

**INTERNAL AUDIT**

**ANNUAL REPORT**

**2015 / 2016**

*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 2015/16 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 2015/2016 which incorporates the outcomes of the last annual review of the effectiveness of Internal Audit carried out by the Audit Committee in June 2015. 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 2015/2016**

#### ***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 2015/2016 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 As at 31 March 2016, 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.
- 4.5 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 the form of a self-assessment June 2015.
- 4.6 As per PSIAS requirements, an External Assessment must be completed once every five years. An External Assessment therefore has been performed by Newcastle City Council in April 2016 the results of which will be reported to management and the Audit Committee. The assessment involved an evaluation against the requirements of PSIAS, a sample review of audit files and working papers and an interview with the Corporate Director, Resources. The external assessment concluded "Durham County Council's Internal Audit Service **conforms** to the requirements of the Public Sector Internal Audit Standards". The full outcomes of this review will be reported to both Management and the Audit Committee in July.

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

5.1 The main areas of improvement which 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 1312 – An External Assessment of the Internal Audit Service compliance with PSIAS to be completed once every five years.

An external assessment has been undertaken by Newcastle City Council in late April 2016 via a peer review process, with a view that this will be reciprocated by Durham County Council across one of the other three authorities in the arrangement (Newcastle City Council, North Tyneside Council and South Tyneside Council).

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

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 '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.

- 5.2 The trainee IT auditor in the service passed their final examinations in June 2015 and was promoted to Principal Auditor (IT) in September 2015, In order to provide business continuity to the service expressions of interest in completing the IT Audit examinations are to be sought from existing employees in 2016.
- 5.3 A specialist Procurement and Contract Auditor 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 influences pro-active fraud work and promotes the counter fraud strategy across the organisation.
- 5.5 In addition one employee has successfully qualified as a member of the Institute of Internal Auditors (IIA) and another employee will be sitting their final papers during 2016.

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

### ***Assurance Work***

- 6.1 Our work programme for the financial year 2015/2016 included work carried out between April 2015 and March 2016.
- 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 A 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 2016 is given below:

Service Grouping	Number of Actions Due to be Implemented	Number of Actions Actually Implemented	Actions Overdue by Agreed Original Target Date	Actions with an Agreed Revised Target Date	Actions Overdue by Revised Target Date
Assistant Chief Executive (ACE)	17	14	3	3	0
Children and Adult Services (CAS)	169	153	16	16	0
Neighbourhood Services (NS)	261	242	19	19	0
Regeneration and Economic Development (RED)	107	100	7	7	0
Resources (RES)	348	333	15	15	0
<b>TOTAL</b>	<b>902</b>	<b>842</b>	<b>60</b>	<b>60</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 93% 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 achievement 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 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 Council's 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 2015/2016. There are no qualifications to this opinion. 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 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. Over the last five years the number of 'Substantial' assurance opinions continues to increase as illustrated in the table below. It is important to recognise however in many cases these audits are not performed annually unless they are key systems both financial and non-financial.

<b>Assurance Level</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
Full	4	7	5	N/A	N/A
Substantial	14	23	37	40	65
Moderate	34	40	60	51	60
Limited	10	15	10	12	6
<b>Total</b>	<b>62</b>	<b>85</b>	<b>112</b>	<b>103</b>	<b>131</b>

- 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 2015/2016 hence the '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. Our findings suggest that policies and procedures are now in place across most key financial systems however a number of our recommendations relate to non-compliance where the system owner is requested to send reminders to employees or offer refresher training as appropriate.
- 8.8 It is especially pleasing to note that service groupings are valuing the work of Internal Audit and particularly around involving us in advice and consultancy work where major systems or processes are being implemented or amended. This is illustrated in the continuing work around key financial systems, e.g. Creditors, Debtors and Payroll. It is therefore important that service groupings continue to engage Internal Audit in work of this nature where controls and processes can be evaluated before implementation.
- 8.9 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.
- 8.10 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 31/03/2016</b>
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage	90% (Annually)	97%
Timeliness of Draft Reports	% of draft reports issued within 30 Calendar days of end of fieldwork/closure interview	90% (Quarterly)	97% (156 out of 160)
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response	95% (Quarterly)	99% (149 out of 150)
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 31/03/2016</b>
Recommendations agreed	% of Recommendations made compared with recommendations accepted	95% (Annually)	100%
Post Audit Customer Satisfaction Survey Feedback	% of customers scoring audit service satisfactory or above (3 out of 5) where 1 is poor and 5 is very good	100% (Quarterly)	100% - Average score 4.4
Customers providing feedback responses	% of Customer returning satisfaction returns	70% (Quarterly)	77%
<b>Cost</b>			
<b>Objective: To ensure the service is cost effective</b>			
<b>KPI</b>	<b>Measure of Assessment</b>	<b>Target (Frequency of Measurement)</b>	<b>Actual as at 31/03/2016</b>
Cost per chargeable audit day	CIPFA Benchmarking Club – Comparator Group (Unitary)	Lower than average	Yes (205/16 exercise) £226 cost per chargeable audit day (reported to Committee September 2016)

**KEY ADVICE AND CONSULTANCY WORK UNDERTAKEN IN 2015/2016**

**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).

**Oracle Programme 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.

### **Employee Salary Sacrifice Car Leasing Scheme**

The service was represented on the working group and project board during the development and implementation of the employee salary sacrifice car leasing scheme. Advice was given as to ensuring proper controls in the system, reconciliations are in place and that eligible employees are able to access all relevant information.

### **Potential Payroll Migration to Oracle (Phase 1)**

The service is represented on the project working groups to establish if it could be feasible and cost effective to move the current payroll system onto the Oracle Financial System. This was to establish the benefits of doing so whilst ensuring no critical controls would be lost in any system migration. Work continues on this project.

### **Petty Cash / Procurement Cards**

Following the Council's change of Banking Contractor a review of current Petty Cash arrangements are being reviewed alongside the use of Procurement Cards as an alternative. The Service is represented to give advice on controls and reconciliations to be put in place and to give counter fraud guidance as applicable.

### 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 assurance opinion on the financial control environment operating during 2015/2016 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 needing to be clarified. This is being addressed.

The testing of the financial control environment is now substantially complete 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. In all cases an agreed action plan has been developed and is being implemented.

#### **Allotments**

This review looked at providing assurance that:

- Allotments are allocated and managed inappropriately
- Breach of Tenancy Agreements
- Failure to deliver maintenance responsibilities
- Unlettable Allotments – Review of Stock only
- Income is not accounted for or is misappropriated
- Non-payment of renewal fees

The main issue identified as a result of the review was that there was a lack of assurance around the Public Liability Insurance arrangements in place across all of the associations in the County.



## **Civil Engineering Framework Sub £20k**

This was a review of the operation of the Civil Engineering Framework for contracts under £20,000. The main findings related to a misunderstanding by employees as to how the contract should operate with mini tender competitions being ran where they were not required and at times works being awarded that did not represent best value to the Council.

## **Electrical Components Procurement Card Expenditure**

This review was undertaken at the request of Corporate Procurement Manager and Direct Services in relation to the purchase of electrical components, using procurement cards. The areas for consideration were that Contract Procedure Rules the Procurement Card Policy & Manual and the Code of Conduct, particularly in regard to declaring gifts and hospitality from suppliers were being fully complied with and that purchases were achieving value for money through the correct use of the framework agreement for electrical components. The outcome highlighted that card limits were being exceeded and that the framework contract in place was not being consistently.

## **Aycliffe Locality Office, Residential and Secure Services**

This review looked at providing assurance that:

- Income was promptly collected and properly recorded, controlled and banked.
- Imprest accounts/petty cash monies were operated effectively and that transactions were properly recorded, controlled and authorised and monies were securely held.
- Young people allowances were paid in line with the approved rates.
- Procurement cards were operated effectively and that transactions were properly recorded, controlled and authorised.
- The Secure Services shop is effectively operated, controlled and monies were securely held.

There were numerous control weaknesses across all areas.

## **Locomotion Museum**

This review assessed that:

- Income is collected, handled and banked in an accurate and secure manner.
- Stocks and inventories are managed appropriately.
- Provide accurate visitor number data to support performance management.

Again there were control weaknesses in all areas and whilst it is important to note that the cash and stock within the museum is the property of the National Railway Museum (NRM) the employees within the museum are contracted to Durham County Council and it is important that appropriate policies and procedures are in place that protect their integrity. This has been discussed and agreed by the NRM.

## **Trading Arrangements (Service Direct Newco Ltd.)**

Following a review of Fleet Services in 2014/2015 it was agreed with Legal and Democratic Services that a review would be completed to ensure the Council's trading arrangements with its wholly owned company (Service Direct Newco Ltd.) were robust. The review identified inconsistencies in the charging basis from different services and guidance supplied by Legal and Democratic Services with respect to what services should be charged for was not being adhered to.

## **Fraud and Irregularity**

Weaknesses in control identified through fraud and irregularity investigations.

The Counter Fraud and Corruption Strategy which was refreshed in February 2016 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 2015/2016, 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 (noncompliance 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 (noncompliance 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 is 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 2015 / 2016

Appendix E

Service Grouping	Service	Audit Activity	Assurance Opinion
Assistant Chief Executive	Policy and Communications	Business Continuity Planning	Substantial
Assistant Chief Executive	Planning and Performance	Data Protection: Access to Records (Legal Services)	Moderate
Assistant Chief Executive	Planning and Performance	Data Protection: Access to Records (Environmental Health and Consumer Protection)	Moderate
Assistant Chief Executive	Planning and Performance	Data Quality – Follow Up Audit	Moderate
Assistant Chief Executive	Planning and Performance	Data Quality – Performance Management Framework	Moderate
Assistant Chief Executive	Partnerships and Community Engagement	Community Grants (Governance and Payments)	Moderate
Children and Adult Services	Adult Care	Ebony Woodwork Unit – Closure Audit	Substantial
Children and Adult Services	Adult care	Extra Care	Moderate
Children and Adult Services	Adult Care	Hawthorn House – Follow Up Audit	Moderate
Children and Adult Services	Children Services	First Contact Service	Substantial
Children and Adult Services	Children Services	Out of County Placements	Substantial
Children and Adult Services	Children Services	Disability Commissioning Arrangements (Short Breaks)	Substantial
Children and Adult Services	Children Services	Aycliffe Locality Office, Residential and Secure Services	Limited
Children and Adult Services	Commissioning	Management of Client Finances	Substantial
Children and Adult Services	Commissioning	Assessment and Collection of Fees and Charges	
Children and Adult Services	Education	Adult Learning and Skills Service	Moderate
Children and Adult Services	Planning and Service Strategy	Caldicott	Moderate
Children and Adult Services	Public Health	Commissioning Clinical Public Health Service	Moderate
Neighbourhood Services	Direct Services	Livin – Follow Up Audit	Substantial
Neighbourhood Services	Direct Services	Leases – Vehicles and Plant	Substantial
Neighbourhood Services	Direct Services	Fleet Management – Follow Up Audit	Substantial

<b>Service Grouping</b>	<b>Service</b>	<b>Audit Activity</b>	<b>Assurance Opinion</b>
Neighbourhood Services	Direct Services	Mountsett Crematorium	Substantial
Neighbourhood Services	Direct Services	Durham Crematorium	Substantial
Neighbourhood Services	Direct Services	Woodland Burial Trust	Moderate
Neighbourhood Services	Direct Services	Contract Audit – Direct Services	Moderate
Neighbourhood Services	Direct Services	Allotments	Limited
Neighbourhood Services	Direct Services	Electrical Components Procurement Card Expenditure	Limited
Neighbourhood Services	Culture and Sport	Competition Line UK	Substantial
Neighbourhood Services	Culture and Sport	Library Resource Centre	Substantial
Neighbourhood Services	Culture and Sport	Spennymoor Leisure Centre	Moderate
Neighbourhood Services	Culture and Sport	Newton Aycliffe Leisure Centre	Moderate
Neighbourhood Services	Culture and Sport	Killhope Lead Mining Centre	Moderate
Neighbourhood Services	Culture and Sport	Locomotion Museum	Limited
Neighbourhood Services	Environmental Health and Consumer Protection	Food Safety	Substantial
Neighbourhood Services	Environmental Health and Consumer Protection	Animal Health – Follow Up Audit	Substantial
Neighbourhood Services	Environmental Health and Consumer Protection	Markets – Review of income collection and contract monitoring arrangements	Moderate
Neighbourhood Services	Technical Services	Contract Audit – Construction Programme and Project Management	Substantial
Neighbourhood Services	Technical Services	Flooding Mitigation	Substantial
Neighbourhood Services	Technical Services	Contract Audit – Highways	Moderate
Neighbourhood Services	Technical Services	Civil Engineering Framework (Sub £20k)	Limited
Regeneration and Economic Development	Economic Development and Housing	Choice Based Letting Scheme	Substantial
Regeneration and Economic Development	Economic Development and Housing	Housing Solutions	Substantial
Regeneration and Economic Development	Economic Development and Housing	Disabled Facilities Grant	Moderate
Regeneration and Economic Development	Economic Development and Housing	Mentoring Project	Moderate
Regeneration and Economic Development	Economic Development and Housing	Private Sector Housing – Selective Licensing	Moderate
Regeneration and Economic Development	Planning and Assets	Building Control – Online Payments	Substantial
Regeneration and Economic Development	Planning and Assets	Carbon Reduction Commitment	Moderate

<b>Service Grouping</b>	<b>Service</b>	<b>Audit Activity</b>	<b>Assurance Opinion</b>
Regeneration and Economic Development	Planning and Assets	Planning System	Moderate
Regeneration and Economic Development	Transport and Contract Services	Park and Ride Scheme	Moderate
Regeneration and Economic Development	Transport and Contract Services	Transport – Safeguarding Arrangements	Moderate
Resources	Corporate Finance and HR	VAT Arrangements	Substantial
Resources	Corporate Finance and HR	Health and Safety	Substantial
Resources	Corporate Finance and HR	Collection Fund	Substantial
Resources	Corporate Finance and HR	Leases	Substantial
Resources	Corporate Finance and HR	Treasury Management – Short Term Investments	Substantial
Resources	Corporate Finance and HR	Bank Reconciliation	Substantial
Resources	Corporate Finance and HR	Direct Debit Payments	Substantial
Resources	Corporate Finance and HR	Attendance Management Framework – Phased Returns	Moderate
Resources	Corporate Finance and HR	Potentially Violent Persons Register	Moderate
Resources	Corporate Finance and HR	Contract Management	Moderate
Resources	Corporate Finance and HR	Flexible Working Policy	Moderate
Resources	Legal and Democratic Services	Officer Scheme of Delegation	Substantial
Resources	Legal and Democratic Services	Members Allowances and Expenses	Substantial
Resources	Legal and Democratic Services	Committee Services	Substantial
Resources	Legal and Democratic Services	Members Declarations of Interest	Substantial
Resources	Legal and Democratic Services	Service Direct Newco Ltd	Substantial
Resources	Legal and Democratic Services	Registrars	Moderate
Resources	Legal and Democratic Services	Trading Arrangements (Service Direct Newco Ltd)	Limited
Resources	Internal Audit and Risk	Insurance	Moderate
Resources	ICT	Information Security – Risk Assessment	Moderate
Resources	ICT	Information Security – Physical Security	Moderate
Resources	ICT	Password Management	Moderate
Resources	ICT	ICT Business Continuity Planning	Moderate
Resources	ICT	Internet Security	Moderate
Resources	Financial and HR Services	Revenues and Benefits Reconciliations	Substantial
Resources	Financial and HR Services	Creditors	Moderate

<b>Service Grouping</b>	<b>Service</b>	<b>Audit Activity</b>	<b>Assurance Opinion</b>
Resources	Financial and HR Services	Council Tax	Moderate
Resources	Financial and HR Services	Debtors	Moderate
Resources	Financial and HR Services	Business Rates	Moderate
Resources	Financial and HR Services	Cash Collection	Moderate
Resources	Financial and HR Services	Payroll	Moderate
Resources	Financial and HR Services	Payroll - PAYE	Moderate
Resources	Financial and HR Services	Welfare Rights Reporting System	Moderate