

Audit Committee Agenda



9.00 am Wednesday, 24 October 2018
Committee Room No. 2, Town Hall,
Darlington. DL1 5QT

Members of the Public are welcome to attend this Meeting.

1. Introductions/Attendance at Meeting
2. Declarations of Interest
3. To Approve the Minutes of the meeting of this Committee held on 26th July, 2018
(Pages 1 - 6)
4. ICT Strategy - Implementation Progress Report –
Report of Assistant Director - Xentrall Shared Services
(Pages 7 - 10)
5. Information Governance Programme Progress Report –
Report of Managing Director
(Pages 11 - 22)
6. Corporate Health and Safety Report - 2017/18 –
Report of Managing Director
(Pages 23 - 36)
7. Ethical Governance and Member Standards - Update Report –
Report of Managing Director
(Pages 37 - 46)
8. Annual Audit Letter 2017/18 –
Report of Managing Director
(Pages 47 - 72)
9. Audit Services Annual Audit Plan 2018/19 –
Progress Report - Report of Audit and Risk Manager
(Pages 73 - 90)

10. SUPPLEMENTARY ITEM(S) (if any) which in the opinion of the Chair of this Committee are of an urgent nature and can be discussed at this meeting
11. Questions



Luke Swinhoe
Assistant Director Law and Governance

Thursday, 18 October 2018

Town Hall
Darlington.

Membership
Councillors Crudass and McEwan

If you need this information in a different language or format or you have any other queries on this agenda please contact Shirley Burton, Democratic Manager, Resources Group, during normal office hours 8.30 a.m. to 4.45 p.m. Mondays to Thursdays and 8.30 a.m. to 4.15 p.m. Fridays E-Mail : shirley.burton@darlington.gov.uk or telephone 01325 405998

AUDIT COMMITTEE

26th July, 2018

PRESENT - Councillor Baldwin (in the Chair); Councillors Crudass and McEwan. (3)

APOLOGIES –

OFFICERS – Suzanne Joyner, Director of Children and Adult Services, Elizabeth Davison, Assistant Director Resources, Peter Carrick, Finance Manager Central/Treasury Management, Elaine Hufford, Treasury/Insurance, Lee Downey, Complaints and Information Governance Manager and Andrew Barber, Audit and Risk Manager, Stockton Borough Council.

ALSO IN ATTENDANCE – Nicola Wright and Ryan, Ernst Young LLP

A1. DECLARATIONS OF INTEREST – There were no declarations of interest reported at the meeting.

A2. MINUTES - Submitted – The Minutes (previously circulated) of a meeting of this Audit Committee held on 28th March, 2018

RESOLVED – That the Minutes be approved as a correct record.

A3. UPDATE ON CHILDREN'S SERVICES IMPROVEMENTS AND OUTCOMES OF SINGLE INSPECTION FRAMEWORK RE-INSPECTION – The Director of Children and Adults Services submitted a report (previously circulated) updating Members on the outcome of the Single Inspection Framework (SIF) Re-inspection conducted during February and March 2018.

The submitted report set out the inspection findings, published on 21 May 2018, which had cited considerable improvements and concluded that, overall, Children's Services in Darlington had improved considerably from a position of inadequate in 2015 to now requiring improvement to be good.

It was reported that the progress was a considerable achievement, pivotal to which was dynamic leadership, effective political and corporate support and significant resourcing of the improvement journey.

Discussion ensued on Ofsted's framework for its new inspection regime which was rolled out in January 2018 and which involved more frequent contact with authorities to identify what was working well and catching authorities before they fell and it was suggested that training be given to Members on this new framework.

RESOLVED – (a) That the findings of the SIF re-inspection of Children's Services be noted and the congratulations on this Committee be extended to the Director of Children and Adult Services and her staff on the outcome.

(b) That the revised inspection framework that the Council is now subject to be noted.

(c) That it be noted that an Improvement Plan will be developed in response to the recommendations.

A4. ANNUAL REVIEW OF SIGNIFICANT PARTNERSHIPS 2017/18 – The Managing Director submitted a report (previously circulated) presenting the outcome of the annual review of significant partnerships to enable this Committee to consider the partnerships that the Council was involved with and to ensure that they had adequate governance arrangements in place.

It was reported that, through the principles of the partnership toolkit, the Council had an established approach to monitoring the significant partnerships it was involved with and, as a result, there were good governance arrangements in place for these partnerships and that they were delivering well against their objectives.

It was also reported that the toolkit had been effective in identifying high level concerns of the significant partnerships, the most common of which were levels of resourcing, uncertainty as a result of the emerging policy and fundamental changes in operating landscape.

RESOLVED – That the review of significant partnerships be endorsed and the actions being taken to address outstanding issues be noted.

A5. AUDIT OF ACCOUNTS 2017/18 - The Managing Director submitted a report (previously circulated) providing Members with information on the outcomes of the audit of the Council's 2017/18 accounts and seeking approval to conclude the accounts based on Officers recommendations, with regard to key issues arising from the audit.

The submitted report referred to one unadjusted misstatement in the accounts and the reason for that misstatement and it was reported that, following discussion with Ernst Young (EY), the Council's external auditors, it was considered that the item was not material in the context of the Statement of Accounts as a whole, and it was not proposed to adjust it in the accounts.

It was reported that, in accordance with statutory requirements, EY had audited the accounts and a copy of the report which outlined the results of their audit and the Value for Money conclusions was appended to the submitted report. Nicola Wright from EY advised Members that the audit work on the accounts had been completed and that an unqualified opinion on the Council's 2017/18 accounts would be issued; that they were expected to conclude that the Council has put in place proper arrangements to secure value for money in its use of resources; and that no areas of concern had been found on whether the Council's Annual Governance Statement complied with guidance and whether it might be misleading or inconsistent with other information known to them.

RESOLVED - (a) That the Auditors ISA 260 report on the Council's 2017/18 financial statements be noted.

(b) That the accounts be not adjusted in respect of those items as identified in the submitted report.

(c) That the IFRS compliant Statement of Accounts for the 2017/18 financial year be approved.

(d) That the thanks of this Committee be extended to the Finance Officers and the Council's external auditors on the work undertaken to achieve faster closure of the 2017/18 Accounts.

A6. TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN PRUDENTIAL INDICATORS 2017/18 – The Managing Director submitted a report (previously circulated) providing Members with information regarding the regulation and management of the Council's borrowing, investments and cash-flow and seeking approval of the Prudential Indicators for 2017/18 in accordance with the Prudential Code.

It was reported that the financial year 2017/18 presented similar circumstances to 2016/17 with regard to treasury management and the main implications of this for the Council were included in the submitted report.

The submitted report summarised the capital expenditure and financing for 2017/18; the Council's underlying borrowing need; the Treasury position as at 31st March, 2018; prudential indicators and compliance issues; the economic background for 2017/18; treasury management activity during 2017/18; and performance and risk benchmarking.

It was also reported that the Council's treasury management activity during 2017/18 had been carried out in accordance with Council policy and legal limits, financing costs had been reduced during the year and a saving of £0.600 million had been achieved from the original Medium-Term Financial Plan due to the inclusion and purchase of property fund units in the investment portfolio, with the interest received reduced due to additional interest payments on debt and additional brokerage fees.

RESOLVED – (a) That the outturn 2017/18 Prudential Indicators within the submitted report and those in Appendix 1 be noted.

(b) That the Treasury Management Annual Report for 2017/18 be noted.

(c) That the submitted report be forwarded to Cabinet and Council in order for the 2017/18 Prudential Indicators to be noted.

(d) That the thanks and best wishes of this Committee be extended to the Finance Manager Treasury/Insurance.

A7. MANAGERS' ASSURANCE STATEMENTS – The Managing Director submitted a report (previously circulated) advising Members of the outcome of the 2017/18 Managers' Assurance Statements (MAS).

It was reported that the MAS were a key element of the Council's corporate governance arrangements and, based on the 2017/18 returns, had identified an overall positive position. The common improvement theme highlighted was the need to review and test Business Continuity Plans for identified priority services and this matter was to be progressed by Assistant Directors during 2018/19.

RESOLVED – That the report be noted.

A8. ANNUAL RISK MANAGEMENT UPDATE REPORT 2018/19 – The Managing Director submitted a report (previously circulated) updating Members on the approach to and outcomes from the Council’s Risk Management processes.

It was reported that positive progress continued to be made within the Authority regarding the management of key strategic risks and with the work undertaken by Officers to manage operational risk.

RESOLVED – That the submitted report be noted.

A9. AUDIT SERVICES ANNUAL AUDIT PLAN 2017/18 – The Audit and Risk Manager submitted a report (previously circulated) together with the Audit Services’ Audit Report for 2017/18.

It was reported that the Annual Report should be considered in the context of fulfilling the function to monitor the adequacy and effectiveness of the Council’s internal control environment and the Internal Audit service provided.

RESOLVED – That the annual report against the 2017/18 Annual Audit Plan be noted.

A10. AUDIT SERVICES ANNUAL AUDIT PLAN 2018/19 –PROGRESS REPORT – The Audit and Risk Manager submitted a report (previously circulated) providing Members with a progress report against the 2018/19 Annual Audit Plan, in accordance with the Audit Services’ role and terms of reference.

The submitted report outlined the progress to date on audit assignment work, consultancy/contingency activity and performance indicators and it was reported that good progress was being made across the shared service.

RESOLVED – That the progress made against the 2018/19 Annual Audit Plan be noted.

A11. ANNUAL GOVERNANCE STATEMENT – The Managing Director submitted a report (previously circulated) seeking approval of the Council’s Annual Governance Statement (also previously circulated), a key corporate document which involved a variety of people charged with delivering governance within the Authority and which was required to be published each year, to accompany the Statement of Accounts, in accordance with the Accounts and Audit Regulations 2015.

It was reported that the Annual Governance Statement, outlined the Council’s responsibilities; explained the purpose of the governance framework, set out key elements; detailed the review of its effectiveness; highlighted any significant governance issues; and included a commitment by the Leader of the Council and the Managing Director to ensure the continuous improvement of the system in place.

RESOLVED – That the draft Annual Governance Statement, as appended to the submitted report, be approved.

A12. ANNUAL REVIEW OF INTERNAL AUDIT EFFECTIVENESS – The Audit and Risk Manager submitted a report (previously circulated) providing Members with the results of the external assessment of the Internal Audit service.

It was reported that an external peer review of the internal audit system was a requirement of the Public Sector Internal Audit Standards and must be performed at least once every four years and that, following that review, it had been concluded that the service complied with the Public Sector Internal Audit Standards.

RESOLVED – That the results of the external review be noted.

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ICT STRATEGY – IMPLEMENTATION PROGRESS REPORT

SUMMARY REPORT

Purpose of the Report

1. The Chief Officer's Board (COB) is required to report six monthly to the Audit Committee on progress in relation to the implementation of the ICT Strategy.

Summary

2. The current ICT Strategy focusses on three strategic priorities:
 - (a) ICT Governance and Service Development
 - (b) ICT Strategic Architecture
 - (c) Council Service Development and Transformation
3. This report summarises progress on the main activities within each of these priorities.

Recommendation

4. It is recommended that progress on the implementation of the ICT Strategy be noted.

Reasons

5. The recommendation is supported to provide the Audit Committee with evidence to reflect on progress in delivery of the Council's ICT Strategy.

**Ian Miles
Assistant Director – Xentrall Shared Services**

Background Papers

Darlington ICT Strategy 2017

Ian Miles – Extension 157012

S17 Crime and Disorder	There is no specific crime and disorder impact.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact	Some of the initiatives contained within ICT Strategy will help contribute towards the carbon reduction commitments.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	Financial implications will be considered in the Medium-Term Financial Plan. This report does not affect the policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	The ICT strategy supports the business of the Council in delivering ODPP
Efficiency	There will be efficiency savings generated as a result of implementing the ICT Strategy. The introduction of new technology is key to providing efficiency savings within Council services.

MAIN REPORT

6. Progress on the themes of this revised ICT Strategy are described below.

ICT Governance and ICT Service Development

7. The Systems and Information Governance Group (which is the Chief Officers Board of Assistant Directors, but chaired by the Managing Director for this purpose) undertakes an ICT Strategy monitoring role as well as overseeing and approving the ICT Work Plan, which covers all service based and corporate ICT projects. As well as this forum, regular updates on major ICT projects are also given to the Managing Director and the Xentrall Executive Board on which he sits.
8. Since the last update to Members, ICT Services have continued to pass PCI DSS quarterly tests. These are the Payment Card Industry Data Security Standards. Similarly, the ICT service is also progressing the PSN (the Government's Public Services Network) certification assessment, a precursor of which requires comprehensive penetration health checks of the Council's networks and systems.
9. Since the last update to Members in March, ICT Services have also achieved full assurance for a number of internal audits which have covered the following areas of the service:
 - (a) Cloud Computing
 - (b) Outlook Email
 - (c) ICT Backup & Recovery and Disaster Recovery
 - (d) Change Control
 - (e) Firewalls
10. During the summer ICT Services successfully passed BSI re-audits on both the Quality Management System standard ISO9001 and the Information Security Management System standard ISO27001.
11. In terms of ICT service development and also related to the two ISO certifications ICT hold, all ICT service improvement activities are identified in the ICT Service Improvement Programme and this is managed and monitored by the ICT Management Team, supported by the ICT Process Excellence & Planning Officer. This group reviews the progress and priorities of this extensive and continual programme which is resourced through a combination of business as usual activities and planned projects within ICT. The majority of these activities relate to internal ICT procedures and standards which ultimately deliver improvements to the services ICT users receive.

ICT Strategic Architecture

12. Progress has been made on a number of architecture projects during the last six months, many of which take place behind the scenes. These include:
 - (a) Continuing to progress with the major project of implementing Microsoft Office 365 as the Council's future desktop platform. As part of this programme, the Council's email system was successfully migrated earlier this month.
 - (b) Continuing to assist colleagues in Xentrall HR with a major procurement and implementation of the replacement for the Council's HR and Payroll system.

- (c) Completion of a project to increase the resilience of the Council's Wi-Fi service.
- (d) Upgrades to various security systems including full disk encryption on laptops and tablets.
- (e) Final completion of the upgrades to the Council's network.

Council Service Development and Transformation

- 13. The service based Information & Systems Strategies inform the ICT Work Plan and this drives customer projects within the ICT service. As well as the management and monitoring of individual projects, the overall ICT Work Plan is monitored on a monthly cycle at the Systems and Information Governance Group (as described in paragraph 7 above). These ICT projects underpin many of the Council's business change activities.
- 14. As well as the central ICT architecture projects listed above, a further seven service specific projects have been completed since the last progress report to this committee.

Outcome of Consultation

- 15. There has been no formal consultation in the preparation of this report.

INFORMATION GOVERNANCE PROGRAMME PROGRESS REPORT

SUMMARY REPORT

Purpose of the Report

1. The Systems and Information Governance Group (SIGG) is required to report six monthly to the Audit Committee on progress and planned developments of the information governance programme.

Summary

2. At present information governance is an 'above the line' risk on the corporate risk register. Delivery of our information governance programme will provide the assurance required and will reduce our information risks to an acceptable level.
3. The Council continues to make steady progress on the implementation of the information governance programme. Recent work includes
 - (a) ongoing implementation of a compliance programme for the General Data Protection regulations (GDPR)
 - (b) continued adoption of the corporate secure information sharing and collaboration system across services
 - (c) amendment of the incident management process to include a standard and consistent risk assessment method for deciding if a security breach should be reported to the ICO and the data subject(s)
 - (d) continuing to achieve our target for the completion of on-line mandatory information governance training courses
 - (e) connection to the Health and Social Care Network (HSCN)
 - (f) completion of the Local Government Association (LGA) Cyber Security Stocktake
4. The areas of highest priority in the information governance programme are
 - (a) the delivery of the compliance programme for GDPR
 - (b) effective utilisation of the HSCN link for data transfer and information sharing

Recommendation

5. It is recommended that progress on the implementation of the Information Governance Programme be noted.

Reasons

6. To provide the Audit Committee with a status report on the delivery of the Council's Information Governance Programme.

Paul Wildsmith
Managing Director

Peter McCann, Information Security Manager: Extension 156494
Lee Downey, Complaints & Information Governance Manager: Extension 5451

Background Papers

S17 Crime and Disorder	There is no specific crime and disorder impact.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not recommend a change to the Council's budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	For the purposes of the 'call-in' procedure this does not represent an urgent matter.
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond a reflection on the Council's governance arrangements.
Efficiency	Implementation of effective information governance systems and procedures has a positive impact on efficiency.

MAIN REPORT

Background

7. Information governance remains an 'above the line' risk on the corporate risk register. This is a reflection of the improvements required in some areas to evidence that we meet all of the relevant information assurance requirements set out by government and industry standards and best practice.

Current Position

General Data Protection Regulations (GDPR)

8. Further to the report to Audit Committee on 28 March 2018 the Council continues to make steady progress against the GDPR compliance programme, although we have not made as much progress as anticipated due to the high volume of operational issues on which the Data Protection Officer (DPO) has had to advise following the introduction of GDPR and the Data Protection Act 2018.
9. The Council now has a fairly comprehensive record of its processing activities, with almost all service areas having completed an Information Asset Registers (IAR). These are live documents and will be reviewed at least annually.
10. Having completed the IARs the Council has also made significant progress in ensuring all services have GDPR compliant privacy notices in place. These are available via the Council's [website](#).
11. The Internal Audit Work Programme Template has now been updated to include questions aimed at gauging a services level of compliance with various aspects of GDPR/The Data Protection Act 2018.
12. The DPO has advised Information Asset Owners (IAOs) to issue variation letters to those contractors who process personal data on behalf of the Council and in conjunction with the Head of Procurement and Principal Lawyer (Commercial) provided IAOs with template variation letters. The Council has also received a significant number of contract variations from data processors and data controllers on whose behalf the Council processes personal data.
13. The Council has amended the Information Security Incident Management Process to ensure decisions can be made and personal data breaches reported to the ICO as appropriate within the 72 hour time limit set in the GDPR. The revised process includes a standard and consistent risk assessment method.
14. Full details of progress against the GDPR compliance programme are contained in Appendix 1.

Information sharing

15. The Complaints and Information Governance (CIG) Team is continuing to work with key public sector partners to review and implement service-level information sharing agreements where required.
16. Work is ongoing with regard to reviewing the Multi-Agency Information Sharing Protocol Covering North East and North Yorkshire Area. A draft has been agreed and once finalised will be signed off by each party to the agreement.
17. The Council's secure information sharing system (Egress Secure Workspace) continues to be successfully adopted by key services with a need to share sensitive personal information securely with partners and third parties.
18. Services currently using the system include Children and Adults Services, Legal Services, Health and Safety, and Complaints and Information Governance.

Training and awareness

19. The table in Appendix 2 shows the position at the beginning of October with regard to the completion of the mandatory on-line information governance courses.
20. Completion rates of over 95% for all of the courses is the Council's target and represents an acceptable level of take up which must be maintained. The current position shows that this target has been met for the Information Security and Social Media courses, but we are slightly below our target for the DPA course.
21. In response to the change in data protection legislation a new DPA 2018 course has been developed. This course has just recently been made available which accounts for the current low completion rate. It is anticipated that this will increase significantly over the coming weeks.
22. The Employees' Guide to Information Security and the Members' Guide to Information Security are currently both being updated to reflect new ways of working and to further raise awareness of the changing threat landscape. The revised guides are scheduled to be published in November supported by an updated on-line information security course.
23. On the back of the revised guides the Information Security Manager will be contacting Directors and Assistant Directors offering to visit team meetings to provide an update on the information security management programme. This 'roadshow' approach was offered last year and was well received.

Connection to the Health and Social Care Network (HSCN)

24. The link to the HSCN has now been installed and will provide a method of 'seamlessly' sharing information with our Health Service partners.
25. The conditions for accessing NHS systems via the HSCN have changed. Formerly compliance with the NHS Information Governance Toolkit (IGT) was required; the

IGT has now been replaced by the NHS Data Security and Protection Toolkit (DSPT). The DSPT requirements are currently being reviewed.

Cyber Security Stocktake

26. The Local Government Association (LGA) has recently carried out a stocktake of all 353 principal English councils' existing cyber security arrangements to understand what measures are in place and gain a high level picture of the sector as a whole. The LGA will use this information to develop a system of sector-led support and improvement.
27. The LGA have reported that they have received completed stocktakes from all 353 councils and are currently compiling reports that are due to be published by the end of October. Each council will receive their own report based upon their submission, together with a summary report presenting the high level picture as previously mentioned.
28. Any recommendations for actions or opportunities for improvement coming from the report will be considered and, as appropriate, will be fed into our information governance continual improvement programme.

Conclusion

29. The Council's information governance programme clearly sets out key objectives, roles and responsibilities, priorities and risk treatment plans. As such we are aware of the improvements required and of their importance. However, the timely delivery of the programme remains an issue of concern given the competing demands on limited resources.

Outcome of Consultation

30. No formal consultation was undertaken in production of this report.

Appendix 1

What	Who	When	Status
Audit To assist Council as data controller in demonstrating compliance (accountability).			
Internal Audit	Internal Audit	Post 25/05/2018	Data Protection Officer (DPO) discussed with Audit Manager
Agree scope of audit	DPO/Audit Manager	25/05/2018	DONE - Questions now included in Internal Audit Work Programme Template
Awareness Make sure that decision makers and key people are aware that the law is changing and appreciate the impact this is likely to have.			
Briefing, too news, screens in collaboration	DPO	30/09/2017	DONE
SMTs and Team meetings	DPO	Ongoing	DONE
Report to COB, COE, SIGG, Audit Committee	DPO	Ongoing	Ongoing
SMN Session	DPO	31/03/2018	DONE
Update AC10 course	DPO	25/05/2018	
CCTV Ensure CCTV is reviewed on an annual basis and has regard to advice of Surveillance Camera Commissioner and reasonable expectation of privacy.			
CCTV	DPO/CCTV & Parking Enforcement Manager	31/01/2019	
Refuse Vehicle	DPO/Head of Environmental Services	31/01/2019	
Body Worn Video	DPO/Head of Environmental Services	31/01/2019	
Signage/privacy notices	DPO/ CCTV & Parking Enforcement	31/01/2019	

	Manager/ Head of Environmental Services		
Children Ensure enhanced rights for children detailed in GDPR are met.			
Consider whether we need systems in place to verify individuals' ages and to obtain parental or guardian consent for any data processing activity	DPO	Subject to completion of IAR	
Compile a list of on-line services the Council provides to children	DPO	01/03/2018	DONE
Consent Establish where we rely on consent at present, consider whether there are more appropriate conditions for processing on which we can rely. Where it is necessary to obtain consent, refresh to ensure it meets the requirement on the GDPR.			
Clarify condition for processing personal / special categories of personal data	Information Asset Owners (IAOs) with support from DPO	25/05/2018	To be done as part of completion of Information Asset Registers (IARs) / review of privacy notices
Contracts Revise contracts in light of Articles 28 and 29 to ensure compliance and transfer liabilities to data processors as appropriate.			
Issue advice on GDPR compliance to contracts	DPO	31/03/2018	DONE
Share good practice from Regional IG forum with contracts	DPO	Ongoing	DONE
Alert contracts to any standard clauses adopted by the Commission or ICO	DPO	Ongoing	ICO consultation on contract and liabilities between controller and processors to closed on 10 Oct 2017
Update tender documentation	Head of Procurement and Principal Lawyer (Commercial)	25 May 2018	DONE

Update the Special and Standard Contract Terms and the Contract Particulars	Head of Procurement and Principal Lawyer (Commercial)	25 May 2018	DONE
Vary existing contracts	Head of Procurement and Principal Lawyer (Commercial)	25 May 2018	DPO issued instruction to IAOs to issue variations to existing contracts. Template letters provided. Numerous variations received from data processors and controllers.
Data Breaches Ensure Council has appropriate procedures in place to manage information security incidents, including data breaches.			
Revisit Information Security Incident Procedure	Information Security Manager	25/05/2018	DONE
Data Flow Mapping Map data flows in and out of organisation.			
To be done with individual services as part of review of IAR/ privacy notice/Information Sharing Agreements (ISA)	Service areas with support from DPO	25/05/2018	Data flows detailed in existing ISAs. To be done as part of completion of Information Asset Registers (IARs).
Data Protection by Design Ensure data protection is considered at the conception of new projects.			
Embed GDPR into project management process	DPO	31/01/2018	DONE
Embed into ICT procurement documentation	Information Security Manager	Done	DONE
Add to front cover of Committee Reports	DPO	01/04/2018	DONE
Agree a DPA Impact Assessment Tool	DPO	01/04/2018	Existing tool under review
Data Protection Officer			

Designate a suitably qualified Data Protection Officer (DPO)	Complaints & Information Governance Manager	01/04/2017	DONE
DPO must have direct reporting line to highest level of senior management	Senior Information and Risk Owner (SIRO)	01/04/2017	DONE
Resources required – time, financial resources, infrastructure (premises, facilities, equipment) and staff	DPO	Ongoing	DPO forms part of existing role. Supported by Information Governance Officer as part of existing role
<p>Individual Rights Check procedures to ensure they cover all the rights individuals have, including deleting personal data or providing data electronically and in a commonly used format.</p>			
Update SAR Procedure	DPO	25/05/2018	DONE
Consider producing Corporate 'Information Rights Procedure'	DPO	25/05/2018	DONE
Establish and document service specific rights – privacy notice	DPO	25/05/2018	Advice issued to IAOs on what needs to be included in privacy notice. Subject to completion of IAR.
<p>Information Sharing Agreements (ISAs)</p>			
Review existing ISAs	Service areas with support from DPO	25/05/2018	Ongoing
ISAs need implementing in those areas that do not currently have one	Service areas with support from DPO	31/01/2018	DPO to issue advice to all services who process personal data
		25/05/2018	ISAs implemented
Develop central record of ISAs	DPO	Ongoing	
<p>Information we hold (Information Asset Register/Privacy Notices) Need to maintain records of processing activities - document the personal data held, where it came from and who it is shared with, etc.</p> <p>Review current privacy notices and put a plan in place for making any necessary changes in time for GDPR implementation.</p> <p>Organise information audits where necessary.</p>			

Agree Corporate Information Asset Register (IAR) Template	SIGG	16/11/2017	Agreed and rolled out. Draft IAR completed by almost all service areas.
Rolled out across Council	DPO	17/11/2017	DONE
Review existing privacy notices on web	Service areas with support from DPO	31/01/2018	Advice issued to IAOs on what needs to be included in privacy notice. Privacy notices completed by large proportion of service areas.
Privacy notices need implementing in those areas that do not currently have one	Service areas with support from DPO	25/05/2018	Advice issued to IAOs on what needs to be included in privacy notice. Privacy notices completed by large proportion of service areas.
<p>Joint Controllers Identify any joint data controllers in order to comply with Article 26 of GDPR.</p>			
To be done with individual services as part of review of IAR/ privacy notice/ISAs	Service areas with support from DPO	25/05/2018	Ongoing.
<p>Public Task Document the Council's public task to identify those areas of processing which are undertaken on the basis it is '... necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in the controller' – GDPR Article 6 (e)</p>			
Document public task and have approved by SIGG	DPO	25/05/2018	Statement of Public Task approved by SIGG on 5 March 2018 and uploaded to web site.

Appendix 2

04/10/2018	Info Sec 2015		Social Media		DPA		DPA 2018		Users
	Comp	%age	Comp	%age	Comp	%age	Comp	%age	
Children & Adult's Services	512	94.46	518	95.57	483	89.11	311	57.38	542
Adult Services	120	95.24	124	98.41	115	91.27	71	56.35	126
Children's Services	199	91.28	201	92.20	194	88.99	111	50.92	218
Commissioning, Performance & Transformation	95	98.96	95	98.96	90	93.75	67	69.79	96
Educational Services	92	95.83	92	95.83	78	81.25	56	58.33	96
Public Health	6	100.00	6	100.00	6	100.00	6	100.00	6
Economic Growth & Neighbourhood Services	475	93.87	475	93.87	457	90.32	239	47.23	506
Community Services	154	92.22	152	91.02	147	88.02	66	39.52	167
Capital Projects, Transport and Highways Development	63	92.65	64	94.12	62	91.18	33	48.53	68
Housing and Building Services	25	92.59	25	92.59	25	92.59	4	14.81	27
Place Policy	210	98.13	210	98.13	202	94.39	127	59.35	214
Property Services and Business Investment	10	83.33	11	91.67	10	83.33	6	50.00	12
Resources	159	97.55	160	98.16	154	94.48	85	52.15	163
D'ton P'ship & Creative D'ton	3	100.00	3	100.00	3	100.00	1	33.33	3
Finance, HRM, Systems & Strat, Perf & Comms	81	98.78	81	98.78	79	96.34	35	42.68	82
Law & Governance	75	96.15	76	97.44	72	92.31	49	62.82	78
Total	1146	94.63	1153	95.21	1094	90.34	635	52.44	1211

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**AUDIT COMMITTEE
24 OCTOBER 2018**

ITEM NO.

CORPORATE HEALTH AND SAFETY REPORT 2017/18

Purpose of the Report

1. To inform Members of the Audit Committee of the organisations performance in terms of health and safety for the financial year 2017/18 and the objectives set for 2018/19.

Summary

1. The focus has been to embed the health and safety management system and improve health and safety compliance.
2. A review of the Corporate Health and Safety Policy and General Statement of Intent has been carried out, along with the Think Safety Promise, refreshing the Council's commitment to health and safety.
3. Overall performance indicators show an improvement for the year.

Recommendations

4. It is recommended that Members :-
 - (a) Note the 2017/18 achievements and health and safety performance statistics.
 - (b) Note the health and safety objectives for 2018/19.

**Paul Wildsmith
Managing Director**

Joanne Skelton: Extension 6256

S17 Crime and Disorder	This report has no implications for Crime and Disorder
Health and Well Being	This report notes the health and safety performance figures for 2017/18 and the objectives for 2018/19 which aim at improving health and safety within the Council.
Carbon Impact	There are no issues which this report needs to address.
Diversity	There are no issues relating to diversity which this report needs to address
Wards Affected	The impact of the report on any individual Ward is considered to be minimal.
Groups Affected	The impact of the report on any individual Group is considered to be minimal.
Budget and Policy Framework	This report does not represent a change to the budget and policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	Action detailed in the report supports the Healthy Darlington aspect of the SCS.
Efficiency	Good health and safety performance has a positive impact on efficiency.

MAIN REPORT

Information and Analysis

5. A full review of the Corporate Health and Safety Policy has been carried out and reflects the commitment of elected members and senior management to health and safety within the organisation. The Policy has been issued as a booklet and in electronic format via Academy 10. The Council's General Statement of Intent poster has also been updated and displayed at various locations throughout the organisation.
6. Think Safety initiatives have continued with the Think Safety Promise 2017 signed by Assistant Directors, refreshing their promise to health and safety including:
 - (a) Consider safety when making decisions and value equal to service delivery.
 - (b) Actively set a good example.
 - (c) Meet at least 3 times a year with H&S Champions.
 - (d) Allow staff to stop service delivery for health and safety reasons.
7. Corporate Driving Arrangements have been updated and have introduced a number of new requirements to manage driving related road risk. A revised 'driver declaration' form, including driver profile questions is to be completed on employment and reviewed at least every 6 months along with driving licence checks. A Driving at Work and Road Safety module has been added to Academy 10 which should be completed by all employees required to drive at work.

8. Lone working devices were introduced into the Council towards the end of 2015 to support existing arrangements i.e. risk assessments, logging in and out protocols, conflict management training and the employee protection register (EPR). There are now 192 devices being used by over 30 service areas, with approx. 500 employees having access to a device.
9. The recent Employee Survey 2018 included two specific questions on Health and Safety at Work. 99% responded 'I understand my responsibilities in regard to health and safety at work' and 93% 'I feel the council takes health and safety issues seriously'. These mirror the positive responses from the Health and Safety Culture Survey undertaken in January 2017 and reinforce that managers and employees understand the importance of addressing and preventing health and safety issues.
10. The Employee Survey also showed positive results with Health and Wellbeing compared to the 2014 survey. Questions in this section reflect the key themes covered in the HSE's Management Standards, which are areas of work design, that if managed correctly are associated with good health, productivity and low accident and sickness absence rates. Collectively 85% of respondents felt the organisation supported their health and wellbeing a significant increase from the 46% response in 2014.
11. Overall performance indicators show a general improvement for the year, further details below.

Performance

12. Measuring performance is a vital means of checking risks are being managed effectively, providing confidence that enough is being done and/or identifying how things could be improved in the future.
13. The number of employee accidents / ill health cases that required reporting to the HSE has reduced by 4 on the previous year, to 9. The reportable accident rate is 5.4 (per 1000 FTE) a decrease on 2016/17 accident rate of 7.5.
14. One reportable accident resulted in a specified injury, a fractured arm. The employee was carrying a piece of flagstone which broke off knocking his arm against the wagon. Details of the Council's year on year accident / incident / near miss data is provided in **Appendix 1**.
15. The other types of HSE reportable accidents/ ill health were, manual & handling (5), slip, trip and fall (2), struck by (1), carpal tunnel syndrome, (1). Investigation findings included, lack of safe systems of work and a need for improved monitoring arrangements. See **Appendix 2** Reportable Accidents by Type and Service Area.
16. In response a review of the risk assessments in those areas has been carried out and further supervisory training has been undertaken.

17. As detailed above there was one occupational disease diagnosed in 2017/18. Carpal tunnel syndrome is not always caused by work related factors however, it can be made worse by exposure to vibration with the use of hand held vibratory power tools. Measures implemented to reduce the risk of ill health associated with the use of vibratory equipment include the assessment of work activities, suitable equipment, reduction in exposure time, maintenance of equipment, monitoring and health surveillance.
18. Accidents to members of the public or others, must be reported to the HSE if they result in an injury and the person is taken directly from the scene of the accident to hospital for treatment. In 2017/18 there were 5 reports; a contractor working on a construction site, a slip on ice at the cemetery, a child struck by a gate in a play park area, and 2 school pupils, a trip in school field and the other struck equipment in sports hall.
19. The Council's accident rate (minor and reportable) was 103.89 per 1000 FTE employees. This is a slight increase on 2016/17 where the rate was 103.79. The accident incidence rate allows us to compare performance to previous years, whilst taking into account a reduction in the workforce. The average FTE for 2017/18 was 1665.15 compared to 2016/17 1734.18.
20. The accident rate can also be used to compare performance between internal services. Appendix 3 provides details of service area accident numbers alongside their accident rate, to allow for these comparisons.
21. Minor accidents / incidents have reduced by 3 to 164. Minors, are classified as those which do not require reporting to the HSE but have resulted in injury or harm. Housing Services has seen the largest rise, the highest cause of these being verbal abuse or threatening behaviour, there were 9 reported incidents (5 customer services, 3 Housing and 1 Revs and Bens). Appendix 4 shows the most common type of minor accident by service for the last 3 years.
22. In respect of verbal abuse and threatening behaviour, operating procedures have been reviewed and an additional response arrangement is in place at all our customer facing receptions which includes a link group for communicating urgent messages between the various receptions, relevant services and CCTV control centre.
23. At the end of the financial year 87% of employees that required health surveillance had completed this within the required time period. The majority of those overdue were by no more than a month, with 4 being as a result of sickness absence. Health surveillance includes; monitoring for signs of hand arm vibration; lung function tests for effects of exposure to dust i.e. silica, skin checks and audiometry test for signs of noise induced hearing loss.
24. There were 263 working days lost as a result of accidents in 2017/18, 25 of these days were from injuries sustained in 2016/17. This represents a drop of 55% on the previous year. The equivalent of 0.16 days were lost per FTE to industrial injury in 2017/18 compare to 0.33 in 2016/17. Appendix 5 year on year days lost as a result of accidents.

25. There were 13 accidents resulting in lost time in 2017/18, lasting on average 18 days each. Manual handling related (8) and slips, trips and falls (4) and (1) hit by falling object. 6 were from Environmental Services, 2 Highways and 1 each in Culture, Housing, Building Services, Adults and Schools.
26. 2017/18 was another positive year for near miss reporting with 153 reports completed. Services are actively encouraged to promote the benefits near miss reporting as every report submitted and corrective action taken potentially prevents an injury. Details are provided in **Appendix 6** show reporting comparisons between services and the previous year.
27. Work related stress (WRS) accounted for 35.3% of all stress related absence, being 1,301 FTE days lost. 2016/17 WRS accounted for 47.3% (1,711 FTE days). Stress related absence is the highest cause of sickness absence standing at 29% of all days lost with musculoskeletal the second highest at 11.7%. Whilst WRS has decreased overall it is still a significant concern, as members will be aware we have a number of methods of support to staff including a counselling service, wellbeing initiatives and wellness awareness and resilience training. All managers are also attending a Mental Health for Managers training session so they are equipped to identify and help staff with mental health issues.

Brief outline of objectives for 2018/19

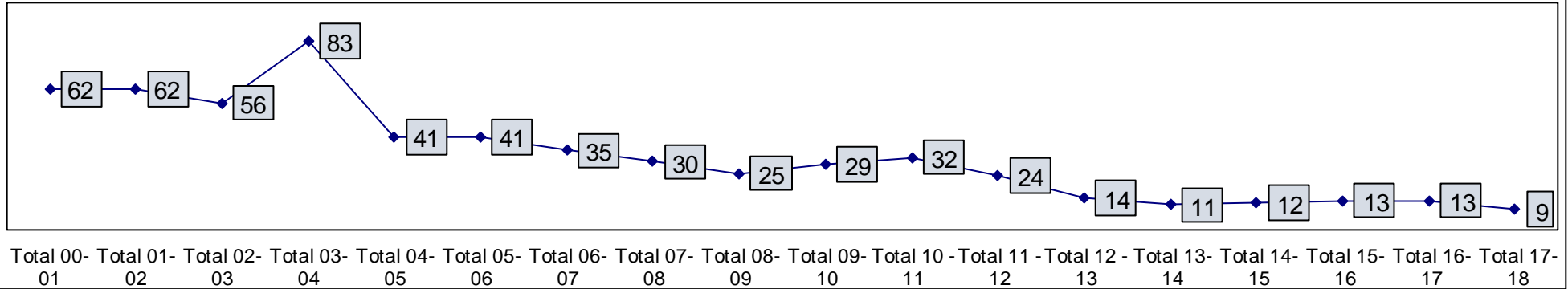
28. To ensure continual improvement in both health and safety management and health and safety culture the following strategic priorities have been identified as applicable to the whole Council. Each element compliments and supports the other in achieving the main aim of a safe and healthy workplace.
29. Ensure the health and safety management system is embedded across the Council, by continuing to plan for hazard identification, risk assessment and risk control to include routine and non-routine activities as well as addressing behavioural issues.
30. Review the Corporate Health and Safety Policy and General Statement of Intent and refresh the Think Safety Promise, to reflect the recent structural changes within the organisation.
31. Continue to review and develop arrangements and ensure they are effectively and consistently implemented within the Authority to comply with legal requirements and industry standards.
32. Develop and implement, as part of the Resource Link project, an electronic incident management system.
33. Ensure a full programme of health and safety training is provided including the use of e-learning options / Academy 10 where possible.
34. Continue to introduce effective health and safety documentation and data control of the health and safety management system.

35. Continue to ensure emergency preparedness and response, through adequate first aid provision, fire arrangements and security threats, etc.
36. Continue to measure and monitor health and safety performance (key performance indicators) utilising both proactive and reactive measures.
37. Carryout a programme of audits ensuring non-conformance and corrective and preventive actions are reported to senior management.

Conclusion

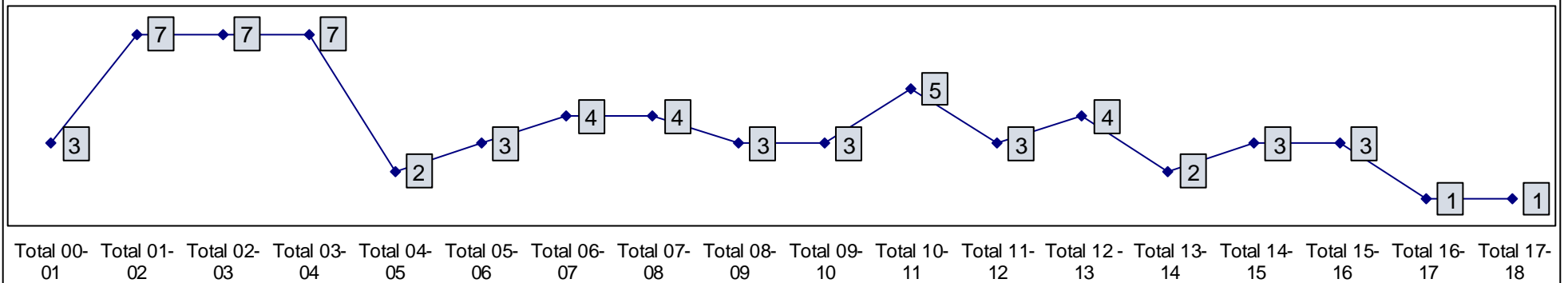
38. Health and safety in the organisation continues to be a high priority and the performance results show improvements are again being made. The objectives for 2018/19 will ensure for continual improvement and embed health and safety into all the councils' activities.

Year on Year HSE Reportable Employee Accidents / Ill Health

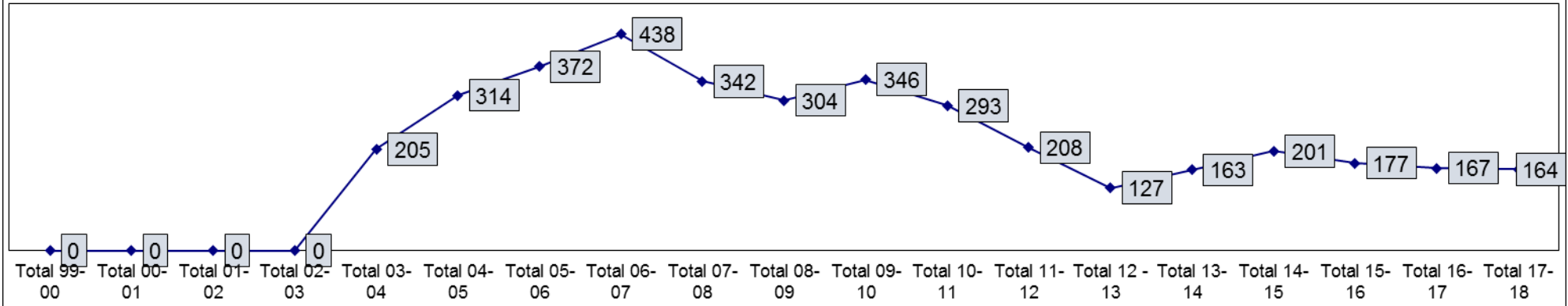


Page 29

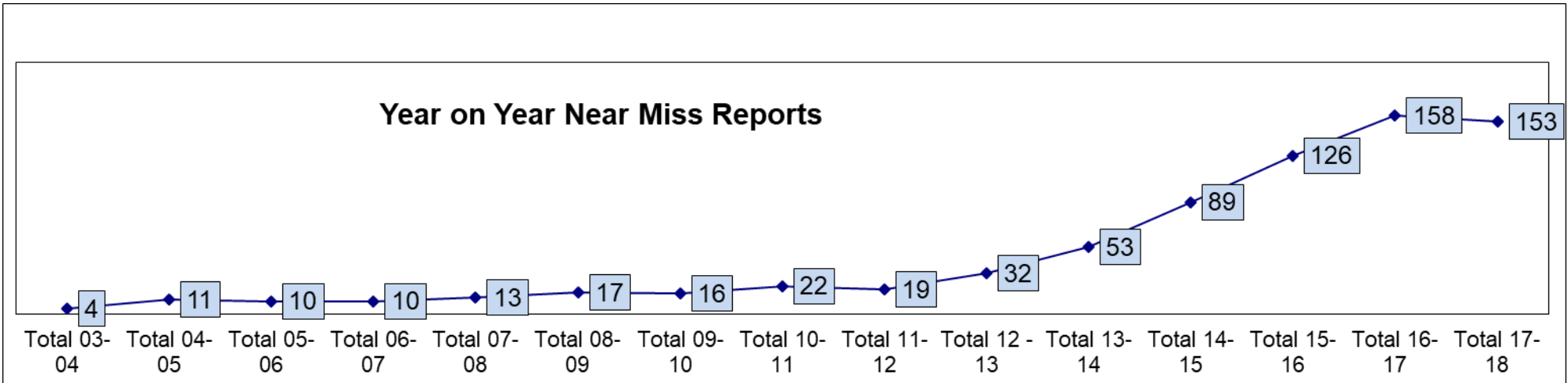
Year on Year Specified Employee Accidents



Year on Year Minor Employee Accidents / Violent Incidents



Year on Year Near Miss Reports



Reportable Accident by Type and Service Area

Service Area (16/17 total)	Injured by animal	Striking against	Struck by moving object	Manual Handling	Contact with sharp object	Slip, Trip or Fall on the same level	Falls from height	Exposure to harmful substance	Physical assault	Ill Health	Total
Culture								(1)			(1)
Environmental Services				1		1 (1)					2 (1)
Housing Services				1 (1)							1 (1)
Building Services				(1)	(1)						(2)
Highways Asset Management				2		1	(1)			1	4 (1)
Highways Network Management						(1)					(1)
Adults	(1)		1	1 (3)							2 (4)
Children's				(1)							(1)
Schools											
Law and Governance	(1)										(1)
Total	(2)		1	5	(1)	2 (2)	(1)	(1)		1	9 (13)

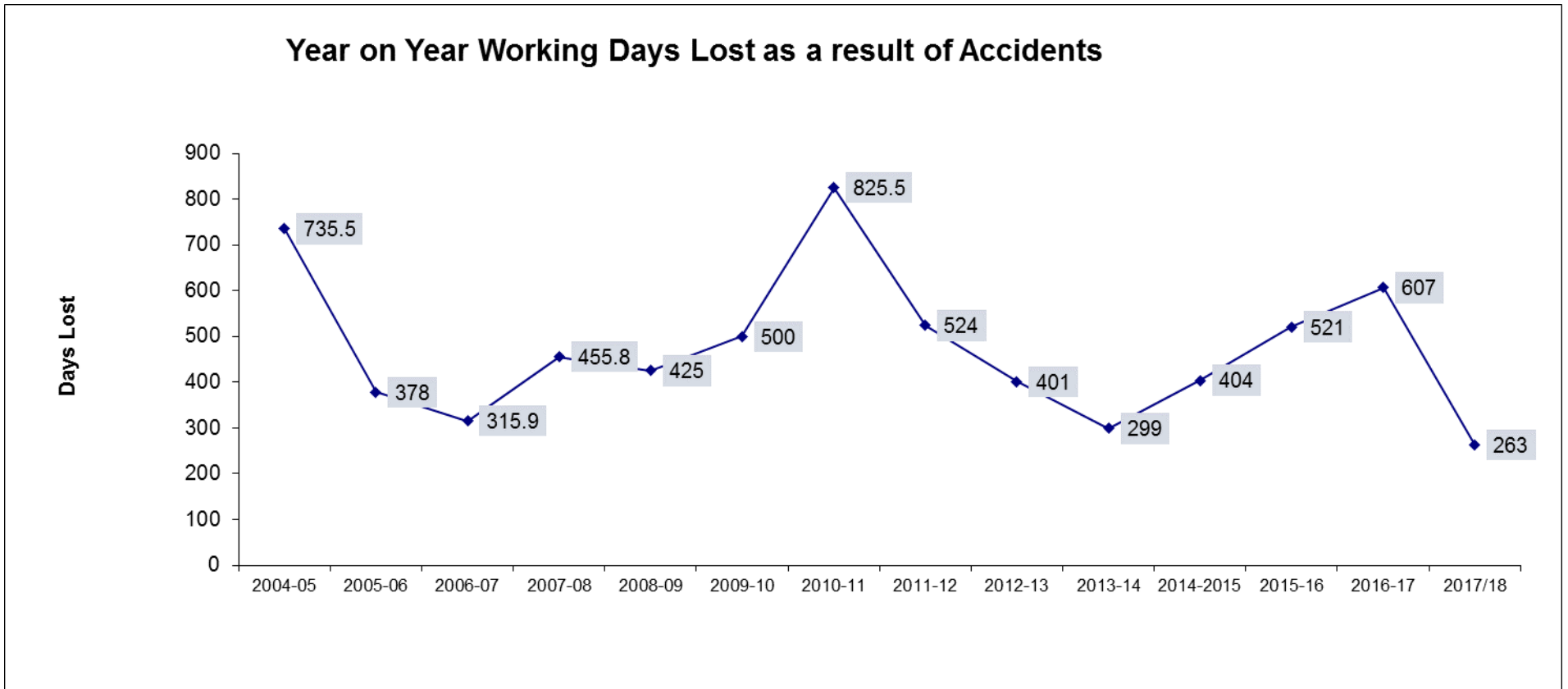
Page 31

Accident Rate compared to Accident Number by Service Area

Area	Average FTE (Incl. Agency)	Minors	Reportable	Total Accidents	Report Rate per 1000 FTE.	No. Near Miss
Culture	151.75	19	0	19	125.21	17
Environmental and OA&HS	167.13	17	2	19	113.69	10
Finance, HRM & Systems	71.28	1	0	1	14.03	20
Building Services	109.42	10	0	10	91.39	8
Housing Services	147.25	19	1	20	135.82	37
Law & Governance	69.72	2	0	2	28.69	9
Strat. Perf & Communications	14	0	0	0	0	0
Neighbourhood Services & Resources	730.55	68	3	71	97.19	101
Economic Initiative	30.15	1	0	1	33.17	3
HAM	68.36	7	4	11	160.91	12
HNM	32.74	2	0	2	61.09	3
Projects	13.26	1	0	1	75.42	1
Regulatory Services	66.70	2	0	2	29.99	4
Economic Growth	211.2	13	4	17	80.49	23
Adults Services	164.63	15	2	17	103.26	15
Children's Services	199.55	52	0	52	260.58	3
Comm, Perf & Trans	96.06	1	0	1	10.41	3
Education	81.28	2	0	2	24.61	6
Public Health	6.04	0	0	0	0.00	2
Children & Adults Services	547.56	70	2	72	131.49	29
Schools	175.85	13	0	13	73.93	0
Council	1665.17	164	9	173	103.89	153

Top 3 Most common Minor Accidents by Service

Service Group	17-18	16-17	15-16
Neighbourhood Services and Resource	Verbal Abuse or Threatening Behaviour	Verbal Abuse or Threatening Behaviour	Verbal Abuse or Threatening Behaviour
	Slip, Trip or Falls	Slip, Trip or Falls	Physical Assault
	Striking Against	Manual Handling	Manual Handling
Economic Growth	Manual Handling	Slips, Trips or Falls	Verbal Abuse or Threatening Behaviour
	Slip, Trip or Falls	Manual Handling	Slip, Trip or Falls
	Striking Against	Struck by	Manual Handling
Children and Adults Services	Verbal Abuse or Threatening Behaviour	Physical Assault	Physical Assault
	Physical Assault	Verbal Abuse	Slip, Trip or Falls
	Struck by	Manual Handling	Verbal Abuse or Threatening Behaviour
Total	Verbal Abuse or Threatening Behaviour	Verbal Abuse or Threatening Behaviour	Verbal Abuse or Threatening Behaviour
	Slip, Trip or Falls	Physical Assault	Physical Assault
	Physical Assault	Slip, Trip or Falls	Manual Handling



Near misses – 16/17 v 17/18

Division / Service Group	17-18	16-17	Difference
Neighbourhood Services & Resources	101	109	-8
Culture	17	12	5
Environmental (Inc. OA&HS)	10	17	-7
Finance & HR	20	8	12
Building Services	8	22	-14
Housing Services	37	41	-4
Law and Governance	9	9	-
Communications	0	0	-
Economic Growth	23	20	3
Economic Initiative	3	0	3
Capital Projects	1	1	-
Highways Asset Management	12	10	2
Highways Network Management	3	6	-3
Regulatory Services	4	3	1
Children & Adult's	29	27	2
Adult Social Care	15	11	4
Children's Services	3	14	-11
Commissioning, Strategy and Performance	3	1	2
Public Health	2	1	1
Education	6	N/A	6
Schools	0	2	-2
Total	153	158	-5

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ETHICAL GOVERNANCE AND MEMBER STANDARDS – UPDATE REPORT

SUMMARY REPORT

Purpose of the Report

1. To update members on issues relevant to member standards and ethical governance.

Summary

2. The report gives update information about issues relevant to member standards since matters were reported to the Committee in March 2018.
3. Also set out in the report are a number of datasets of ethical indicators to assist in monitoring the ethical health of the Council. By reviewing these indicators it is hoped to be able to identify any unusual or significant trends or changes in the volume of data recorded for the relevant period that might provide an alert to any deterioration in the ethical health of the authority.
4. Commentary is included for some data sets to give analysis and explanation for some of the more notable variations. There are no particular issues of concern that have been identified from reviewing the data.

Recommendation

5. Members are asked to note the information presented and to comment as appropriate.

Reason

6. By having information of this nature:
 - (a) Members will be assisted to perform their role.
 - (b) Members will be able to get a better picture of the ethical health of the authority.

**Paul Wildsmith
Managing Director**

Background Papers

None – save as mentioned in the text
Luke Swinhoe: Extension 5490

S17 Crime and Disorder	There are no specific issues which relate to crime and disorder.
Health and Well Being	There is no specific health and wellbeing impact.
Carbon Impact	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond a reflection on the Council's ethical governance arrangements.
Efficiency	There is no specific efficiency impact.
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

MAIN REPORT

Update on matters relevant to Ethical Governance and Member Standards

Members Code of Conduct

7. Members will recall that at the meeting of this Committee on 28 March 2018 it was agreed to recommend to Council that the Members Code of Conduct should be amended to include a requirement for Members to register gifts and hospitality received where the value was £25 or more (within 28 days of receipt) and which are attributable to their position as a Member. The change to the Code of Conduct was agreed at the meeting of Council on 10 May 2018 and the revised Code of Conduct is now in force (and the Constitution has been updated to reflect the change).
8. A number of training sessions were held in the summer for Members of Council on the Members Code of Conduct (21 May, 13 June and 20 July). A further session is being held on 3 October to ensure that all Members have been able to attend.
9. A training session on the Code of Conduct was also run for Parish Council Members and Clerks on the 6 June and the 13 June 2018.
10. Members have been reminded of the need to review and to keep their Members Interest form up to date. Copies of the current Members Interests form have been circulated with the Guidance Note.

Standards in Public Life (CSPL)

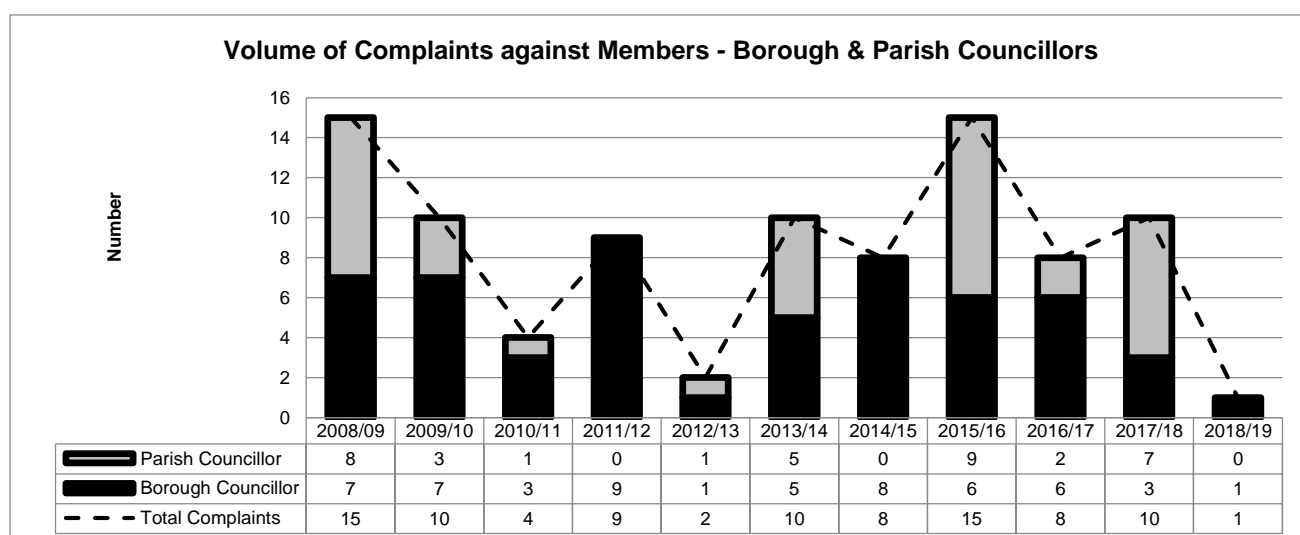
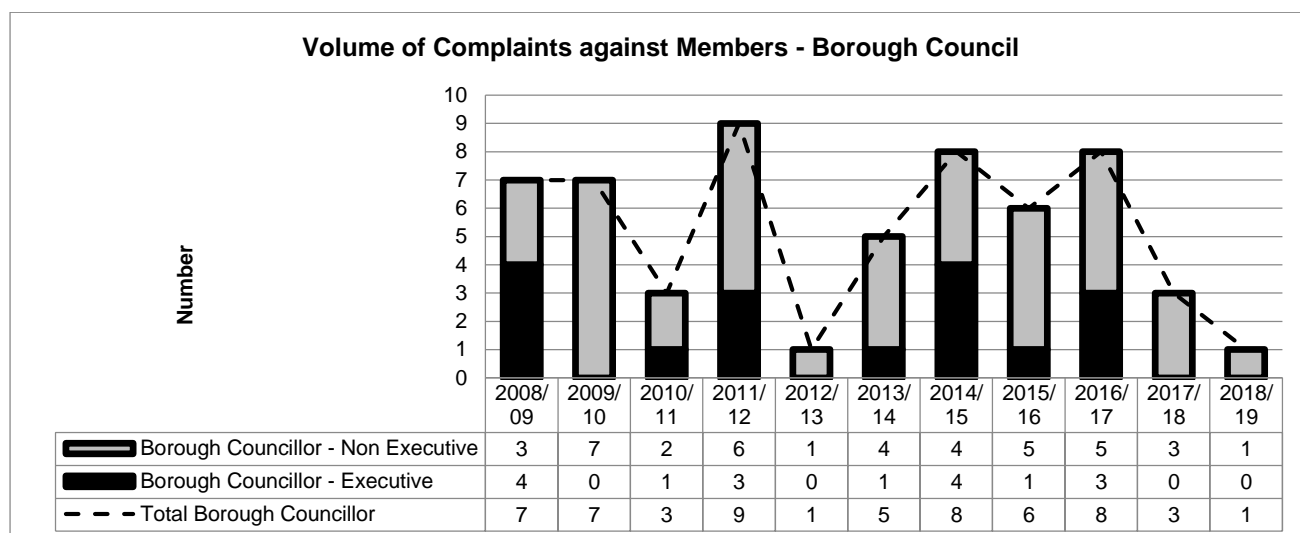
11. The CSPL Review of Local Government Ethical Standards is still underway with the report expected to be published by the end of 2018. Members will be updated when further information becomes available.

12. Members may be interested to note that the submission to the current review by the National Association of Local Councils suggested that 90% of parish and town councils support a single, mandatory code of conduct, and that nearly 70% wanted additional sanctions. This was based on the view that the sanctions of apology or training was inadequate to deal with breaches of the code of conduct or deter future breaches. NALC is suggesting stronger sanctions should include the power of suspension and disqualification. They are also suggesting that the government invest £2m in a national training programme for all new councillors to undertake training on ethical standards and the code of conduct as part of their induction.
13. While not directly related to Local Government Members may be interested to note that the CSPL published in July 2018 a report on MP's outside interests. They were particularly concerned to look at outside paid employment/interests, to ensure that there was transparency and safeguards about the extent of outside employment and interests and the possible impact on decision making. Full details of the report are available from <https://www.gov.uk/government/publications/mps-outside-interests>

Ethical Indicators

14. Set out in **Appendix 1** are a range of data sets that it is hoped will assist in monitoring the ethical health of the Council. By reviewing the indicators it will be possible to identify any unusual or significant changes in the volume of data recorded for the relevant period that might provide an alert to any deterioration in the ethical health of the authority.
15. Member's observations about this information are invited.

Member Complaints



Comments

The average number of complaints per year from May 2008 (when the local assessment of complaints was introduced) to March 2017 is about 9 per year.

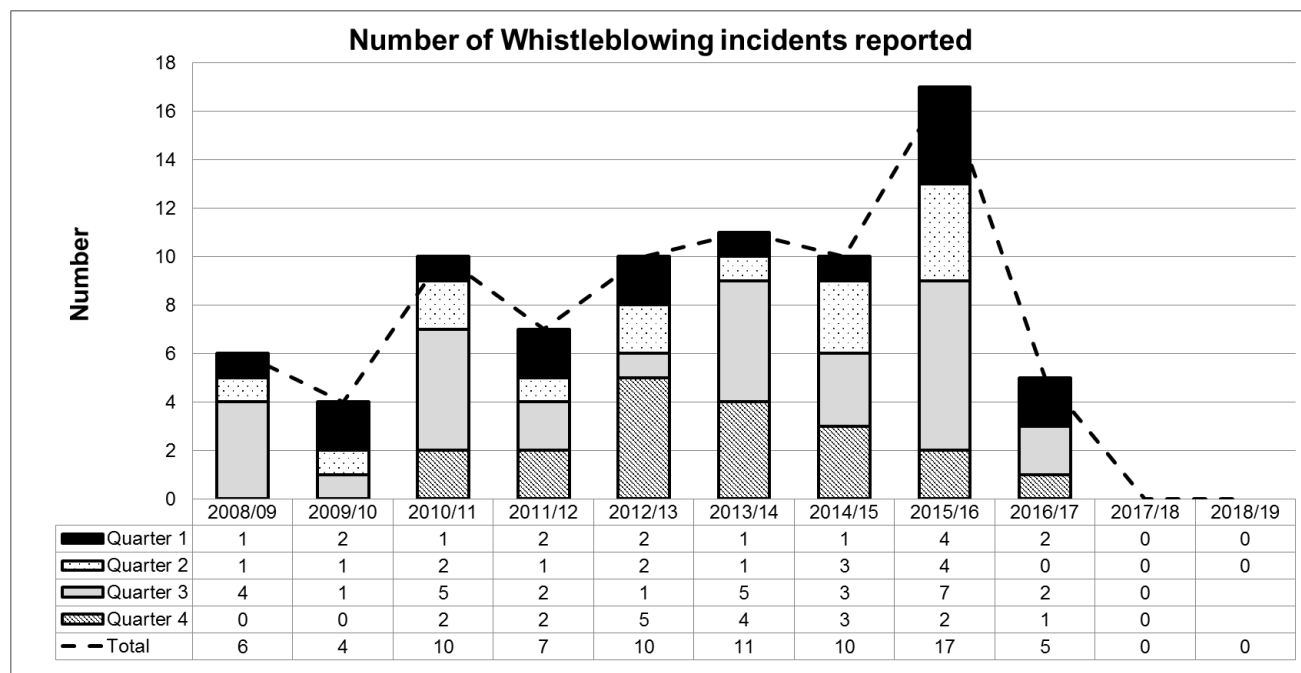
Interpreting the information needs a degree of caution. In 2008 to 2009 a significant factor was a large number of complaints emanating from one parish council which impacted on the yearly figures and also the average numbers of complaints received for that period. There were particular local circumstances that accounted for the rise.

Over the period from 2002/3 to 2016/17 there have been 38 complaints made in respect of Parish Councillors and for the same period 71 complaints relating to Borough Councillors.

The fact that there are more complaints in respect of Borough Council members is perhaps unsurprising given the types of decisions they are involved in making and the more prominent role that they play compared to Parish Councillors.

The increase in complaints received for 2015/16 related to one Parish Council alone which accounted for all of the 9 complaints attributed to Parish Councils. This has very significantly impacted on the total complaints received for 2015/16. The number of complaints for 2016/17 and 2017/18 are more in line with the overall average.

Whistleblowing

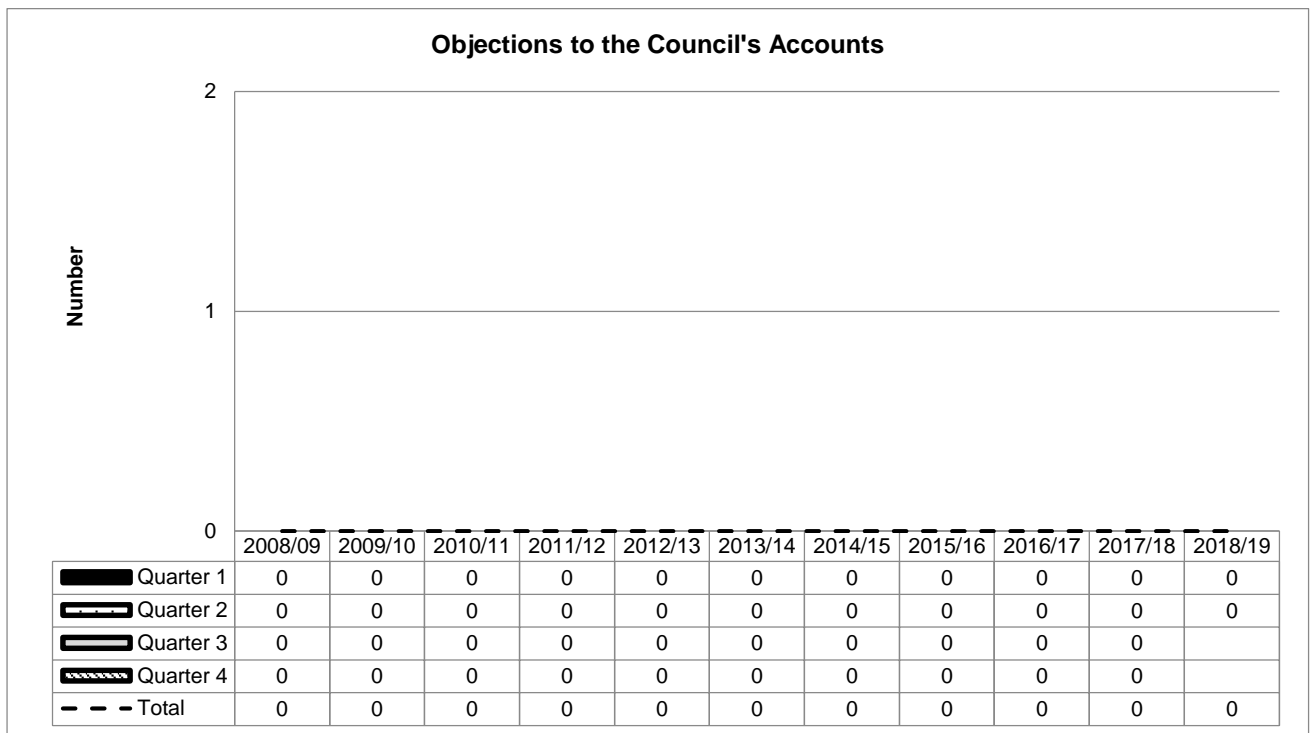
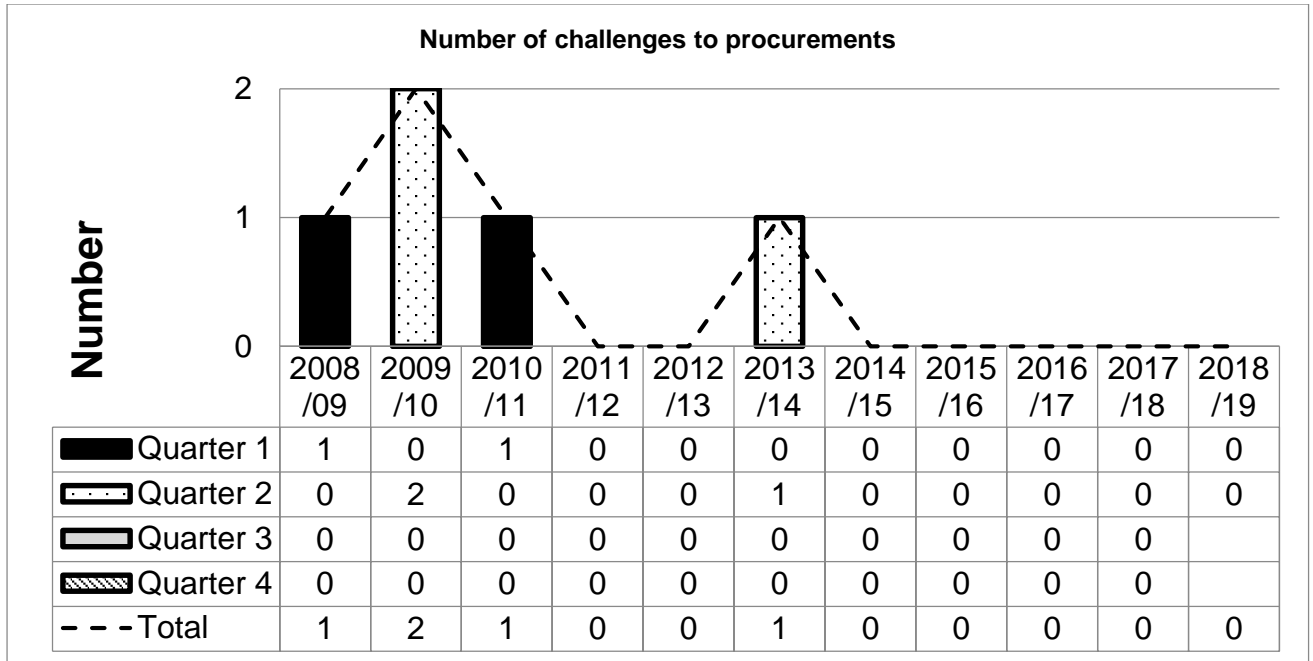


Comments

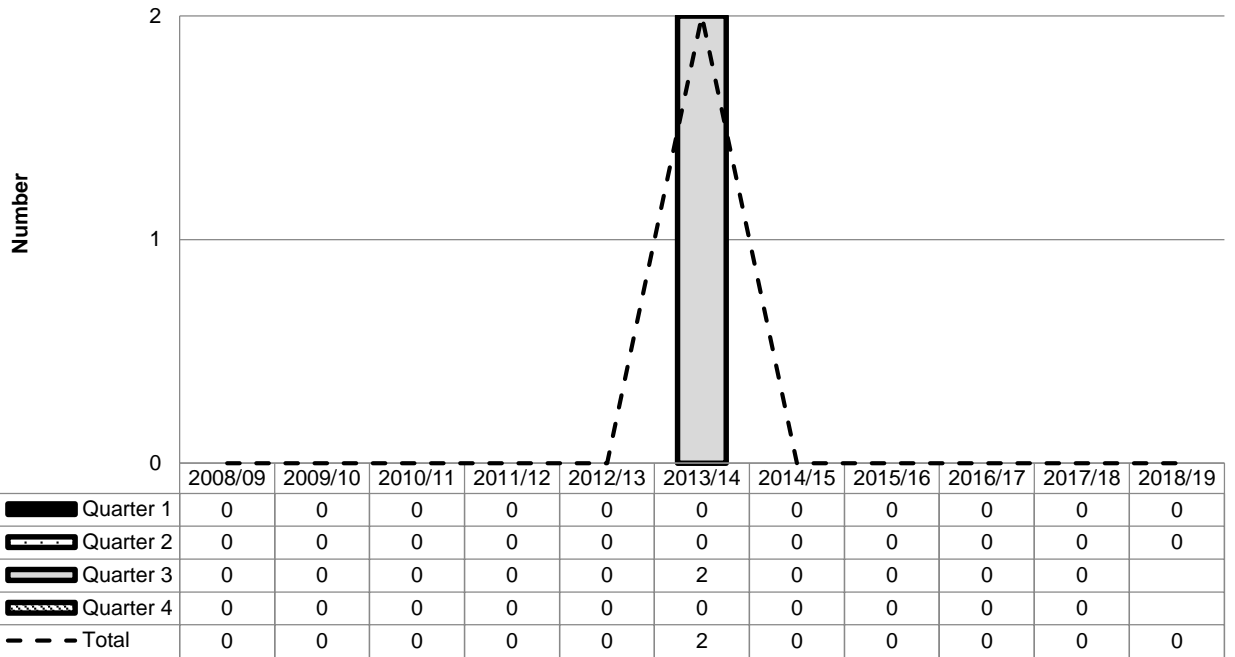
In 2008 a publicity campaign was launched and the Fraud Hotline set up.

There has been a slight increase in reported incidents (with a decline in 2016/17).

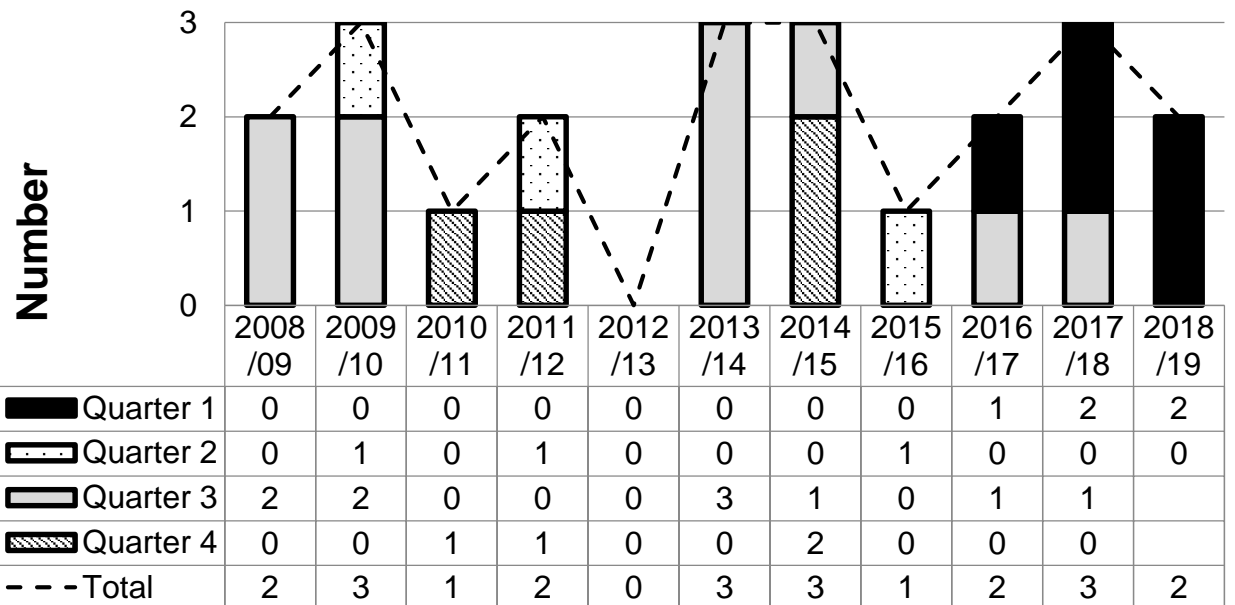
Publicity about whistleblowing is underway



Disciplinary action relating to breaches of the Member / Officer Protocol



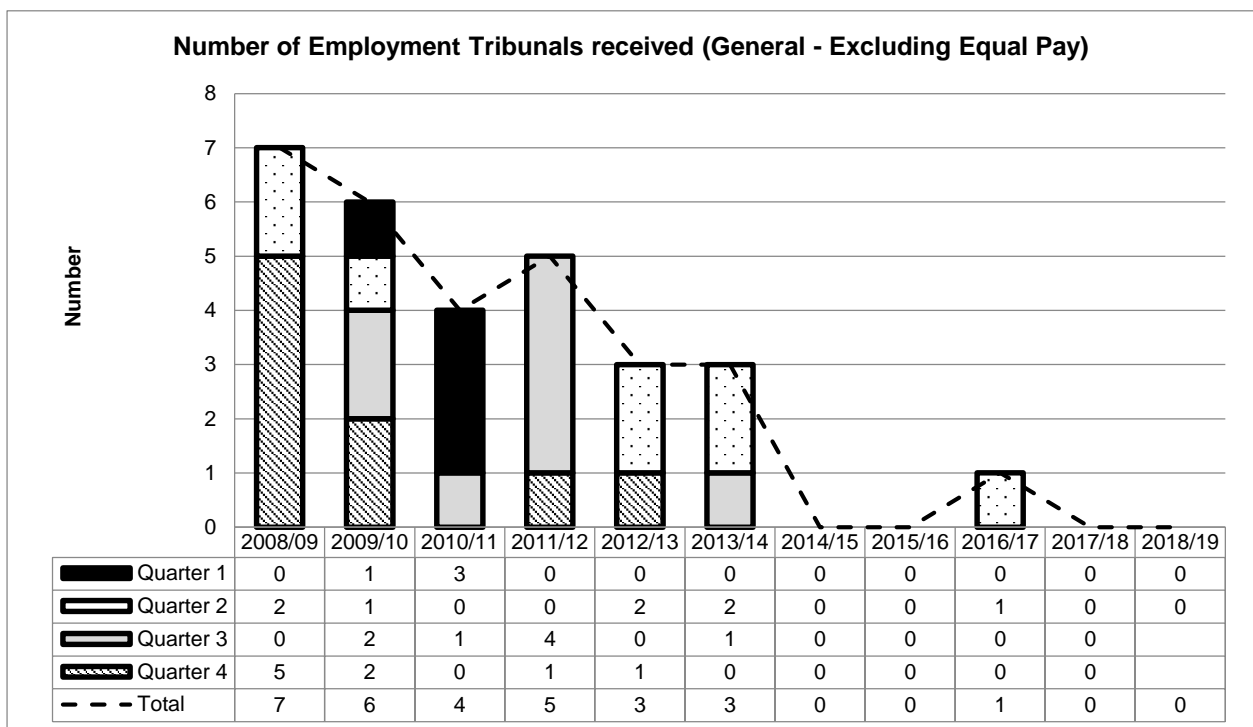
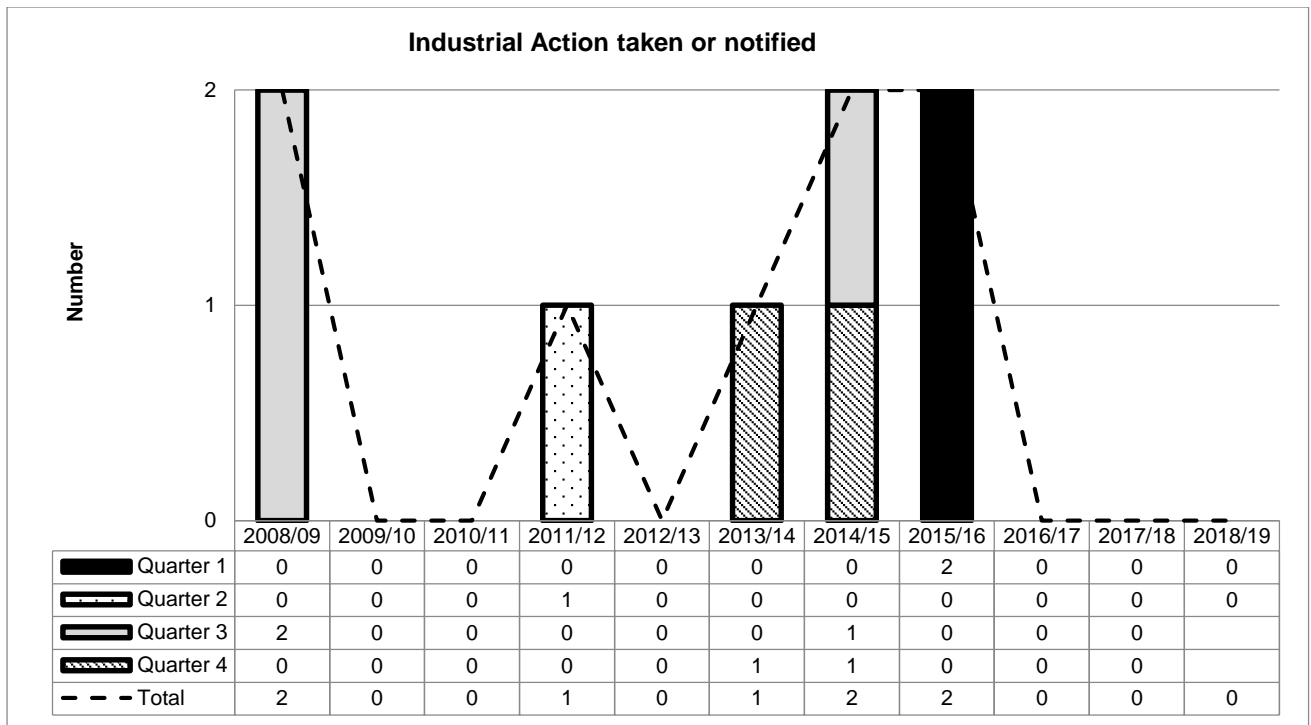
Disciplinary action relating to Fraud



Comments

In 2008 a publicity campaign was launched and the Fraud Hotline set up.

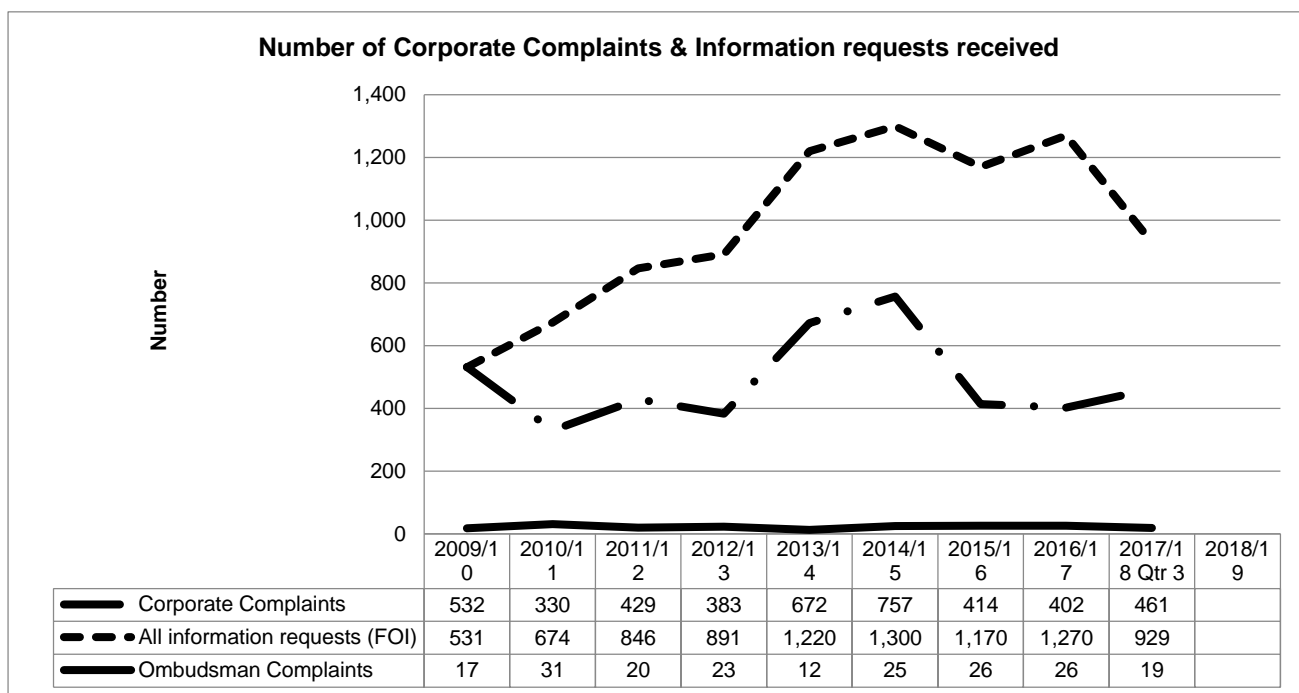
Changes in volumes may have some linkage to increasing awareness of how to report concerns and the current financial climate.



Comments

In 2007, 21 claims were received relating to group litigation against all 5 Tees Valley councils.

Fees for issuing Employment Tribunal; claims were introduced in July 2013, but held to be unlawful by the Supreme Court on 26 July 2017.



Comments

2010/11 - the reduction in the number of complaints received is, in part, attributed to the organisational learning resulting from complaints being handled effectively and in line with the procedure. This has resulted in a reduction in individuals having to contact the Council regarding the same issue(s).

2011/12 - the increase in the number of complaints received was anticipated in light of the increased pressure on Council services in the current financial climate.

2012/13 - while there was a decrease in the number of complaints received compared to the previous year the Council still received more complaints than it did in 2010/11.

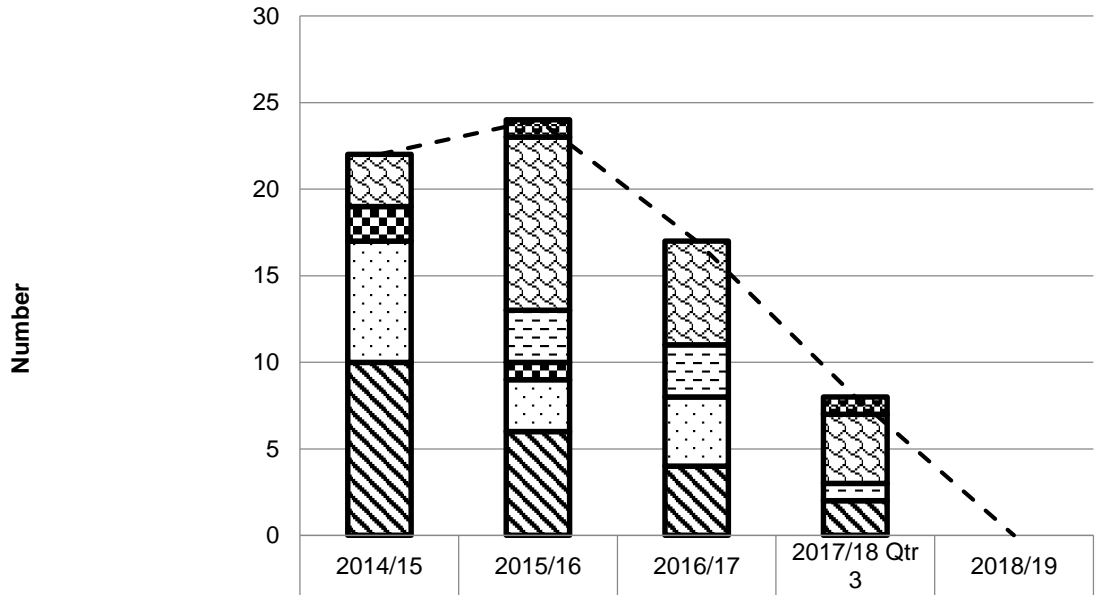
2013/14 - this increase in complaints can be attributed primarily to problems people experienced with their refuse collection, following the introduction in wheeled bins.

2014/15 - this increase in complaints can be attributed primarily to problems people experienced with their refuse and recycling collections, following the introduction of alternate weekly collections.

2015/16 – this decrease in complaints can be attributed primarily to the reduction in complaints about problems people initially experienced with their refuse and recycling collections following the introduction of alternate weekly collections.

2016/17 – the number of Corporate Complaints and Ombudsman Complaints received was similar to the number received in 2015/16, while there was an increase of 100 information requests.

Ombudsman Outcome Category



Upheld: Maladministration No Injustice	0	1	0	1	
Upheld: Maladministration and Injustice	3	10	6	4	
Not upheld: No maladministration	0	3	3	1	
Not upheld: no further action	2	1	0	0	
Closed after initial enquiries: out of jurisdiction	7	3	4	0	
Closed after initial enquiries: no further action	10	6	4	2	
Total	22	24	17	8	0

**AUDIT COMMITTEE
24 OCTOBER 2018**

ITEM NO.

ANNUAL AUDIT LETTER 2017/18

Purpose of the Report

1. To present the Annual Audit Letter for 2017/18

Summary

2. The Annual Audit Letter (**Appendix 1**) provides a high level summary of the results from the 2017/18 audit work undertaken by Ernst and Young LLP (EY), the Council's external auditors, for the benefit of Members and other interested stakeholders.
3. The Letter will be presented at the meeting by a representative from EY.
4. The letter confirms the Council's accounts give a true and fair view for the year ending 31 March 2018 and that the Council have put in place proper arrangements to secure value for money in its use of resources.

Recommendation

5. It is recommended that the Annual Audit Letter be noted.

Reasons

6. The recommendation is supported to enable the Audit Committee to receive the results of external audit work carried out.

**Paul Wildsmith
Managing Director**

Background Papers

Annual Audit Letter 2017/18

Peter Carrick: Extension 5401

S17 Crime and Disorder	There are no specific issues which relate to crime and disorder.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond a reflection on the Council's governance arrangements.
Efficiency	The External Auditors concluded that the Council had put in place proper arrangements to secure value for money in its use of resources.
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

Darlington Borough Council

Annual Audit Letter for the year
ended 31 March 2018

August 2018

Page 49

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better
working world

Contents

01

Executive
Summary



03

Financial Statement
Audit



05

Other Reporting
Issues



07

Audit Fees



02

Purpose and
Responsibilities



04

Value for
Money



06

Focused on Your
Future



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Managing Director of the audited body and via the PSAA website (www.psaa.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated 23 February 2017)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or associate partner contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary

Executive Summary

We are required to issue an Annual Audit Letter to Darlington Borough Council (“the Council”) following completion of our audit procedures for the year ended 31 March 2018.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council’s: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the financial statements.
Concluding on the Council’s arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Reports by exception:

Area of Work	Conclusion
▶ Consistency of Annual Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council’s Whole of Government Accounts return (WGA)	The Council is below the specified audit threshold of £500m. Therefore, we did not perform any audit procedures on the consolidation pack.

Executive Summary (continued)

As a result of the areas on the previous page, we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit	Our Audit Results Report was presented to the Audit Committee on 26 July 2018.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice	Our certificate was issued on 27 July 2018.

In February 2019, we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Page 53

Nicola Wright

Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the 26 July 2018 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Planning Report that we issued in March 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

▶ Expressing an opinion:

- ▶ On the 2017/18 financial statements; and
- ▶ On the consistency of other information published with the financial statements.

Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.

Reporting by exception:

- ▶ If the Annual Governance Statement is misleading or not consistent with our understanding of the Council;
- ▶ Any significant matters that are in the public interest;
- ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
- ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £500m. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office, and issued an unqualified audit report on 27 July 2018.

Our detailed findings were reported to the 26 July 2018 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk

Misstatements due to fraud or error

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Conclusion

We performed the following testing in relation to this risk:

- We identified fraud risks during the planning stage of our audit;
- We inquired of management about risks of fraud and the controls put in place to address those risks;
- We developed our understanding of the oversight given by those charged with governance over management's processes over fraud;
- We considered the effectiveness of management's controls designed to address the risk of fraud;
- We determined an appropriate strategy to address those identified risks of fraud; and
- We performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

We did not identify any transactions during our audit which appeared unusual or outside of the Council's normal course of business.

We did not identify any instances of inappropriate judgements being applied.

Financial Statement Audit (continued)

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Under ISA 240 (UK), there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Local authorities have a statutory duty to balance their annual budget and are operating in a financially challenged environment with reducing levels of government funding and increasing demand for services. Achievement of budget is critical to minimising the impact and usage of the Council's usable reserves and provides a basis for the following year's budget. Any deficit outturn against the budget is therefore not a desirable outcome for the Council and management, and therefore this desire to achieve budget increases the risk that the financial statements may be materially misstated.</p>	<p>We performed the following testing in relation to this risk:</p> <ul style="list-style-type: none"> • We reviewed and tested revenue and expenditure recognition policies; • We reviewed, discussed with management, and tested (where appropriate) any accounting estimates on revenue or expenditure recognition for evidence of bias; • We tested material revenue and expenditure streams, including testing revenue and capital expenditure to ensure it has been correctly classified; and • We reviewed a sample of transactions recorded in the ledger and payments made from the bank account post year-end and confirmed that the associated income and expenditure has been recorded in the correct period. <p>Our testing did not identify any material misstatements relating to revenue and expenditure recognition.</p> <p>We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.</p>

Other Key Findings	Conclusion
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We performed the following testing in relation to this risk:</p> <ul style="list-style-type: none"> • We have liaised with the auditor for the Durham County Council Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council; • We have assessed the work of the Pension Fund actuary (AON Hewitt), including the assumptions they have used, by relying on the work of PwC – Consulting Actuaries commissioned by PSAA for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. <p>Our testing did not identify any material misstatements relating to the valuation of the pension liability.</p>



Financial Statement Audit (continued)

Other Key Findings

Valuation of land and buildings

The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Conclusion

We performed the following testing in relation to this risk:

- We considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- We sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- We considered the annual cycle of valuations to ensure that assets have been valued within a five year rolling programme as required by the CIPFA Code;
- We reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;
- We considered changes to useful economic lives as a result of the most recent valuation; and
- We tested accounting entries to ensure they had been correctly processed in the financial statements.

We identified three material misstatements in relation to the valuation of land and buildings that are detailed below:

Valuation of land and buildings

During the audit, we identified the following adjustments that were made to the Council's financial statements:

- £40.8m adjustment to the net book value of Council Dwellings in both the 2016/17 and 2017/18 accounts due to the incorrect inclusion of accumulated depreciation, which should have been removed on revaluation. This impacted upon the Property, Plant and Equipment value disclosed in the Balance Sheet and resulted in the value of the assets increasing, as well as the Comprehensive Income and Expenditure Statement and Unusable Reserves. However, this amendment did not impact upon the Council's General Fund.
- On review of the depreciated replacement cost (DRC) valuations, completed by the Council's valuer, Kier, we identified that the location factor used was higher than we expected. This was queried with Kier who confirmed that the location factor used was incorrect. As a result, a reduction of £5.8m was made to the value of the three DRC valuations included in the Property, Plant and Equipment balance disclosed in the Balance Sheet.
- The Council obtained valuations for both the Feethams Multi Storey Car Park and the Hippodrome. However, the split between land and buildings for both assets was incorrectly added to the fixed asset register which resulted in the revaluation reserve reducing by £14.9m and the value in the Comprehensive Income and Expenditure Statement reducing by £14.9m.

These were all amended and no other issues were identified.



Financial Statement Audit (continued)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £5.2m (2016/17: £5.1m), which is 2% of gross expenditure on the provision of services reported in the accounts. We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.257m (2016/17: £0.277m).



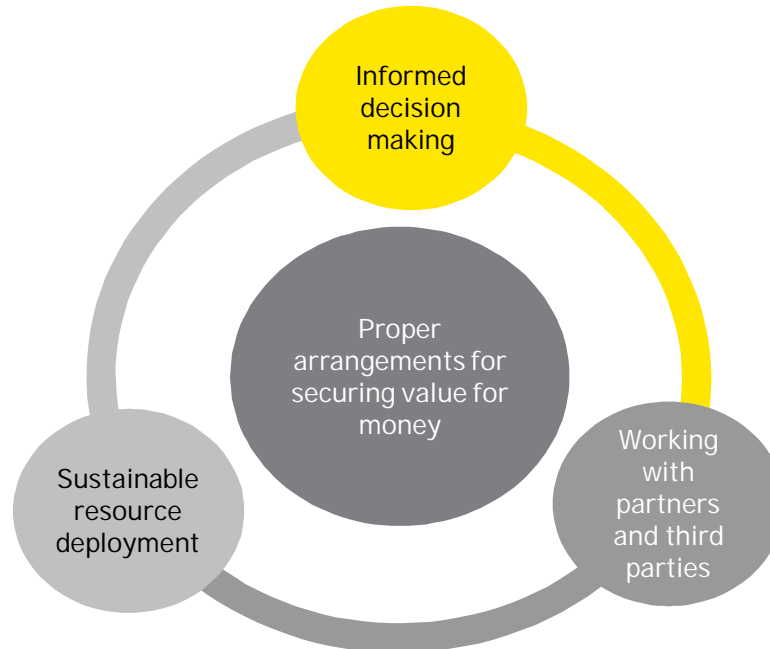
04 Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



Overall conclusion

We identified two significant risks around the value for money arrangements as part of our Audit Planning Report. The table on the following page presents our findings in response to these risks. We did not identify any further significant risks or weaknesses after the audit planning phase.

Based on the work performed we have no matters to report about your arrangements to secure economy, efficiency and effectiveness in the use of resources and issued an unqualified value for money conclusion.

£ Value for Money (continued)

What is the significant value for money risk?

Financial sustainability

The Council faces a challenging set of financial circumstances, resulting from reductions in revenue made available from Central Government and additional budget pressures, including growing demand for services.

The Council has produced a medium term financial plan that ensures it is able to provide all of its statutory services.

However, as a result of further budget reductions and low levels of reserves, there is a risk that an unexpected cost pressure or unforeseen events may result in the Council being unable to deliver this plan.

Children's Services Ofsted Inspection

The Council was subject to an Ofsted review in June and July 2015. This resulted in the Council being provided with an overall "inadequate" rating. The Council, along with external consultants Red Quadrant, have developed an improvement plan to address the issues raised by Ofsted.

Subsequent correspondence from both Ofsted and the Department for Education highlight that improvements have been made, although further improvements are required.

What are our findings?

We completed the following work in this area:

- We obtained a copy of the latest medium term financial plan and tested a sample of the assumptions used;
- We reviewed the 2017/18 outturn report that was presented to Cabinet in June 2018 and assessed whether the medium term financial plan and cost reduction plans are on target;
- We assessed the Council's level of reserves using our financial resilience tools; and
- We selected a sample of cost reduction plans and tested the assumptions used to ensure the savings targets were reasonable.

The testing performed identified that the Council is currently delivering against its medium term financial plan and have reported a £530k improvement in 2017/18 against the projected outturn. Our testing of the assumptions used in the cost reduction plans and medium term financial plan identified that they are reasonable. Based on the testing performed, we were satisfied that there is no impact upon our VFM conclusion from this risk.

We completed the following work in this area:

- We received regular updates from senior officers during the year on the progress that has been made; and
- We reviewed the findings of the Ofsted reports that have been received during the year.

On 21 May 2018, Ofsted confirmed that they would be lifting the "Inadequate" rating and as a result we were satisfied that governance arrangements had improved sufficiently, therefore there was no impact upon our VFM conclusion from this risk.



05

Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £500m. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Reporting Issues (continued)

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 26 July 2018. In our professional judgement, the firm is independent and the objectivity of the audit engagement associate partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

Control Themes and Observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



06 Focused on Your Future



Focused on Your Future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured; • How the impairment of financial assets is calculated; and • The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Code of Practice on Local Authority Accounting has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets; • Re-measure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • For local authorities, Council Tax and Business Rates income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Now that the 2018/19 Code of Practice on Local Authority Accounting has been issued, the impact on local authority accounting is becoming clear. As the vast majority of revenue streams of local authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; due to the revenue streams of local authorities, the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on local authority trading companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.</p>



Focused on Your Future (continued)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard, IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Code of Practice for Local Authority Accounting has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Code is issued and any statutory overrides are confirmed, there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



07

Audit Fees

Audit Fees

Our fee for 2017/18 is in line with the scale fee set by the PSAA and reported in our 26 July 2018 Audit Results Report.

	Planned fee 2017/18	Scale fee 2017/18	Final fee 2016/17
	£	£	£
Total Fee - Code work	93,264	93,264	93,264
Total Fee - Housing Benefit certification work	8,911	8,911	11,525
Total Audit fee	102,175	102,175	104,789
Non-audit work - Teachers' Pensions Certification	TBC	-	3,200
Non-audit work - Housing Pooling Certification	TBC	-	3,000
Non-audit work - Homes and Communities Agency Rent and Sale Checklist review	TBC	-	5,000
Total fees	102,175	102,175	115,989

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ED None

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AUDIT SERVICES ANNUAL AUDIT PLAN 2018/19 – PROGRESS REPORT

SUMMARY REPORT

Purpose of the Report

1. To provide Members with a progress report against the 2018/19 Annual Audit Plan in accordance with Audit Services' role and terms of reference.

Summary

2. The report outlines progress to date on audit assignment work, consultancy/contingency activity and performance indicators.
3. The shared service was a new service beginning 1 April 2017 and brought together two teams from different organisations as well as a new approach to delivering the audit opinion.
4. In relation to Audit Services' performance a detailed report is provided with good progress to date.

Recommendation

5. It is recommended that the progress report against the 2018/19 Annual Audit Plan be noted.

Reasons

6. The recommendation is supported to provide the Audit Committee with evidence to reflect on the Council's governance arrangements.

**Andrew Barber
Audit & Risk Manager**

Background Papers

- (i) Internal Audit Charter
- (ii) Audit Assignment Executive Summaries

Andrew Barber: Extension 156176

S17 Crime and Disorder	Other than any special investigation work there is no crime and disorder impact.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	This report does not affect the budget or policy framework.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision.
One Darlington: Perfectly Placed	There is no specific relevance to the strategy beyond a reflection on the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.

MAIN REPORT

Information and Analysis

7. The Annual Audit Plan for 2018/19 was approved by the Audit Committee in March 2018 and the Service was formally implemented on 1 April 2017.
8. The report should be considered in the context of fulfilling the function to monitor the adequacy and effectiveness of the Council's internal control environment and the Internal Audit service provided.
9. Appendix 1 provides members with detailed feedback on the performance of the service and the position in relation to completion of the audit plan.
10. The audit team is now at full capacity with the vacancy filled in May 2018.

11. In line with good practice, at an appropriate time, Audit Services follow up with Managers progress on implementation of audit recommendations agreed in audit reports.
12. In addition, at the request of clients, consultancy work has been undertaken on specific projects. This time is recorded against Advice & Guidance in the attached appendix. So far to date this has been limited to day to day queries
13. The Shared Service has also responded to routine requests from Groups for advice and guidance on operational matters.

Outcome of Consultation

14. There was no formal consultation undertaken in production of this report.

**INTERNAL AUDIT
AUDIT COMMITTEE UPDATE REPORT
2018/19**

1 AUDIT PROGRESS

- 1.1 The plan, approved on 26 March 2018, was based on an audit assessment of risk which uses a number of factors to determine the likelihood of issues occurring including an understanding of the full scope of systems in operation, major change, concerns/external interest and results of previous audit work. It then assesses the impact any issues may have on the council's strategic objectives, reputation, financial plans, assets and also the potential impact on individuals and/or the environment.

Audit Progress by Service Group

Department	Planned Audits	Cancelled Audits	Unplanned Audits	Revised Audits	Complete	In Progress	Under Review	Drafts Issued	Not Started	Ready to Start
Children's and Adult Services	17	0	0	17	1	7	1	0	8	0
Economic Growth & Neighbourhood Services	18	0	0	18	1	8	0	1	7	1
Resources	6	0	0	6	0	1	0	1	4	0
Law & Governance	4	0	0	4	0	2	0	0	2	0
Schools	1	0	0	1	0	1	0	0	0	0
Xentrall	16	0	0	16	3	6	0	0	7	0
Corporate	14	0	0	14	1	6	0	1	6	0
Contingency	6	0	0	6	0	6	0	0	0	0
SBC Only	2	0	0	2	0	0	1	0	1	0
TVCA Only	3	0	0	3	0	0	0	0	0	3
Totals	87	0	0	87	6	37	2	3	35	4

Actual Days Compared to Planned Days

- 1.2 The tables below show an alternative view of the number of planned days v actual days taken and the projected available resources to complete the plan.
- 1.3 The Audit Plan is constantly revised during the year to take account of changing requirements. Amendments to the Plan agreed on 26 March 2018 can be summarised as follows:

2018/19 Planned Audits Amalgamated/Cancelled/Deferred

None

2018/19 Unplanned Audits Added to the Plan

None

1.4 Counter Fraud

Since the last update both the website and intranet have been updated with a fully revised fraud page. This provides some useful videos and tips on identifying and preventing fraud as well as links to other resources.

The National Fraud Initiative data is in the process of being prepared and will be submitted in the coming weeks with results expected in February 2019.

2 AUDIT OUTPUT

Engagement Opinions

2.1 For each audit carried out Internal Audit provides an overall conclusion as to whether a sound system of internal control is being maintained. Each opinion is either “Full”, “Substantial”, “Moderate”, “Limited”, or “No” assurance depending on the conclusions reached and the evidence to support those conclusions. “Full” and “substantial” assurance normally indicates that the area under review has a reliable system of internal control.

2.2 These individual opinions are summarised below:-

Opinion	Definition	No.	%
Full Assurance	A sound system of internal controls is currently being applied which will ensure the system achieves its objectives. Whilst not essential there may still be scope for these controls to be enhanced in some areas.	3	50
Substantial Assurance	Overall there is a sound system of internal controls that are operating effectively. The system should achieve its objectives but there are areas where internal controls need to be improved.	3	50
Moderate Assurance	A reasonably sound system of internal controls is being applied, however, there are weaknesses which may put some of the system objectives at risk.	0	0
Limited Assurance	There is either a limited system of internal controls being applied, or there are significant weaknesses in the controls in place, which are posing a substantial risk to the achievement of system objectives.	0	0
No Assurance	The system of internal controls in place is failing and system objectives are not being met. Urgent management attention is required.	0	0
N/A	This classification covers audit work within a small part of a system. Providing an opinion on this work would misrepresent the system as a whole.	0	0
Total		6	

2.3 An analysis of the recommendations supporting these opinions by priority is shown below:-

Priority	Definition	No.	%
Critical	Actions that must be taken immediately to manage significant risks that are likely to prevent the Authority achieving one or more of its corporate objectives.	0	0
High	Actions that should be taken as a matter of priority due to the issues identified posing a substantial risk to the achievement of service/system objectives.	1	8
Medium	Required actions to reduce the risk of systems failing to achieve their objectives.	8	67
Low	Beneficial to the improvement of internal controls, which will support the achievement of objectives.	3	25
Total		12	

Details of Audits by Service Group

2018/19

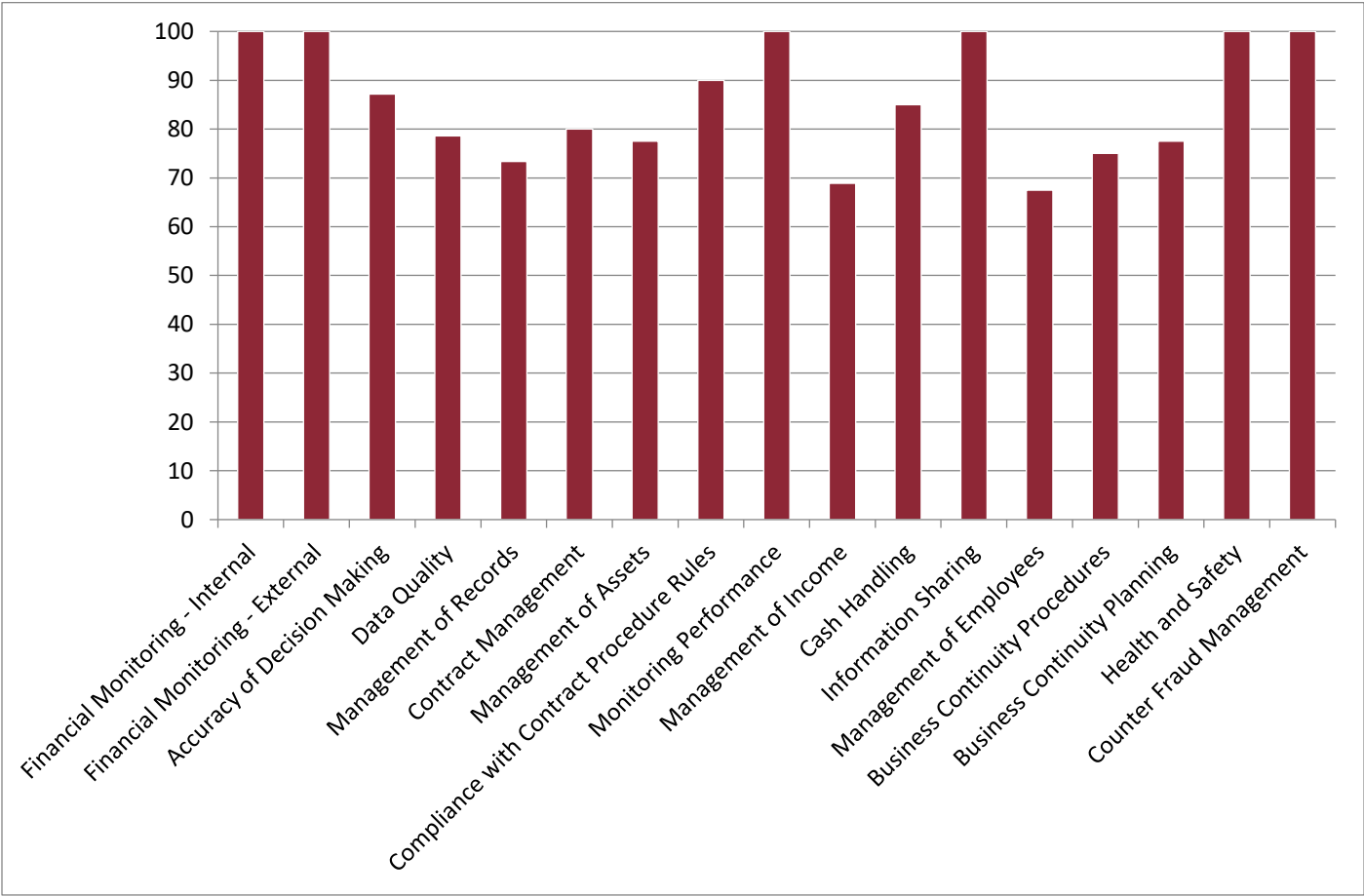
Department	No. of Audits Issued	Opinions						No. of Recs Made	Previous Recommendations			
		Full	Sub	Mod	Lim	None	N/A		Tested	Passed	Failed	N/A
Children's and Adult Services	1	0	1	0	0	0	0	3	0	0	0	0
Economic Growth & Neighbourhood Services	1	0	1	0	0	0	0	5	0	0	0	0
Resources	0	0	0	0	0	0	0	0	0	0	0	0
Law & Governance	0	0	0	0	0	0	0	0	0	0	0	0
Schools	0	0	0	0	0	0	0	0	0	0	0	0
Xentrall	3	3	0	0	0	0	0	0	0	0	0	0
Corporate	1	0	1	0	0	0	0	4	0	0	0	0
Contingency	0	0	0	0	0	0	0	0	0	0	0	0
BC Only	0	0	0	0	0	0	0	0	0	0	0	0
CA Only	0	0	0	0	0	0	0	0	0	0	0	0
Total	6	3	3	0	0	0	0	12	0	0	0	0

2017/18

Department	No. of Audits Issued	Opinions						No. of Recs Made	Previous Recommendations			
		Full	Sub	Mod	Lim	None	N/A		Tested	Passed	Failed	N/A
Children's and Adult Services	15	2	6	0	0	0	6	9	9	3	0	2
Chief Executive	1	0	1	0	0	0	0	0	0	0	0	0
Neighbourhood Services & Resources	23	7	11	0	0	0	3	27	32	22	3	7
Xentrall	13	13	0	0	0	0	0	2	0	0	0	0
Economic Growth	9	2	4	0	0	0	3	8	12	8	2	2
Corporate	3	2	1	0	0	0	0	3	4	3	0	1
Schools	0	0	0	0	0	0	0	0	0	0	0	0
IT Systems	0	0	0	0	0	0	0	0	0	0	0	0
Total	64	26	23	0	0	0	12	49	57	36	5	12

Trend Analysis

2.4 Below is a graph demonstrating the level of compliance across a number of themed tests. The majority of areas are shown as Substantial Assurance (70%) with 2 areas just below this level (Management of Income and Management of Employees). As these are only marginally below the substantial assurance level they require monitoring but no action at this time.



2.5 Shown below is a list of all the audit engagements undertaken during the year together with their assurance opinion.

2018/19 Audit Plan Current Position as at 30 September 2018

Department	Audit ID	Name	Status	Assurance	Recommendations				Bud	Rem	Final Var
					L	M	H	C			
Corporate	2602	Financial Management	Not Started						5.0	5.0	
Corporate	2603	Council Plans	Not Started						5.0	5.0	
Corporate	2604	Risk Management	In Progress						35.0	23.7	
CVCA Only	2605	Concessionary Travel Scheme	Ready to Start						15.0	15.0	
Corporate	2606	Absence Management	In Progress						10.0	9.3	
Xentrall	2607	Active Directory	In Progress						5.6	1.8	
Children's and Adult Services	2608	Adult Safeguarding	Not Started						20.0	19.7	
Resources	2609	Communications Unit	Not Started						15.0	15.0	
Economic Growth & Neighbourhood Services	2610	Building Control	In Progress						7.0	6.3	
Xentrall	2611	Cloud Computing	Not Started						5.0	4.9	
Economic Growth & Neighbourhood Services	2612	Asset Register/Asset Management	Not Started						7.0	6.8	

Corporate	2613	Business Continuity & Emergency Planning	Not Started						10.0	10.0	
Economic Growth & Neighbourhood Services	2614	Business Support & Development	Not Started						25.0	25.0	
Children's and Adult Services	2615	Child Placement - Adoption	In Progress						7.0	6.3	
Children's and Adult Services	2616	Independent Living - Remote Monitoring	Under Review						20.0	3.8	
Xentrall	2617	Creditors	In Progress						20.0	7.6	
Corporate	2618	Cash Offices & Cash Holdings	Complete	Substantial Assurance	2	2	0	0	25.0		-19.7
Children's and Adult Services	2619	Better Care Fund	Not Started						20.0	20.0	
Resources	2620	Client Financial Services	Not Started						12.0	11.2	
Law & Governance	2621	Complaints Review	In Progress						9.0	0.0	
Children's and Adult Services	2622	Community Transport	In Progress						7.0	7.0	
Xentrall	2623	Change Control	Complete	Full Assurance	0	0	0	0	6.0		-1.0
Law & Governance	2624	Democratic & Development Services	Not Started						10.0	10.0	
Economic Growth & Neighbourhood Services	2625	Security & Surveillance	Complete	Substantial Assurance	1	3	1	0	20.0		-8.2
Economic Growth & Neighbourhood Services	2626	Car Parking	In Progress						10.0	0.0	
Law & Governance	2627	Elections	Not Started						20.0	20.0	

Xentrall	2628	ICT Project Management	Not Started							10.0	9.6	
SBC Only	2629	Members Payments and Allowances/Travel and Subsistence	Under Review							15.0	9.4	
Economic Growth & Neighbourhood Services	2630	Dolphin Leisure Centre	Draft							15.0	0.0	
SBC Only	2631	Heating, Ventilation, Electrical & Building Services	Not Started							20.0	20.0	
Economic Growth & Neighbourhood Services	2632	Housing Benefits	In Progress							18.0	17.6	
Xentrall	2633	Remote Access	In Progress							10.0	1.6	
Xentrall	2634	Debtors	In Progress							16.0	8.4	
Economic Growth & Neighbourhood Services	2635	Highways Maintenance Operational	Not Started							13.0	13.0	
Resources	2636	Customer Services	Draft							25.0	9.8	
Corporate	2637	Information Management	Not Started							10.0	10.0	
Corporate	2638	Inventories	Draft							10.0	0.0	
Children's and Adult Services	2639	Harewood Hill Lodge	Complete	Substantial Assurance	0	3	0	0		5.0		-6.7
Economic Growth & Neighbourhood Services	2640	Housing Rents	Not Started							15.0	15.0	
Economic Growth & Neighbourhood Services	2641	Dolphin Centre Catering	In Progress							10.0	0.0	

< None >	2642	Land Charges	In Progress						6.0	1.3	
Economic Growth & Neighbourhood Services	2643	Highways Maintenance Management	Not Started						10.0	9.8	
Economic Growth & Neighbourhood Services	2644	Highways Inspection	Not Started						7.0	7.0	
Xentrall	2645	Hardware Controls	Not Started						10.0	8.0	
Children's and Adult Services	2646	Leaving Care	In Progress						7.0	5.2	
Economic Growth & Neighbourhood Services	2647	Flooding Risk Management	Not Started						5.0	5.0	
Children's and Adult Services	2648	First Contact	In Progress						3.0	2.9	
Economic Growth & Neighbourhood Services	2649	Sale of Council Houses	In Progress						10.0	0.5	
Children's and Adult Services	2650	Independent Sector Assessment & Payments	Not Started						15.0	15.0	
Corporate	2651	Anti-Fraud Management	In Progress						35.0	26.1	
Xentrall	2652	Bank Reconciliation	Not Started						12.0	12.0	
Corporate	2653	DBS Procedures	In Progress						6.0	5.9	
Economic Growth & Neighbourhood Services	2654	Development Services	In Progress						9.4	5.0	
Children's and Adult Services	2655	Referral & Assessment - Childrens	In Progress						15.0	11.7	

Children's and Adult Services	2656	Early Years & Complex Needs	Not Started						8.0	8.0	
Xentrall	2657	Virtualisation	In Progress						6.0	4.9	
Children's and Adult Services	2658	Emergency Duty Team	In Progress						3.0	2.4	
Children's and Adult Services	2659	Looked After Children	Not Started						12.0	11.7	
Corporate	2660	Officer Payments - Mileage	In Progress						8.0	0.7	
Xentrall	2661	Network Management	Not Started						10.0	10.0	
Xentrall	2662	PCI Compliance	Not Started						10.0	9.5	
Xentrall	2663	Pension Payments/Early Retirement	Complete	Full Assurance	0	0	0	0	10.0		-0.7
Resources	2664	Treasury Management	Not Started						7.0	7.0	
Resources	2665	VAT	In Progress						6.0	2.3	
Economic Growth & Neighbourhood Services	2666	Taxation	In Progress						12.0	12.0	
Corporate	2667	Recruitment Services	In Progress						6.0	5.0	
Xentrall	2668	Server Operating Systems	Not Started						5.0	5.0	
Corporate	2669	Performance Management Framework	Not Started						15.0	15.0	
Resources	2670	Personal Budgets & Direct Payments	Not Started						11.0	9.3	
Children's and Adult Services	2671	Troubled Families Initiative	In Progress						16.0	8.0	

Xentrall	2672	Firewalls	Complete	Full Assurance	0	0	0	0	6.0		-0.6
Children's and Adult Services	2673	Referral & Assessment - Adults	Not Started						12.0	11.2	
Xentrall	2674	Payroll & Absence Recording	In Progress						26.0	0.1	
Corporate	2675	Workforce Development	Not Started						12.0	12.0	
Economic Growth & Neighbourhood Services	2676	Environmental Health	In Progress						6.0	6.0	
Economic Growth & Neighbourhood Services	2677	Enforcement	Ready to Start						7.0	0.0	
Law & Governance	2678	Mayor's Charity Fund	In Progress						2.0	0.3	
Children's and Adult Services	2679	Youth Offending and Prevention	Not Started						8.0	8.0	
Children's and Adult Services	2680	Early Years, Children's Centres & Childcare	Not Started						8.0	7.8	
Schools	2681	Schools	In Progress						25.0	19.8	
Contingency	2682	Grants Contingency	In Progress						25.0	0.0	
TVCA Only	2683	Investment Plan	Ready to Start						13.0	13.0	
TVCA Only	2684	Core Systems	Ready to Start						7.0	7.0	
Contingency	2685	Procurement/Contract Management	In Progress						62.0	44.2	
Contingency	2686	ICT Individual Systems	In Progress						66.0	62.4	
Contingency	2687	Continuous Contingency	In Progress						65.0	52.7	

Contingency	2689	Audit Liaison & Planning	In Progress						20.0	5.3	
Contingency	2690	Advice & Guidance	In Progress						50.0	40.1	

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