

Audit Committee

28 June 2017



Annual Internal Audit Opinion and Report 2016/2017

Report of Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager

Purpose of the Report

- 1 This report provides members with the Chief Internal Auditor and Corporate Fraud Manager's assurance opinion on the adequacy and effectiveness of the Council's internal control environment.
- 2 The report also presents the Annual Internal Audit Report for 2016/2017.

Background

- 3 The Public Sector Internal Audit Standards (PSIAS) established in 2013 are the agreed professional standards for internal audit in local government. PSIAS was the Code under which the Internal Audit Service operated during 2015/2016. It sets out the requirement for the Chief Internal Auditor and Corporate Fraud Manager ("Chief Audit Executive") to report to officers and the Audit Committee ("The Board") to help inform their opinions on the effectiveness of the Internal Control environment in operation within the Council.
- 4 The Annual Internal Audit Report should therefore be considered in the context of fulfilling the above requirement.
- 5 The annual internal audit opinion contributes to the completion of the Annual Governance Statement (AGS). It is specifically timed to be considered as part of the Council's annual review of governance and internal control.
- 6 Internal Audit therefore has a professional duty to provide an unbiased and objective view of the Council's Internal Control environment. Internal Audit is independent of the processes that it evaluates and as such reports to Corporate Management Team and the Audit Committee.
- 7 No system of internal control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.

- 8 Based on the work undertaken during the year, Internal Audit is able to provide a **Moderate** overall assurance opinion on the adequacy and effectiveness of internal control operating across the Council in 2016/2017. There are no issues of that would qualify this opinion.
- 9 This moderate opinion provides assurance that there is a sound system of control in place however there are some weaknesses and evidence of ineffective controls. Given the constant extent of change the Council continues to face, the reduction in resources and the ever increasing diverse nature of the Internal Audit Plan this assurance opinion should be regarded as positive. This is supported by the improvements made over recent years particularly within key financial systems where significant improvements have been made since the Council's formation following Local Government Reorganisation and whilst further work is required this is actively being pursued through relevant working groups also supported by Internal Audit.
- 10 There are no adverse implications for the Authority's Annual Governance Statement arising from any of the work that Internal Audit has undertaken in 2016/2017. All of the risks raised within Internal Audit reports have been accepted. Internal Audit's recommendations, or alternative proposed actions made by Management in response to the risk issues, have been agreed to be implemented. Full implementation of the agreed actions will realise the benefits of the control improvements detailed in each individual audit report. Internal Audit continues to follow up the implementation of its recommendations, or any agreed alternative actions, with the relevant responsible officers, as soon as is practically possible, after the target implementation dates. Again it should be noted the implementation rate (96%) and agreement to recommendation that the service is making (100%) is positive. Progress on the implementation of audit recommendations will continue to be reported through CMT and the Audit Committee in 2017/2018.

Recommendations and Reasons

- 11 Members are asked to note the content of the Annual Internal Audit Report and the overall 'moderate' opinion provided on the adequacy and effectiveness of the Council's Internal Control environment for 2016/2017.

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Appendix 1: Implications

Finance – There are no direct financial implications arising for the Council as a result of this report, although we aim through planning arrangements to review core systems in operation and ensure through our broad programme of work that the Council has made safe and efficient arrangements for the proper administration of its financial affairs.

Staffing – None.

Risk – None.

Equality and Diversity / Public Sector Equality Duty – None.

Accommodation– None.

Crime and Disorder– None.

Human Rights– None.

Consultation– None.

Procurement– None.

Disability Issues – None.

Legal Implications – Compliance with Public Sector Internal Audit Standards and the Accounts and Audit Regulations 2015

INTERNAL AUDIT

ANNUAL REPORT

2016 / 2017

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1. Introduction and Background

- 1.1 This report summarises the work carried out by Internal Audit during the financial year 2016/17 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'. Authority has been delegated to the Corporate Director of Resources to fulfil this function.
- 1.3 Part 2, Regulation 5 of the Accounts and Audit Regulations 2015 requires that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
- 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 2016/2017 which incorporates the outcomes of the last annual review of the effectiveness of Internal Audit carried out by the External Assessor in July 2016 and the self-assessment completed in June 2017 to ensure conformance 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 Durham's Police Crime and Victims Commissioner and Durham Constabulary, Durham and Darlington Fire and Rescue Authority, Peterlee Town Council 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 2016/2017

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 2016/2017 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 2017, 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 PSIAS requires that the Council completes an annual review of the effectiveness of Internal Audit. The outcome is reported to Audit Committee. This was last completed in the form of an external assessment in July 2016 and a self-assessment in June 2017.
- 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 and reported to management and the Audit Committee in July 2016. 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".

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. 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 2016 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 occurs annually.

5.2 The service has the a qualified IT auditor in the service who has been in post since September 2015.

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 influences pro-active fraud work and promotes the counter fraud strategy across the organisation.

5.5 In addition one employee will be sitting their final Institute of Internal Auditors (IIA) papers during 2017.

6. Summary of Audit Work Carried Out

Assurance Work

6.1 Our work programme for the financial year 2016/2017 included work carried out between April 2016 and March 2017.

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 2017 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
Adult and Health Services (AHS)	160	159	1	1	0
Children and Young People's Service (CYPS)	89	88	1	1	0
Regeneration and Local Services (REAL)	438	409	29	29	0
Resources (RES)	363	354	9	9	0
Transformation and Partnerships (TAP)	30	30	0	0	0
TOTAL	1,080	1,040	40	40	0

- 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 96% 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 2016/2017. 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.

Assurance Level	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Full	4	7	5	N/A	N/A	N/A
Substantial	14	23	37	40	65	53
Moderate	34	40	60	51	60	39
Limited	10	15	10	12	6	16
Total	62	85	112	103	131	108

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 2016/2017 hence the 'moderate' opinion on the financial control environment as the last five 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 continue to 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. It should be noted that, within the 16 limited assurance opinions provided in 2016/17, two reviews have since been followed up and finalised, i.e. High Etherley Children's Home and Asset Management, and have had their assurance opinion re-assessed as 'Substantial' and 'Moderate' respectively.
- 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

Efficiency			
Objective: to provide maximum assurance to inform the annual audit opinion			
KPI	Measure of Assessment	Target (Frequency of Measurement)	Actual as at 31/03/2017
Planned audits completed	% of planned assurance work from original approved plan complete to draft report stage	90% (Annually)	102%
Timeliness of Draft Reports	% of draft reports issued within 30 Calendar days of end of fieldwork/closure interview	90% (Quarterly)	93% (152 out of 164)
Timeliness of Final Reports	% of final reports issued within 14 calendar days of receipt of management response	95% (Quarterly)	98% (154 out of 157)
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%
Quality			
Objective: To ensure that the service is effective and adding value			
KPI	Measure of Assessment	Target (Frequency of Measurement)	Actual as at 31/03/2017
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 4.5
Customers providing feedback responses	% of Customer returning satisfaction returns	70% (Quarterly)	84%
Cost			
Objective: To ensure the service is cost effective			
KPI	Measure of Assessment	Target (Frequency of Measurement)	Actual as at 31/03/2017
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 2016/2017

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 / Procure to Pay 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.

Payroll System Migration

The service is represented on the project working groups for implementing the proposed new Payroll System. Ensuring no critical controls would be lost in any system migration and that benefits can be realised from the new system appropriately. 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 2016/2017 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. The details of the issues raised can be found on Part B the Audit Committee Papers held throughout the year. Below is a brief summary of the work that was carried out.

Children's Services Supervised Spend (Leaving Care)

A review that looked at:

-) Employees roles and responsibilities.
-) The assessment process in place.
-) The approval process in place.
-) Ensuring compliance with approved allowances and guidance

Transport – Contractual Arrangements

A review that looked at:

-) Awarding of Contract;
-) Ensure the safety of passengers;
-) Performance monitoring of contractors;
-) Contracts cover all areas and do not leave the Council open to risk;
-) The payment procedures in place.

Creditor Supplier Masterfile

A review that looked at:

-) Payments being made to correct legal entities. are made to incorrect /out of date suppliers
-) Procurement of goods/services and payments made were following procedures.

High Etherley Children’s Home

This review examined:

-) Income is collection and control
-) Expenditure authorisation
-) Allowances
-) Documentation and reconciliations
-) Asset Management
-) Adequate Budgetary Control

Asset Management

A review that looked at:

-) The asset portfolio
-) Forward Planning
-) Performance Monitoring
-) Disposal Procedures
-) Capital Receipts
-) Property Valuations.

Agency

Following an investigation, this assurance review was carried out to determine if the controls in place reduce the risk of any overpayments being made.

Shared Lives

A review that examined:

-) Provider applications
-) The Shared Lives Panel
-) Providers roles and responsibilities
-) Monitoring of the Shared Lives Provider placements.
-) Service User referral and assessment processes
-) Safeguarding measures
-) Shared Lives Providers are not paid/incorrectly paid for services provided
-) Budgetary Control
-) Compliance with the Data Protection Act.

On and Off Street Parking

This review examined:

-) Potential for loss of income through fraud or error
-) The issuing of parking charge notices
-) Complaints procedure
-) Contract Monitoring
-) Performance Monitoring
-) IT System in place

Procurement Cards

This review looked at:

-) Reconciliations and Control in place.
-) Assignment of Procurement Cards
-) Budgetary Control
-) Purchases on Cards still represent Value for Money

Health and Safety Training

This review examined:

-) Training needs are identified following any injury or accident at work
-) Training procured is cost effective

Debit Card Cash Account

A review that looked at:

-) Service User's income and Payment
-) Controls around payments are made

Shared Lives – Financial Inspections

A review that looked at:

-) Financial Controls Shared Lives Service Users are at risk of financial abuse
-) Employees Roles and Responsibilities

Foster Carer Payments

This review examined:

-) The effectiveness of the Fostering Panel
-) The effectiveness of the Locality Admin Team
-) Foster Carers/payments and the controls in place
-) Prompt recover of any overpayments.
-) Budgetary Control.
-) Compliance with the Data Protection Act.

Leisure Centre Timesheet Procedures

This review examined the arrangements in place to mitigate against the risk of payments to employees not reflecting actual hours worked.

Mobile Computing

This review examined:

-) The potential for a data leak or disclosure of confidential data due to device loss, device theft, theft of data from devices or interception of data in transit, including wireless connections.
-) Malware propagation.
-) Compliance with corporate security policies.

ICT Asset Register

Assurance review of the arrangements in place to mitigate against the risk of assets not being identified, recorded and monitored throughout their life cycle.

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 2016/2017, improvements in controls weaknesses were identified in many of the cases, irrespective of whether or not any wrong doing was substantiated.

Assurance Opinion Methodology

Appendix D

Findings

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

Impact Rating	Assessment Rationale
Critical	A finding that could have a:
	Critical impact on operational performance (Significant disruption to service delivery)
	Critical monetary or financial statement impact (In excess of 5% of service income or expenditure budget)
	Critical 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)
	Critical impact on the reputation of the Council (Significant reputational damage with partners/central government and/or significant number of complaints from service users)
	Critical impact on the wellbeing of employees or the public (Loss of life/serious injury to employees or the public)
Major	A finding that could have a:
	Major impact on operational performance (Disruption to service delivery)
	Major monetary or financial statement impact (1-5% of service income or expenditure budget)
	Major 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)
	Major impact on the reputation of the service within the Council and/or complaints from service users
Minor	A finding that could have a:
	Minor impact on operational performance (Very little or no disruption to service delivery)
	Minor monetary or financial statement impact (less than 1% of service income or expenditure budget)
	Minor breach in internal policies and procedures (noncompliance will have very little or no impact on operational performance, monetary or financial statement impact or reputation of the service)

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

Overall Finding Rating

This grid is used to determine the overall finding rating.

LIKELIHOOD			
Probable	M	H	H
Possible	L	M	H
Unlikely	L	L	M
	Minor	Major	Critical
	IMPACT		

Priority of our recommendations

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

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

Substantial Assurance	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)
Moderate Assurance	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)
Limited Assurance	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 2016 / 2017

Appendix E

Service Grouping	Service	Audit Activity	Assurance Opinion
Adult and Health Services	Adult Services	Pathways - Establishment Closure Audit - Consett	Substantial
Adult and Health Services	Adult Services	Pathways - Establishment Closure Audit - Chester Le Street	Substantial
Adult and Health Services	Adult Services	Pathways - Establishment Closure Audit - Bishop Auckland	Substantial
Adult and Health Services	Adult Services	Adaptations Service - Follow Up Review	Moderate
Adult and Health Services	Adult Services	Reablement Services	Moderate
Adult and Health Services	Adult Services	Shared Lives	Limited
Adult and Health Services	Commissioning	Creditors Supplier Masterfile	Limited
Adult and Health Services	Environmental Health and Consumer Protection	Control of Infectious Diseases (Third Party Assurance)	Substantial
Adult and Health Services	Environmental Health and Consumer Protection	Inspection of Licensing - Body Art Licences	Substantial
Adult and Health Services	Environmental Health and Consumer Protection	Licensing Enforcement - Safeguarding Complaints	Substantial
Adult and Health Services	Environmental Health and Consumer Protection	Works in Default	Substantial
Adult and Health Services	Planning and Service Strategy	SSID System Review	Substantial
Adult and Health Services	Planning and Service Strategy	POPPIE Systems Review	Substantial
Adult and Health Services	Planning and Service Strategy	County Durham Well Being for Life Service - DCRS	Moderate
Adult and Health Services	Public Health	Drug and Alcohol Treatment Services - Contract Management Arrangements	Moderate
Adult and Health Services	Public Health	Review of Lifeline Contract	Moderate
Children and Young People's Service	Children's Services	Children's Homes - High Etherley Follow Up	Substantial
Children and Young People's Service	Children's Services	Children's Homes - Framwellgate Moor	Moderate
Children and Young People's Service	Children's Services	Foster Carer Payments	Limited
Children and Young People's Service	Children's Services	Children's Homes - High Etherley	Limited

Service Grouping	Service	Audit Activity	Assurance Opinion
Children and Young People's Service	Children's Services	Supervised Spend - Leaving Care	Limited
Children and Young People's Service	Education	Youth Employment Initiative - Grant Claim Stage 2 Review	Moderate
Children and Young People's Service	Education – Schools	Schools - Safe Recruitment and Selection	Limited
Children and Young People's Service	Planning and Service Strategy	SSID System Review	Substantial
Regeneration and Local Services			
Regeneration and Local Services	Culture and Sport	Leisure Centre - Core Financial Systems (Teesdale)	Substantial
Regeneration and Local Services	Culture and Sport	Shildon Leisure Centre - Follow Up	Substantial
Regeneration and Local Services	Culture and Sport	CLUK Income Share Agreement	Substantial
Regeneration and Local Services	Culture and Sport	Integrated Leisure Management System	Substantial
Regeneration and Local Services	Culture and Sport	DLI Museum	Substantial
Regeneration and Local Services	Culture and Sport	Gala Stage School	Substantial
Regeneration and Local Services	Culture and Sport	Locomotion - Follow Up	Substantial
Regeneration and Local Services	Culture and Sport	Review of Leisure Centre Timesheet authorisation procedures (10 DCC centres)	Limited
Regeneration and Local Services	Direct Services	Bereavement Services - Public Health Funeral Arrangements	Substantial
Regeneration and Local Services	Direct Services	Durham Crematorium	Substantial
Regeneration and Local Services	Direct Services	Mounsett Crematorium	Substantial
Regeneration and Local Services	Direct Services	Electrical Components - Procurement Card Expenditure (Follow Up)	Substantial
Regeneration and Local Services	Direct Services	Contract Audit - Direct Services	Moderate
Regeneration and Local Services	Direct Services	Fuel Stocks & Stores	Moderate
Regeneration and Local Services	Economic Development and Housing	Durham Employment and Skills	Substantial
Regeneration and Local Services	Economic Development and Housing	Gypsy Roma Traveller Sites	Moderate
Regeneration and Local Services	Economic Development and Housing	Business Durham	Moderate
Regeneration and Local Services	Economic Development and Housing	Financial Assistance Programme	Moderate
Regeneration and Local Services	Economic Development and Housing	International Relations	Moderate
Regeneration and Local Services	Planning and Assets	Utility Bills	Moderate
Regeneration and Local Services	Planning and Assets	Building Control - Systems Review	Moderate
Regeneration and Local Services	Planning and Assets	Asset Management - Follow Up	Moderate

Service Grouping	Service	Audit Activity	Assurance Opinion
Regeneration and Local Services	Planning and Assets	Asset Management	Limited
Regeneration and Local Services	Projects and Business Services	Garden Waste Collection	Substantial
Regeneration and Local Services	Projects and Business Services	Customer Services Complaints	Substantial
Regeneration and Local Services	Strategy, Programmes and Performance	EU Structural Funds Programme	Moderate
Regeneration and Local Services	Technical Services	Compliance with Construction, Design and Maintenance Procedures	Substantial
Regeneration and Local Services	Technical Services	Stores Management - Disposal of Waste Materials	Substantial
Regeneration and Local Services	Technical Services	Civil Engineering Framework Sub £50K - Follow Up	Substantial
Regeneration and Local Services	Technical Services	Stores (Buildings & Highways)	Substantial
Regeneration and Local Services	Technical Services	Capital Project Review	Moderate
Regeneration and Local Services	Transport and Contract Services	Telecare Services & Care Connect	Substantial
Regeneration and Local Services	Transport and Contract Services	Supported Housing - CCTV	Substantial
Regeneration and Local Services	Transport and Contract Services	Concessionary Fares	Moderate
Regeneration and Local Services	Transport and Contract Services	Transport - Contractual arrangements	Limited
Regeneration and Local Services	Transport and Contract Services	On Street and Off Street Parking	Limited
Resources	Corporate Finance and HR	Procurement - CPRs	Substantial
Resources	Corporate Finance and HR	Journals	Substantial
Resources	Corporate Finance and HR	Recruitment and Selection	Substantial
Resources	Corporate Finance and HR	Tendering/Quotation arrangements	Substantial
Resources	Corporate Finance and HR	Procurement - Off Contract Spend	Moderate
Resources	Corporate Finance and HR	Appraisals	Moderate
Resources	Corporate Finance and HR	Contract Management	Moderate
Resources	Corporate Finance and HR	Attendance Management Framework	Moderate
Resources	Corporate Finance and HR	Procurement cards	Limited
Resources	Corporate Finance and HR	Health & Safety training requirements	Limited
Resources	Financial and HR Services	Council Tax	Substantial
Resources	Financial and HR Services	Business Rates	Substantial
Resources	Financial and HR Services	Payroll	Substantial
Resources	Financial and HR Services	Budgetary Control	Substantial

Service Grouping	Service	Audit Activity	Assurance Opinion
Resources	Financial and HR Services	Better Care Fund	Substantial
Resources	Financial and HR Services	Creditors - Feeder Systems	Substantial
Resources	Financial and HR Services	Business Rates - Reconciliations	Substantial
Resources	Financial and HR Services	HB - Reconciliations	Substantial
Resources	Financial and HR Services	HB - Welfare Assistance Scheme	Substantial
Resources	Financial and HR Services	HB - Discretionary Housing Payments	Substantial
Resources	Financial and HR Services	Council Tax - Reconciliations	Substantial
Resources	Financial and HR Services	Housing Benefits	Moderate
Resources	Financial and HR Services	Creditors	Moderate
Resources	Financial and HR Services	Creditors - Invoices with no PO	Moderate
Resources	Financial and HR Services	Creditors - Masterfile	Moderate
Resources	Financial and HR Services	Cash Collection	Moderate
Resources	Financial and HR Services	Debtors	Moderate
Resources	Financial and HR Services	Payroll - General Ledger Uploads	Moderate
Resources	Financial and HR Services	Cash Collection - Weighbridges	Moderate
Resources	Financial and HR Services	Cash Collection - Wharton Park	Moderate
Resources	Financial and HR Services	FST - Court of Protection Bank Account	Moderate
Resources	Financial and HR Services	Agency	Limited
Resources	Financial and HR Services	Learning Disability Shared Lives Service - Financial Inspections	Limited
Resources	Financial and HR Services	FST - Debit Card Cash Account	Limited
Resources	Information and Communication Technology	ISP - Systems Development & Maintenance	Substantial
Resources	Information and Communication Technology	ICT Strategy	Substantial
Resources	Information and Communication Technology	Windows	Substantial
Resources	Information and Communication Technology	Design and Print Service	Moderate
Resources	Information and Communication Technology	Mobile Computing	Limited

Service Grouping	Service	Audit Activity	Assurance Opinion
Resources	Information and Communication Technology	Asset Register	Limited
Resources	Legal and Democratic Services	Land Charges	Moderate
Transformation and Partnerships	Partnerships and Community Engagement	AAPs: Performance Management Framework	Substantial
Transformation and Partnerships	Partnerships and Community Engagement	Partnership Governance Framework	Moderate
Transformation and Partnerships	Partnerships and Community Engagement	Community Grants	Moderate
Transformation and Partnerships	Planning and Performance	Equality Impact Assessment process for MTFP	Substantial
Transformation and Partnerships	Planning and Performance	County Records Office	Substantial
Transformation and Partnerships	Planning and Performance	Data Quality Framework	Moderate
Transformation and Partnerships	Planning and Performance	Freedom of Information	Moderate
Transformation and Partnerships	Policy and Communications	Business Continuity	Substantial