7 The adequacy and effectiveness of key financial controls is a major consideration in our opinion. Whilst good progress continues to be made during the year, including improvements to a number of key financial systems which has provided a better operational platform for effective financial risk management, there has been however some key controls not operating effectively in 2014/2015 hence the same 'moderate' opinion on the financial control environment as the last four years. The expectation is that the financial control environment will continue to improve as new systems and processes become more robust and the recently refreshed and enhanced financial management standards become embedded.
- 8.8 All audits with a limited assurance opinion have disclosed at least one high risk finding or a number of medium priority recommendations and these are subject to a follow up audit six months after the final report has been issued and are reported to Audit Committee on an exception basis.
- 8.9 Where Internal Audit has identified areas for improvement, recommendations are made to minimise the level of risk, and action plans for their implementation were drawn up and agreed by management. Whilst the % of actions implemented within target dates is high, in many cases there is a time gap between a control weakness being reported and the date determined by management for when the action can practically and realistically be implemented. Consequently, the added assurance provided on implementation cannot always be recognised and evidenced in arriving at our overall annual assurance opinion. Work is ongoing with management with regard to timely and realistic implementation dates for actions being agreed.

## PERFORMANCE INDICATORS

## Appendix A

<b>Efficiency</b>		<b>Objective: to provide maximum assurance to inform the annual audit opinion</b>	
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target (Frequency of Measurement)</b>	<b>Actual as at 31/03/2015</b>
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage	90% (Annually)	96%
Timeliness of Draft Reports	% of draft reports issued within 30 Calendar days of end of fieldwork/closure interview	90% (Quarterly)	100%
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response	95% (Quarterly)	100%
Quarterly Progress Reports	Quarterly progress reports issued to Corporate Directors within one month of end of period	100% (Quarterly)	100%
Terms of Reference	% of TOR's agreed with key contact in advance of fieldwork commencing	95% (Quarterly)	100%
<b>Quality</b>		<b>Objective: To ensure that the service is effective and adding value</b>	
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target (Frequency of Measurement)</b>	<b>Actual as at 31/03/2015</b>
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Annually)	100%
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service good or above (4 out of 5) where 1 is poor and 5 is very good	100% (Quarterly)	100% - Average score 4.6
Customers providing feedback responses	% of Customer returning satisfaction returns	70% (Quarterly)	47%

### **KEY ADVICE AND CONSULTANCY WORK UNDERTAKEN IN 2014/2015**

#### **Information Governance**

The service is represented on the corporate Information Governance Group (IGG) to provide advice and guidance and to carry out independent assurance work on the Council's information governance arrangements.

#### **Grant Work**

As the Council strives to maximise external funding to help it deliver its objectives, we have been increasingly required to provide independent assurance that funding is correctly spent by certifying grant claims. Such work adds value by ensuring no grant is lost through claw back or reputational damage that may impact on future external funding opportunities.

#### **Review of Contracts (Ongoing)**

As part of our counter fraud programme we continue to work with colleagues in Corporate Procurement to identify purchases made outside of agreed contracts to highlight potential inefficiencies and detect any non-compliance with corporate procurement arrangements (potential fraud indicator).

#### **Internet and Intranet Development**

The service has worked closely with colleagues in Assistant Chief Executive to input into the development work that has been completed on both the Council's Internet Website and its Intranet.

#### **Oracle R12 / Oracle Project Board (Ongoing)**

The service was represented on the working group developing the upgrade to the Oracle financial system and now continuous improvement to the system. This will ensure any upgrade and improvement works does not weaken the current control environment and ensures a proactive approach to auditing.

#### **Debtors Working Group (Ongoing)**

The service is represented on the working group to improve the sundry debtors processes, with a primary focus at present on recovery and streamlining and ensuring that monies are recovered in an efficient manner without increasing risk.

### **Invoice Payment Improvement Group (Ongoing)**

The service is represented on the working group to improve the efficiency of payment to the Council's creditors and to ensure that all necessary steps are taken to avoid error in payments. This is again a proactive piece of work that should ensure when formal assurance work is completed on the key systems that improvements do not lead to any future control risks.

### **Banking Contract (Ongoing)**

Following the decision of the Coop Bank to withdraw its services from its Local Government clients, the Council has procured a new banking arrangement with Lloyds Bank. The service is represented on the working group to ensure a smooth transfer and to ensure all necessary steps are taken to avoid any errors occurring. The service is also advising on any improvements to systems or controls as part of the process and ensuring they are robust. This is a proactive piece of work that supports the assurance level as this underpins the key systems work completed by the service.

### **Housing Stock Transfer**

The service has been represented throughout the year on the working group that has been involved in the transfer of the Council's Housing Stock to County Durham Housing Group. This was to ensure all necessary steps were taken to avoid errors and that the process was well controlled to facilitate a smooth transfer. This work was completed as part of the transfer in early April 2015.



### KEY CONTROL ISSUES

#### Key Financial Systems

It is acknowledged that good progress continues to be made to improve the financial management framework, including the recent refresh of financial management standards. However the overall assurance opinion on the financial control environment operating during 2014/2015 was, overall, still considered to be Moderate.

The main areas where improvements were identified through internal work related to cash collection, debt recovery and the timely payment of creditors. A number of control weaknesses were identified primarily due to procedures not being clear and the roles and responsibilities of those involved need to be clarified. This is being addressed.

The testing of the financial control environment is now substantially however some reports are still to be issued and agreed by management. However it should be noted that there continues to be good progress made on the implementation of audit recommendations arising from both internal work and completion of internal audit work

#### Limited Assurance Opinions

During the year limited assurance opinions were delivered against the following areas with follow up working either currently being in progress or is planned to be completed in the coming months.

#### **Sundry Debtors – 2013/14**

This was a corporate review that examined the sundry debtors system, this included the raising of invoices through to the collection of debt. The weaknesses identified were a combination of corporate and service issues.

An action plan has been agreed to address the control weaknesses identified and a corporate working group has been established to monitor the implementation of actions and continue to make improvements to systems and processes going forward. Internal Audit are a representative on the working group.

## **Fleet Management**

This review covered fleet procedures in operation both centrally and at each of the Council's four depots:

- Meadowfield,
- Morrison Busty
- Chilton
- Hackworth Road

The areas covered included vehicle acquisitions and disposals, hire of vehicles and plant, vehicle parts stores, and maintenance for both Durham County Council (DCC) owned vehicles, hired vehicles and private vehicles. A number of issues were identified throughout the review. The service has established a working group to address the issues identified from the agreed action plan.

## **Data Quality – 3 Specific Performance Indicators**

Overall data quality arrangements include a corporate Data Quality Framework. An audit of the framework is completed annually and was last completed on 16 April 2014. The audit delivered a moderate assurance opinion. As an extension to this work it was agreed with the Performance and Planning Group (PPG) that a selection of indicators would be selected on annual risk basis to examine compliance with the framework.

Three performance indicators (PIs) were selected for specific review work on a 'risk' basis by Performance Management Officers following ongoing data quality work throughout the year and issues were found. An action plan has been agreed to address the control weaknesses identified in these three indicators and PPG have co-ordinated the response to the report and are actively monitoring that the relevant services make the necessary improvements.

## **Hawthorn House**

This review focused upon the effectiveness of financial practices undertaken at Hawthorn House. The review identified a number of administrative issues that require attention.

## **Adaptations**

The review considered processes in place within the Occupational Therapy Service as is operating within the North Area of the County in relation to major and minor adaptations and including testing on a sample of provisions made through the Home Equipment Loans Service (HELS). A number of issues were raised that require attention. The review identified

Following the completion of the review Internal Audit provided findings of the sample testing results to the Strategic Manager OP/PDSI. Analysis of these identified that the majority of compliance issues raised related to a minority of individuals. In looking to determine whether these findings were systematic of the service as a whole, the Strategic Manager OP/PDSI instructed her employees to review a further random sample of 18 cases from across the three Occupational Therapy Teams including Occupational Therapists and Occupational Therapy Assistants where major adaptations were recommended.

This further sample provided management with increased assurance that these findings were not widespread issues.

An action plan has been agreed with the service in order to address the improvements required.

## **Animal Health**

A number of service specific and administrative issues were identified as part of this review that require attention. Again an action plan has been agreed with the service to ensure relevant controls are in place to make the improvements required.

## **Fraud and Irregularity**

Weaknesses in Control Identified through fraud and irregularity investigations

The Counter Fraud and Corruption Strategy which was refreshed in 2014 and potential cases of suspected fraud and / or irregularity are reported to Internal Audit. Details of cases reported and the work being undertaken to combat the strategic corporate risk of fraud are reported to Corporate Management Team and the Audit Committee in the Annual Protecting the Public Purse Report.

It should be noted that of the potential cases reported in 2014/2015, improvements in controls weaknesses were identified in many of the cases, irrespective of whether or not any wrong doing was substantiated.

**Findings**

Individual findings are assessed on their impact and likelihood based on the assessment rationale in the tables below:

<b>Impact Rating</b>	<b>Assessment Rationale</b>
<b>Critical</b>	<b>A finding that could have a:</b>
	<b>Critical</b> impact on operational performance (Significant disruption to service delivery)
	<b>Critical</b> monetary or financial statement impact (In excess of 5% of service income or expenditure budget )
	<b>Critical</b> breach in laws and regulations that could result in significant fine and consequences (Intervention by regulatory body or failure to maintain existing status under inspection regime)
	<b>Critical</b> impact on the reputation of the Council (Significant reputational damage with partners/central government and/or significant number of complaints from service users)
	<b>Critical</b> impact on the wellbeing of employees or the public (Loss of life/serious injury to employees or the public)
<b>Major</b>	<b>A finding that could have a:</b>
	<b>Major</b> impact on operational performance (Disruption to service delivery)
	<b>Major</b> monetary or financial statement impact (1-5% of service income or expenditure budget )
	<b>Major</b> breach in laws, regulations or internal policies and procedures (non compliance will have major impact on operational performance, monetary or financial statement impact or reputation of the service)
	<b>Major</b> impact on the reputation of the service within the Council and/or complaints from service users
<b>Minor</b>	<b>A finding that could have a:</b>
	<b>Minor</b> impact on operational performance (Very little or no disruption to service delivery)
	<b>Minor</b> monetary or financial statement impact (less than 1% of service income or expenditure budget )
	<b>Minor</b> breach in internal policies and procedures (non compliance will have very little or no impact on operational performance, monetary of financial statement impact or reputation of the service)

<b>Likelihood</b>	<b>Assessment criteria</b>
<b>Probable</b>	Highly likely that the event will occur (>50% chance of occurring)
<b>Possible</b>	Reasonable likelihood that the event will occur (10% - 50% chance of occurring)
<b>Unlikely</b>	The event is not expected to occur (<10% chance of occurring)

**Overall Finding Rating**

This grid is used to determine the overall finding rating.

<b>LIKELIHOOD</b>			
Probable	M	H	H
Possible	L	M	H
Unlikely	L	L	M
	Minor	Major	Critical
	<b>IMPACT</b>		

**Priority of our recommendations**

We define the priority of our recommendations arising from each overall finding as follows;

<b>High</b>	Action that is considered imperative to ensure that the service/system/process objectives are not exposed to <b>significant risk</b> from weaknesses in critical or key controls
<b>Medium</b>	Action required to ensure that the service/system/process objectives are not exposed to <b>major risk</b> from weaknesses in controls
<b>Best Practice</b>	Action required to ensure that the service/system/process objectives is not exposed to <b>minor risk</b> from weaknesses in controls

**Overall Assurance Opinion**

Based upon the ratings of findings and recommendations arising during the audit as summarised in the risk matrix above we define the overall conclusion of the audit through the following assurance opinions:

<b>Substantial Assurance</b>	Whilst there is a sound system of control, there are some weaknesses, which may put some of the system objectives at minor risk. (No H or M findings/recommendations)
<b>Moderate Assurance</b>	Whilst there is basically a sound system of control, there are some weaknesses, which may put some of the system objectives at major risk. (No H findings/recommendations)
<b>Limited Assurance</b>	There are weaknesses in key areas in the system of control, which put the system objectives at significant risk.(H findings/recommendations)

Summary of Assurance Work 2014 / 2015

Appendix E

Service Grouping	Service	Audit Activity	Assurance Opinion
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	County Durham Children and Families Trust	Substantial
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Economic Partnership	Substantial
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Environment Partnership	Moderate
Assistant Chief Executive (ACE)	Partnerships and Community Engagement	Partnerships	Moderate
Assistant Chief Executive (ACE)	Planning and Performance	Data Protection: Procurement	Moderate
Assistant Chief Executive (ACE)	Planning and Performance	Data Quality – Performance Indicators	Moderate
Assistant Chief Executive (ACE)	Planning and Performance	Data Quality – 3 Specific Performance Indicators	Limited
Assistant Chief Executive (ACE)	Policy and Communications	Business Continuity Planning	Substantial
Assistant Chief Executive (ACE)	Policy and Communications	Intranet	Moderate
Children and Adult Services (CAS)	Adult Services	Establishment: Pathways Ebony Woodwork Unit	Moderate
Children and Adult Services (CAS)	Adult Services	Supported Housing Linked to Staffing Houses	Moderate
Children and Adult Services (CAS)	Adult Services	Adaptations Service	Limited
Children and Adult Services (CAS)	Adult Services	Establishment: Hawthorn House	Limited
Children and Adult Services (CAS)	Children's Services	Application of Think Families Grant	Substantial
Children and Adult Services (CAS)	Children's Services	First Contact Service	Substantial
Children and Adult Services (CAS)	Children's Services	Out of County Placements	Substantial
Children and Adult Services (CAS)	Children's Services	Review of Out of Hours Safeguarding Arrangements in Secure Services	Substantial
Children and Adult Services (CAS)	Commissioning	Direct Payments	Moderate
Children and Adult Services (CAS)	Education	School Financial Performance	Substantial
Children and Adult Services (CAS)	Education	School Organisation and Capital Programme	Substantial
Children and Adult Services (CAS)	Education	School's Audit Programme	15 Substantial 16 Moderate 5 Limited
Children and Adult Services (CAS)	Planning and Service Strategy	Blue Badge Scheme	Substantial
Children and Adult Services (CAS)	Planning and Service Strategy	Caldicott Arrangements	Substantial
Children and Adult Services (CAS)	Planning and Service Strategy	Partnerships: Domestic Abuse Forum Executive Group (DAFEG)	Moderate
Children and Adult Services (CAS)	Planning and Service Strategy	POPPIE System	Moderate
Neighbourhood Services (NS)	Culture and Sport Services	Bishop Auckland Town Hall – Income and Banking	Substantial
Neighbourhood Services (NS)	Culture and Sport Services	Countryside and Parks Management	Substantial
Neighbourhood Services (NS)	Culture and Sport Services	Durham Town Hall – Income and Banking	Substantial
Neighbourhood Services (NS)	Culture and Sport Services	Freemans Quay – Income and Banking	Substantial
Neighbourhood Services (NS)	Culture and Sport Services	Gala Theatre: Catering and Bars	Substantial
Neighbourhood Services (NS)	Culture and Sport Services	Gala Theatre: Box Office	Moderate
Neighbourhood Services (NS)	Culture and Sport Services	Gala Theatre: Variation Orders	Moderate

Service Grouping	Service	Audit Activity	Assurance Opinion
Neighbourhood Services (NS)	Culture and Sport Services	Libraries: Review of Procurement, Payments and Custody of Assets	Moderate
Neighbourhood Services (NS)	Direct Services	Durham Crematorium (Joint Committee)	Substantial
Neighbourhood Services (NS)	Direct Services	Mountsett Crematorium (Joint Committee)	Substantial
Neighbourhood Services (NS)	Direct Services	Clean and Green – Housing Association Contracts	Moderate
Neighbourhood Services (NS)	Direct Services	Pest Control	Moderate
Neighbourhood Services (NS)	Direct Services	Trade Waste – Follow Up Audit	Moderate
Neighbourhood Services (NS)	Direct Services	Allotments Management	Limited
Neighbourhood Services (NS)	Direct Services	Fleet	Limited
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Premises Licensing – Fee Setting	Substantial
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Private Sector Housing – Housing Complaints	Substantial
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Fair Trading	Moderate
Neighbourhood Services (NS)	Environmental Health and Consumer Protection	Animal Health	Limited
Neighbourhood Services (NS)	Projects and Business Services	Strategic Waste Management	Substantial
Neighbourhood Services (NS)	Technical Services	Winter Maintenance	Substantial
Neighbourhood Services (NS)	Technical Services	Stores	Moderate
Regeneration and Economic Development (RED)	Economic Development and Housing	Economic Development: Apprenticeship Programme	Substantial
Regeneration and Economic Development (RED)	Economic Development and Housing	Private Sector Housing	Substantial
Regeneration and Economic Development (RED)	Economic Development and Housing	Heart of Teesdale Landscape Partnership	Substantial
Regeneration and Economic Development (RED)	Economic Development and Housing	Empty Homes Loan Fund	Moderate
Regeneration and Economic Development (RED)	Planning and Assets	Asset Management – Follow Up Audit	Moderate
Regeneration and Economic Development (RED)	Transport and Contract Services	Strategic Transport – Integrated Transport Block	Substantial
Regeneration and Economic Development (RED)	Transport and Contract Services	Traffic Accident Data Unit (TADU) – Prevention and Investigation	Substantial
Regeneration and Economic Development (RED)	Transport and Contract Services	Civil Parking, Park and Ride and Off Street Parking	Moderate
Regeneration and Economic Development (RED)	Transport and Contract Services	Supported Housing: CCTV	Moderate
Resources (RES)	Corporate Finance	Bank Reconciliation	Substantial
Resources (RES)	Corporate Finance	Capital Accounting	Substantial
Resources (RES)	Corporate Finance	General Ledger 2014/15	Substantial
Resources (RES)	Corporate Finance	Procurement: Award of Contracts	Substantial
Resources (RES)	Corporate Finance	Procurement: Specifications	Substantial
Resources (RES)	Corporate Finance	Procurement: Tendering and Quotations	Substantial
Resources (RES)	Corporate Finance	Procurement: Variations	Substantial
Resources (RES)	Corporate Finance	Treasury Management	Substantial
Resources (RES)	Corporate Finance	VAT Arrangements	Substantial
Resources (RES)	Corporate Finance	Collection Fund	Moderate
Resources (RES)	Corporate Finance	General Ledger 2013/14	Moderate
Resources (RES)	Corporate Finance	Journal Transfers	Moderate
Resources (RES)	Corporate Finance	Procurement: Contract Management	Moderate

Service Grouping	Service	Audit Activity	Assurance Opinion
Resources (RES)	Corporate Finance	Procurement: Contract Register	Moderate
Resources (RES)	Financial Services	Budgetary Control	Substantial
Resources (RES)	Financial Services	Business Improvement Districts (BIDS)	Substantial
Resources (RES)	Financial Services	Calculation of School Budgets	Substantial
Resources (RES)	Financial Services	Central Establishment Charges	Substantial
Resources (RES)	Financial Services	Payment Card Industry Scheme Compliance – Follow Up Audit	Substantial
Resources (RES)	Financial Services	Public Health – Financial Arrangements	Substantial
Resources (RES)	Financial Services	Revenues and Benefits – Reconciliations	Substantial
Resources (RES)	Financial Services	Business Rates 2014/15	Moderate
Resources (RES)	Financial Services	Cash Collection 2013/14	Moderate
Resources (RES)	Financial Services	Cash Collection 2014/15	Moderate
Resources (RES)	Financial Services	Council Tax 2014/15	Moderate
Resources (RES)	Financial Services	Creditors 2013/14	Moderate
Resources (RES)	Financial Services	Creditors 2014/15	Moderate
Resources (RES)	Financial Services	Housing Benefit and Council Tax Reduction	Moderate
Resources (RES)	Financial Services	Payroll 2013/14	Moderate
Resources (RES)	Financial Services	Payroll 2014/15	Moderate
Resources (RES)	Financial Services	Sundry Debtors 2014/15	Moderate
Resources (RES)	Financial Services	Welfare Assistance Scheme – Follow Up Audit	Moderate
Resources (RES)	Financial Services	Sundry Debtors 2013/14	Limited
Resources (RES)	Human Resources and Organisational Development	Health and Safety	Substantial
Resources (RES)	Human Resources and Organisational Development	Attendance Management Framework (Phased Returns)	Moderate
Resources (RES)	Human Resources and Organisational Development	Comensura (Agency Workers)	Moderate
Resources (RES)	Human Resources and Organisational Development	Disciplinary Procedures	Moderate
Resources (RES)	Human Resources and Organisational Development	Homeworking	Moderate
Resources (RES)	Human Resources and Organisational Development	Performance Appraisals	Moderate
Resources (RES)	Human Resources and Organisational Development	Potentially Violent Persons Register	Moderate
Resources (RES)	Information and Communication Technology	ICT Purchasing	Substantial
Resources (RES)	Information and Communication Technology	Asset Management	Moderate
Resources (RES)	Information and Communication Technology	Change Control	Moderate
Resources (RES)	Information and Communication Technology	ISP's – 3 <sup>rd</sup> Party Access	Moderate
Resources (RES)	Information and Communication Technology	ISP's – Operational Procedures	Moderate
Resources (RES)	Information and Communication Technology	Mobile Computing	Moderate
Resources (RES)	Information and Communication Technology	Networks	Moderate
Resources (RES)	Information and Communication Technology	Oracle Database	Moderate
Resources (RES)	Information and Communication Technology	Software Licenses	Moderate
Resources (RES)	Information and Communication Technology	SQL	Moderate



Service Grouping	Service	Audit Activity	Assurance Opinion
Resources (RES)	Internal Audit, Risk and Fraud	Insurance	Moderate
Resources (RES)	Internal Audit, Risk and Fraud	Risk Management	Moderate
Resources (RES)	Legal and Democratic Services	Elections	Moderate
Resources (RES)	Legal and Democratic Services	Registrars	Moderate