

Audit Committee Agenda



**9.30 am Wednesday, 16 September 2020
Via Microsoft Teams**

In accordance with Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, this meeting will be held on a virtual basis. Members of the Public can view a live stream of the meeting at:

<https://www.darlington.gov.uk/livemeetings>

Members of the public wanting to raise issues/make representations at the meeting can do so by emailing Allison.hill@darlington.go.uk 24 hours before the meeting begins.

1. Introductions/Attendance at Meeting
2. Appointment of Chair for the Municipal Year 2020/21
3. Appointment of Vice-Chair for the Municipal Year 2020/21
4. Declarations of Interest
5. To consider the time of future meetings of this Committee for the Municipal Year 2020/21
6. To approve the Minutes of this Committee held on 29 January 2020 (Pages 1 - 4)
7. External Audit Annual Plan 2019/20 –
Report of the Managing Director
(Pages 5 - 50)
8. Annual Review of Significant Partnerships 2019/20 –
Report of the Managing Director
(Pages 51 - 54)
9. Annual Risk Management 2019/20 –
Report of the Managing Director
(Pages 55 - 76)
10. Ethical Governance and Member Standards - Update report –
Report of the Managing Director
(Pages 77 - 92)

11. Managers' Assurance Statements 2019/20 –
Report of the Managing Director
(Pages 93 - 96)
12. Audit Services - Audit Charter 2020 –
Report of the Audit and Risk Manager
(Pages 97 - 104)
13. Treasury Management Annual and Outturn Prudential Indicators 2019/20 –
Report of the Managing Director
(Pages 105 - 124)
14. Audit Services - Activity Report 2020/21 –
Report of the Audit and Risk Manager
(Pages 125 - 130)
15. Audit Services Annual Audit Plan 2019/20 - Annual Report –
Report of the Audit and Risk Manager
(Pages 131 - 152)
16. 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
17. Questions



Luke Swinhoe
Assistant Director Law and Governance

Tuesday, 8 September 2020

Town Hall
Darlington.

Membership

Councillors Durham, Baldwin, Crudass, Lee, McEwan and Paley

If you need this information in a different language or format or you have any other queries on this agenda please contact Allison Hill, Democratic Officer, 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 : Allison.hill@darlington.gov.uk or telephone 01325 405997

AUDIT COMMITTEE

Wednesday, 29 January 2020

PRESENT – Councillors Durham (Chair), Crudass, McEwan and Paley

APOLOGIES – Councillors Baldwin and Howell

ALSO IN ATTENDANCE – Vusi Maseko (Ernst and Young LLP)

OFFICERS IN ATTENDANCE – Peter Carrick (Finance Manager Central/Treasury Management), Lee Downey (Complaints and Information Governance Manager), Andrew Barber (Audit and Risk Manager, Stockton Borough Council) and Allison Hill (Democratic Officer)

A33 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

A34 MINUTES

Submitted – The Minutes of the meeting of this Audit Committee held on 20 November 2019.

RESOLVED – That the Minutes of the meeting of the Audit Committee held on 20 November 2019 be approved as a correct record

A35 MID YEAR RISK MANAGEMENT UPDATE REPORT 2019/20

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 Risk Management was an essential part of effective and efficient management and planning and it strengthened the ability of the Council to achieve its objectives and enhance the value of the services provided.

It was also reported that positive progress continued to be made within the Authority regarding the management of key strategic risks and the submitted report outlined the work and processes undertaken by Officers to manage operational risks.

The submitted report outlined these risks which are plotted on to a standard likelihood and impact matrix with reference to the management controls in place and working; and detailed progress made on improvement actions for those risks that had been identified as above the appetite line.

Particular reference was made to the operational risk outcomes highlighted in the submitted report and in particular recent changes to the Council's new Tree and Woodland Strategy 2020-30 following a recent court case, to inspect highway trees bi-annually. Members requested further details on the cost implications of this change to policy.

RESOLVED – That the Risk Management report be noted.

A36 PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY REPORT 2020/21

The Managing Director submitted a report (previously circulated) for Members of this Audit Committee to review and scrutinise the Prudential Indicators and Limits for 2020/21 to 2022/23 relating to capital expenditure and Treasury Management activity; a policy statement relating to the Minimum Revenue Provision; and the Treasury Management Strategy 2020/21 to 2022/23, which includes the Annual Investment Strategy for 2020/21, prior to approval and adoption by Cabinet and Council.

The submitted report outlined the Council's Prudential Indicators for 2020/21-2022/23 and set out the expected treasury operations for this period and it was reported that the Council's expenditure plans, treasury management and prudential borrowing activities indicated that they were within the statutory framework and consistent with the relevant codes of practice, prudent, affordable and sustainable and were an integral part of the Council's Revenue and Capital Medium Term Financial Plans.

The Council's Minimum Revenue Provision Policy sets out how the Council will pay for capital assets through revenue each year and details of the policy statement for 2020/21 were included in the submitted report.

The submitted report also included a Treasury Management Strategy for 2020/21, which sets out how the Council's treasury service will support capital decisions taken, the day to day treasury management and the limitations on activity through treasury prudential indicators. The Strategy for 2020/21 will cover two main areas, Capital Issues and Treasury Management Issues and a summary of the key prudential indicators and limits were also contained within the submitted report.

It was reported that the CIPFA Prudential code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management and training is arranged as required.

Members discussed in particular the investment and borrowing rates and the increase of the PWLB borrowing rates and how this may impact the local authority with any future borrowing.

RESOLVED – That this Audit Committee is satisfied with the Prudential Indicators and Treasury Management Strategy for 2020/21 to 2022/23, the Minimum Revenue Position statement and the Annual Investment Strategy 2020/21, as presented in the submitted report, and that the report be forwarded to Cabinet for its onward referral to Council for consideration.

A37 ACCOUNTING POLICIES TO BE APPLIED TO THE 2019/20 FINANCIAL STATEMENTS

The Managing Director submitted a report (previously circulated) updating Members on the accounting policies to be applied in the preparation of the 2019/20 Statement of Accounts.

It was reported that the proposed accounting policies, defined within the Code of Practice, were in line with those used in the preparation of the 2018/19 accounts.

Reference was also made to the role of this Committee in specifically considering whether the accounting policies had been followed and whether there were any concerns arising from the financial statements or from the audit that needed to be brought to the attention of the Council.

The full list of accounting policies the Council proposed to disclose in its Statement of Accounts notes were detailed in the submitted report.

RESOLVED – That the accounting policies be noted and approved for use in the preparation of the 2019/20 financial statements.

A38 FINAL ACCOUNTS TIMETABLE FOR THE YEAR ENDED 31 MARCH 2020

The Managing Director submitted a report (previously circulated) updating Members on the Final Accounts Closedown Timetable for 2019/20.

It was reported that the timetable detailed target dates for key actions in order to complete the Statement of Accounts in line with statutory deadlines and highlighted that the timetable served as a tool for monitoring progress against the target dates to ensure compliance with the statutory deadlines.

It was also reported that the Audit Committee were responsible for approving the audited set of accounts on or before 31 July 2020; and the Finance Manager closely monitors the achievement of the dates in the timetable throughout the final accounts period, following up delays and missed deadlines to ensure the overall timetable is achieved.

RESOLVED – That the key dates in the Final Accounts Timetable for 2019/20, as appended to the submitted report, be noted.

A39 AUDIT SERVICES ANNUAL AUDIT PLAN 2019/20 - PROGRESS REPORT

The Audit and Risk Manager submitted a report (previously circulated) to provide Members with a progress report against the 2019/20 Annual Audit Plan in accordance with 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 to date in relation to Audit Services' performance.

Members considered a graph to demonstrate the level of compliance across a number of themed which were all above the target level of 70 per cent; and questioned when School Transport would be programmed into the Audit Plan.

RESOLVED – That the progress report against the 2019/20 Annual Audit Plan be noted.

**AUDIT COMMITTEE
16 SEPTEMBER 2020**

ITEM NO.

EXTERNAL AUDIT PLAN 2019-20

SUMMARY REPORT

Purpose of the Report

1. To present the External Audit Plan for 2019-20.

Information and Analysis

2. Attached at **Appendix A** is a copy of the External Audit Planning Report for 2019-20 prepared by the Council's appointed external auditors, Ernst & Young (EY).
3. This report was originally programmed to go to the April 2020 Audit Committee but due to the Covid-19 pandemic it was distributed separately for Members attention but has it been brought back for formal approval.
4. A representative from EY will attend the meeting to present the Plan.

Recommendations

5. It is recommended that the External Audit Plan for 2019-20 be noted.

Reason

6. The recommendation is supported to enable the Audit Committee to consider the content of the External Audit Plan 2019-20.

**Paul Wildsmith
Managing Director**

Background Papers

External Audit Plan 2019-20

Peter Carrick: Extension 5401

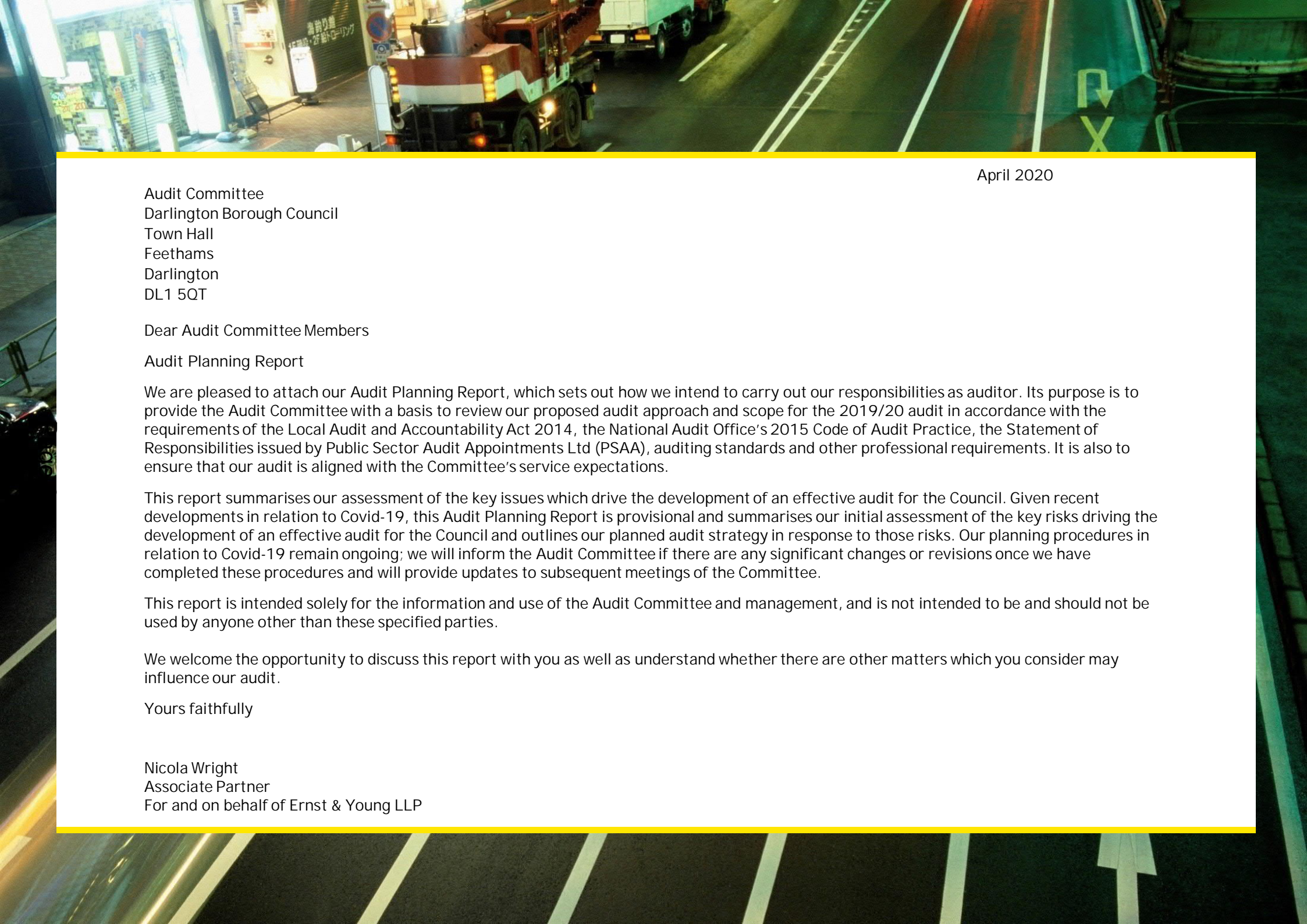
S17 Crime and Disorder	There are no specific issues which relate to crime and disorder.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact	There is no specific carbon impact.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
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 the report comprising part of the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.
Impact on Looked After Children and Care Leavers	The report does not impact upon Looked After Children or Care Leavers.



Darlington Borough
Council
Audit Planning Report

Year ended 31 March 2020

April 2020



April 2020

Audit Committee
Darlington Borough Council
Town Hall
Feethams
Darlington
DL1 5QT

Dear Audit Committee Members

Audit Planning Report

We are pleased to attach our Audit Planning Report, which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments Ltd (PSAA), auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for the Council. Given recent developments in relation to Covid-19, this Audit Planning Report is provisional and summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks. Our planning procedures in relation to Covid-19 remain ongoing; we will inform the Audit Committee if there are any significant changes or revisions once we have completed these procedures and will provide updates to subsequent meetings of the Committee.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Nicola Wright
Associate Partner
For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Darlington Borough Council in accordance with the Statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Darlington Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Darlington Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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Overview of our 2019/20 audit strategy



Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk Identified	Change from prior year	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk/ Significant risk	No change in risk or focus	Under ISA 240 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.
Misstatements due to fraud or error	Fraud risk/ Significant risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively.
Valuation of land and buildings and investment properties	Inherent risk	Reduced risk	Land and buildings are the most significant balance in the Council's balance sheet. The valuation of land and buildings is subject to a number of assumptions and judgements. A small movement in these assumptions could have a material impact on the financial statements. As in previous years, this risk primarily relates to hard to value assets.
Pension liability valuation	Inherent risk	No change in risk or focus	The pension liability is the most significant liability on the Council's balance sheet and is calculated through use of a number of actuarial assumptions. A small movement in these assumptions can have a material impact on the balance sheet.
Group accounts	Inherent risk	No change in risk or focus	The Council is working in conjunction with Esh Homes Limited to develop four housing projects in the borough. The Council owns a 50% share in these projects, which are at various stages of completion. It is expected that these projects will deliver in excess of £3.6 million of pre-tax profits by 2026/27. The CIPFA Code requires the Council to consider both qualitative and quantitative factors of its joint arrangements to assess if group accounting is required to reflect the Council's share of the joint ventures in the financial statements.

Overview of our 2019/20 audit strategy

Audit risks and areas of focus			
Risk / area of focus	Risk Identified	Change from prior year	Details
Financial sustainability	Significant value for money risk	No change in risk or focus	<p>The Council continues to operate in a challenging financial environment. The main risks to the Council's finances are reductions in central government funding, increased reliance on locally raised taxes, increased budget pressures and increasing demands for services. In February 2020, the Council published its Medium Term Financial Plan (MTFP) for 2020/21 to 2023/24.</p> <p>The plan includes £10.3m of net pressures, which includes delivery of savings totalling £12.9m, over the duration of the plan.</p> <p>There is therefore significant pressure on the Council's finances over the coming years. We note that the above plan does not incorporate the potential financial impact of Covid-19, due to the timing of its production.</p>

Overview of our 2019/20 audit strategy

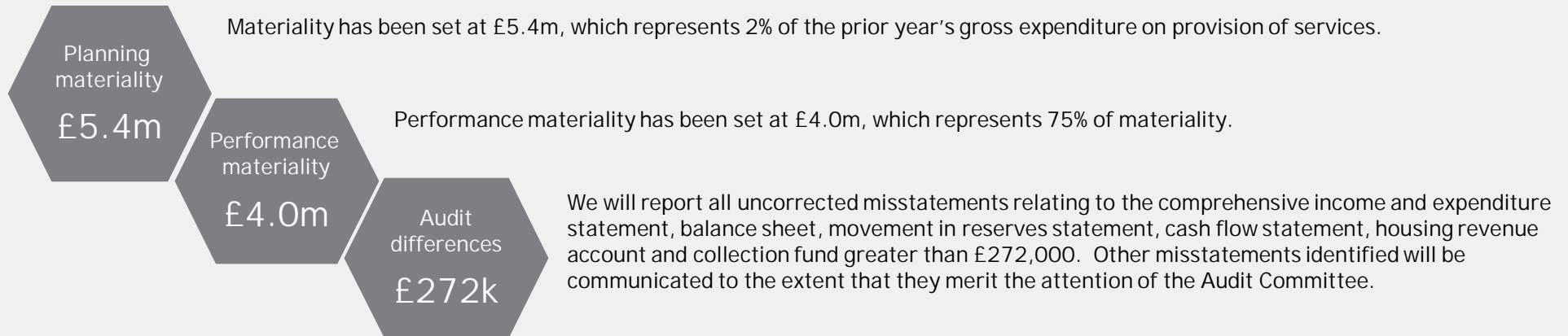
Covid-19

Given recent developments in relation to Covid-19, the above table represents our provisional summary of our initial assessment of the key risks driving the development of an effective audit for the Council. We have set out our current views on the potential impact of Covid-19 in Section 2. However, we consider the likely impact to be pervasive across the financial statements.

Our planning procedures in relation to Covid-19 remain ongoing and we will inform the Audit Committee if there any significant changes or revisions once we have completed these procedures and will provide updates to subsequent meetings of the Committee.

Materiality

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Overview of our 2019/20 audit strategy

Audit scope

This Audit Planning Report covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Darlington Borough Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of fraud in revenue and expenditure recognition*

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. These accounts had the following balances in the 2018/19 financial statements:

Income Account: £256.4m

Expenditure Account: £272.3m

What is the risk?

Under ISA 240, 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.

Our judgement is that the significant risk at the Council relates to the recognition of grants, the potential for improper capitalisation of revenue expenditure and the omission of expenditure in the financial statements. We will therefore target our audit work in these areas.

What will we do?

We plan to perform the following procedures to address the risk:

- Test a sample of capital grants to confirm that they have been recognised in accordance with agreed terms and conditions;
- Test a sample of capital additions to confirm they meet the criteria for capitalisation set out in accounting standards;
- Review minutes of Council, Cabinet and other key meetings to identify any potential accruals or provisions which may have been omitted from the financial statements; and
- Review a sample of transactions recorded in the general ledger and payments from the bank account post year end, to confirm that the associated income and expenditure has been recorded in the correct period.

Our response to significant risks (continued)

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA 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.

What will we do?

We plan to perform the following procedures to address the risk:

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

What will we do?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are 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.

We will:

- Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Consider the annual cycle of valuations to ensure that assets have been valued within a five year rolling programme as required by the Code for PPE and annually for IP. We will consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements,

Pension Liability Valuation

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 administered by Durham County Council. 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. At 31 March 2019, this totalled £168 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. 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.

We will:

- Liaise with the auditors of Durham County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Darlington Borough Council;
- Assess the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.



Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

Group Accounts

In 2018/19, the Council produced Group accounts, in order to include the joint venture arrangements with Esh Homes Limited. The Council owns 50% of the share capital of the joint ventures in place.

To assess if group accounting is required, the CIPFA Code requires an assessment of arrangements on a qualitative basis first, and then on a quantitative basis. Management should revisit the Group assessment annually, based on the most up-to-date information, to determine if the Group financial statements require additional entities to be incorporated within the consolidation.

What will we do?

We will:

- Review the Council's Group boundary assessment to ensure that it is complete and all Group entities have been identified;
- Review the Council's assessment of qualitative factors such as whether the Council is exposed to any commercial risk through its involvement with the potential Group entities, in order to ensure the assessment is appropriate; and
- Test the Council's quantitative assessment by agreeing all values included in the assessment to audited financial statements for each of the potential Group entities.

Other areas of audit focus (continued)

What is the risk/area of focus?

Going Concern Compliance with ISA 570

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards, and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.

The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'

'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'

What will we do?

The revised standard requires:

- Auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- Greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Council obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- Improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Council are not one of the three entity types listed, we will ensure compliance with any updated reporting requirements;
- A stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- Necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

The revised standard extends requirements to report to regulators where we have concerns about going concern.

We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21.

Other areas of audit focus (continued)

Impact of Covid-19

The ongoing disruption to daily life and the economy as a result of the Covid-19 virus will have a pervasive impact upon the financial statements. Understandably, the priority for the Council to date has been to ensure the safety of staff and the delivery of business critical activities. However, the financial statements will need to reflect the impact of Covid-19 on the Council's financial position and performance. Due to the significant uncertainty about the duration and extent of disruption, at this stage we have not identified specific risks related to Covid-19, but wish to highlight the wide range of ways in which it could impact the financial statements. These may include, but not be limited to:

- Going concern – management's assessment of whether the Council is a going concern will need to consider the impact of the current conditions on the Council's future performance. Additional narrative disclosure will be required, including on the future principal risks and uncertainties, including the impact on operations for 2020/21 and beyond.
- Revenue recognition – there may be an impact on income collection (Council and Business rates) if businesses and residents are unable to work and earn income due to the lockdown and restriction of movement due to COVID-19.
- Tangible assets – there may be impairment of tangible assets if future service potential is reduced by the economic impact of the virus. The Council may also have already incurred capital costs on projects where the economic case has fundamentally changed.
- Pensions – volatility in the financial markets is likely to have a significant impact on pension assets, and therefore net liabilities.
- Receivables – there may be an increase in amounts written off as irrecoverable and impairment of year-end balances due to the increased number of businesses and residents unable to meet their financial obligations.
- Government support – any Covid-19 specific government support is likely to be a new transaction stream and may require development of new accounting policies and treatments.
- Annual Governance Statement – the widespread use of home working is likely to change the way internal controls operate. The Annual Governance Statement will need to capture how the control environment has changed during the period and what steps were taken to maintain a robust control environment during the disruption. This will also need to be considered in the context of internal audit's ability to issue their Head of Internal Audit opinion for the year, depending on the ability to complete the remainder of the internal audit programme.

We will provide an update on the impact of Covid-19 on the Council's financial statements, and how we have responded to the additional risks of misstatement, later in our audit.

In addition to the impact on the financial statements themselves, the disruption caused by Covid-19 may impact on management's ability to produce the financial statements and our ability to complete the audit to the planned timetable. For example, it may be more difficult than usual to access the supporting documentation necessary to support our audit procedures. There will be additional audit procedures we have to perform to respond to the additional risks caused by the factors noted above.



03

Value for money risks





Value for money risks

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.

For 2019/20, this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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.

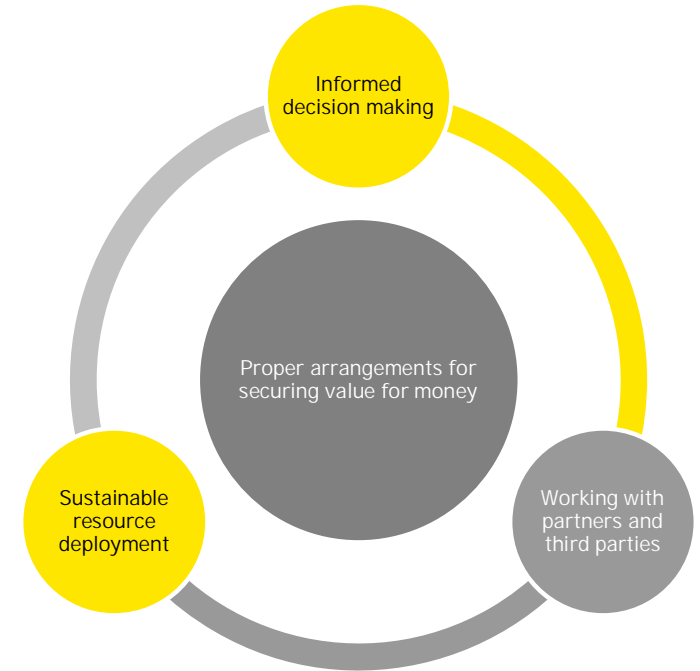
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your Annual Governance Statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.





Value for money risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
Financial sustainability	<p>The Council continues to operate in a challenging financial environment. The main risks to the Council's finances are reductions in central government funding, increased reliance on locally raised taxes, increased budget pressures and increasing demands for services.</p> <p>In February 2020, the Council published its Medium Term Financial Plan (MTFP) for 2020/21 to 2023/24.</p> <p>The plan includes £10.3m of net pressures, which includes delivery of savings totalling £12.9m, over the duration of the plan.</p> <p>There is therefore significant pressure on the Council's finances over the coming years. We note that the above plan does not incorporate the potential financial impact of Covid-19, due to the timing of its production.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> • Select a sample of cost reduction plans and assess their reasonableness, including testing of the assumptions used; • Review the level of reserves to ensure they are sufficient to cover the Council's assessment of the minimum required to provide its statutory services; and • Review the medium term financial plan and test the reasonableness of a sample of the assumptions used.



04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £5.4m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.

Key definitions

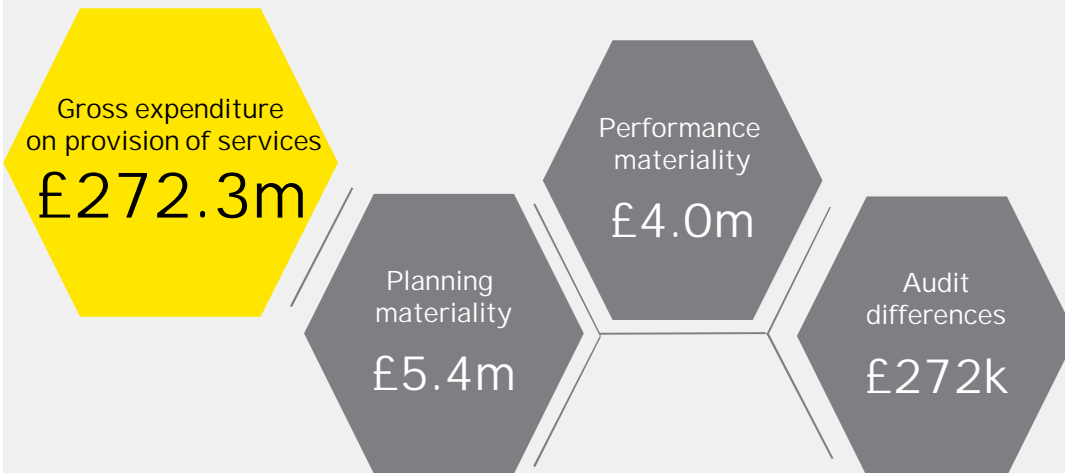
Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £4.0m which represents 75% of planning materiality. We have used a threshold of 75% as our experience from prior year audits means that we do not anticipate identifying a significant number of audit adjustments.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund greater than £272k.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.

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We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.



05

Scope of our audit



Our audit process and strategy

Objective and scope of our audit

Under the Code of Audit Practice, our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statements audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

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.

Our audit process and strategy (continued)

Audit process overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019/20, we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

We will meet with the Audit and Risk Manager and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scoping the Group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. Significant components: A component is significant when it is likely to include risks of material misstatement to the Group financial statements, either because of its relative financial size to the Group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements; or
2. Not significant components: The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components, we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by entity

Our preliminary audit scopes that we have determined are set out below. Note that these apply only for the purposes of the consolidated financial statements.

Darlington Borough Council	Full Scope
Eastbourne Joint Venture	Specific Scope
Heighington Joint Venture	Specific Scope
Middleton St George JV Limited	Specific Scope
West Park Limited	Specific Scope

Scope definitions

Full scope: components where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. In this case, the procedures performed will also support our opinion on the Council's stand-alone financial statements.

Specific scope: components where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts. Our planning procedures have identified the following accounts as potentially material to the Group financial statements:

- Expenditure;
- Income; and
- Balance sheet items such as property, plant and equipment.

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams. We will issue instructions to PwC, setting out the information that we require from them to support our work on the Group audit opinion.



06

Audit team



Audit team

Steve Clark is the Partner responsible for the overall quality and delivery of the audit service. He will be supported by Vusi Maseko as Manager on the audit, who will be the main point of contact for the finance team.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team – Review the valuation report prepared by Align Property Services
Pensions disclosure	EY Actuaries – Review of pension report prepared by PwC

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In accordance with auditing standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20.

From time to time, matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	December	Audit Committee	
Walkthrough of key systems and processes and Interim audit testing	January		
Interim audit testing	February		
	March		
	April	Audit Committee	Audit Planning Report
	May		
Year end audit	July		
Audit Completion procedures	September	Audit Committee	Audit Results Report Audit opinions and completion certificates





08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence; and
- ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Steve Clark, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you.

At the time of writing, there are no long outstanding fees, limited non-audit services (relating to grant claims) and no business relationships.

Page 37 A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC's Ethical Standard to UK PIEs and their worldwide affiliates;
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries;
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation;
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services;
 - Remuneration advisory services;
 - Internal audit services; and
 - Secondment/loan staff arrangements;
- An absolute prohibition on contingent fees;
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential;
- Permitted services required by law or regulation will not be subject to the 70% fee cap;
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms;
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards;
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 28 June 2019 (published September 2019):

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£
Total Fee – Code work	71,813	71,813	71,813
Scale fee variation for group accounting and the impact of McCloud	-	-	3,553*
Total audit	71,813**		75,366
Non-audit work – Housing benefits certification work	TBC***	-	9,500
Non-audit work – Teachers' pension certification work	TBC***	-	3,400
Non-audit work – Home England Grant	TBC***	-	8,000
Non-audit work – Pooling of capital receipts	TBC***	-	3,500
Total other non-audit services	TBC		24,400
Total fees	71,813		99,766

** (2) We wrote to management and the Audit Committee Chair on 10 February 2020 setting out our considerations on the sustainability of UK local public audit. A base fee of £71,813 has been prescribed by PSAA for the 2019/20 audit but we will be having further discussions with management and the Audit Committee on the level of scale fee variation to be applied. Some of the factors relevant to this discussion are set out on the next slide.

*** (3) We will agree fees with you for 2019/20 certification work prior to commencing the work.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

*(1) We have requested a scale fee variation for the additional work undertaken in respect of Group accounting and pensions in 2018/19. This fee has been agreed with officers and we have informed the PSAA.

Fees

Summary of key factors

1. Status of sector: Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.
2. Audit of estimates: There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.
3. Regulatory environment: Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice, are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
4. Resourcing: As a result of the above, public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.


We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality. We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.



To respond to these factors we have to:

- Increase our sample sizes, seek higher levels of corroborative evidence and engage with our internal specialists on a wider array of matters;
- Increase our investment in data analytics tools to allow us to test more transactions to a greater level of detail and enhance audit quality; and
- Invest in our audit quality infrastructure, as a firm our compliance costs have doubled as a proportion of revenue over the past five years.





Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.



 Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The Statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The Statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Planning Report, April 2020
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report, July 2020

Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit Results Report, July 2020	
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit Results Report, July 2020	
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Audit Results Report, July 2020	
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report, July 2020	



Required communications with the Audit Committee (continued)

Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Planning Report, April 2020</p> <p>Audit Results Report, July 2020</p>
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	<p>Audit Results Report, July 2020</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	<p>Audit Results Report, July 2020</p>
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	<p>Audit Results Report, July 2020</p>

Required communications with the Audit Committee (continued)



Our Reporting to you

Required communications	 What is reported?	 When and where
Group audits	<ul style="list-style-type: none"> • An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Planning Report, April 2020 Audit Results Report, July 2020
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report, July 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report, July 2020
Auditors report	<ul style="list-style-type: none"> • Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report, July 2020
Fee Reporting	<ul style="list-style-type: none"> • Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work 	Audit Planning Report, April 2020 Audit Results Report, July 2020
Certification work	Summary of certification work undertaken	Certification Report

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in Section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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**AUDIT COMMITTEE
16 SEPTEMBER 2020**

ANNUAL REVIEW OF SIGNIFICANT PARTNERSHIPS 2019 - 2020

SUMMARY REPORT

Purpose of the Report

1. To present the outcome of the annual review of significant partnerships to enable the Audit Committee to consider the partnerships that the Council is involved with and to ensure that they have adequate governance arrangements in place.

Summary

2. Through the principles of the partnership toolkit, Darlington Borough Council (DBC) has established an approach to monitoring the significant partnerships it is involved with. As a result there are good governance arrangements in place for these partnerships. The partnerships are delivering well against their objectives. The toolkit has been effective in identifying high level concerns of the significant partnerships, the most common of which are levels of resourcing, uncertainty as a result of emerging policy and fundamental changes in operating landscape.

Recommendation

3. It is recommended that the review of significant partnerships be endorsed and the actions being taken to address outstanding issues be noted.

Reasons

4. The recommendations are supported:-
 - (a) to enhance corporate governance arrangements in significant partnerships;
 - (b) to enhance the relevance and performance of partnerships in Darlington.

**Paul Wildsmith,
Managing Director**

Seth Pearson: Extension 6090

Background Papers

- (i) Audit Commission Report – Governing Partnerships – Bridging the Accountability Gap
- (ii) Completed Partnership Toolkit Questionnaires
- (iii) Partnership Working Toolkit Report to Cabinet 20 March 2007
- (iv) Partnership Annual Review Forms – Year Ended 31 March 2020

S17 Crime and Disorder	The Darlington Partnership and Safe and Cohesive Community Group have been key partnerships in ensuring that Safer Darlington is delivered which includes reduction of crime and disorder as a main priority.
Health and Well Being	The Darlington Partnership and the Health and Wellbeing Board have been key partnerships in ensuring that the Health and Wellbeing Strategy is delivered to improve all aspects of the health and well-being of people in Darlington.
Carbon Impact and Climate Change	The Darlington Partnership has been key in ensuring the environmental and economic sustainability of Darlington is assured.
Diversity	The Darlington Partnership have One Darlington as a key priority with an objective of a safe and caring community which supports communities and neighbourhoods to be more cohesive..
Wards Affected	All wards.
Groups Affected	All groups.
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	This is not an urgent decision.
One Darlington: Perfectly Placed	The Darlington Partnership have highest level responsibility for ensuring the delivery of One Darlington: Perfectly Placed
Efficiency	Partnerships that the Council is involved in are reviewed annually to consider outcomes delivered and resources expended.
Impact on Looked After Children and Care Leavers	The Safe and Cohesive Communities Group has as one of its objectives working with families with multiple problems with one of its priorities being multi-agency action to intervene early in situations where people are vulnerable, e.g. Early Help. This work reduces the number of children needed to be taken into care

MAIN REPORT

Information and Analysis

5. Public bodies have responsibilities in respect of their partnership arrangements in that they should for example:-
 - (a) know the partnership they are involved in and how much money and other resources they invest in them;
 - (b) take hard decisions to scale down their involvement in partnerships if the costs outweigh the benefits, or if the added risks cannot be managed properly and;
 - (c) agree and regularly review protocols and governing documents with all partners.
6. In order to demonstrate fulfilment of these responsibilities, Cabinet adopted a partnership toolkit in March 2007 (Min C174/March/07 refers). The toolkit provides a means to record that the performance of each partnership is monitored and that adequate governance arrangements are in place. The toolkit identifies partnerships currently classed as 'significant' in accordance with the definition reported to Cabinet in March 2007.
7. The methodology adopted in Darlington involves the application of the Partnership Toolkit Questionnaire which then informs an action plan to address areas for improvement in governance arrangements. The results of this process form the basis of this report. The lead officers play a key and continuing role in ensuring the good governance of the partnerships. Outstanding actions from last year's review have been addressed or are in hand.

Criteria for a Partnership to be classed as 'Significant'

8. A partnership is determined to be significant if:-
 - (a) DBC has a statutory duty or other government requirement to enter into the partnership; or
 - (b) It is a major contributor towards achieving the Sustainable Community Strategy objectives; or
 - (c) It is a major contributor towards improving the lives of children and young people or older people; or
 - (d) Takes a lead on setting the Council's policy framework; or
 - (e) DBC has the role of accountable body/lead agency and the annual expenditure of the partnership is more than £100,000; or
 - (f) DBC funds the partnership by more than £100,000 annually.
9. The partnerships identified as significant in accordance with this definition for 2019/20 are as follows:-
 - (a) 11 - 19 Partnership
 - (b) Creative Darlington

- (c) Darlington Partnership Board (the LSP)
- (d) Darlington Safeguarding
- (e) Darlington Youth Offending Service
- (f) Safe and Cohesive Community Group (was CDRP)

Performance and Governance of Partnerships 2019-20

10. An Annual Review proforma is completed by the relevant Council officer for each partnership. These are used to assess achievements against objectives, identify any areas for improvement or risk. This report gives a summary of specific remedial actions required by each significant partnership to achieve full compliance with the Council's governance requirements. In addition, the reports identify what Council resources, if any, are being used to support the partnerships. These are readily available and published on the intranet at:-

<https://www.darlington.gov.uk/your-council/communities/annual-review/>

- 11. All of the partnerships have evidenced good performance towards identified objectives for 2019/20 and have either established revised objectives for 2020/21 or have arrangements in place to do so.
- 12. Partnerships are complying with the governance requirements covered by the toolkit with few outstanding actions.
- 13. Reduction in funding and the consequent effect on capacity are the predominant issues raised by Lead Officers that have potential implications for the effective operation of the partnerships. Each partnership which has indicated this as an issue is monitoring closely.
- 14. The Chief Officer Executive along with Cabinet have been considering the future of Darlington Partnership which has not met since December 2019.
- 15. The position on the issues raised will continue to be monitored by the relevant partnership lead officers.

Outcome of Consultation

- 16. Consultation with the Chairs and Lead Officers of the key partnerships was undertaken in the production of this report.

AUDIT COMMITTEE
16 September 2020

ITEM NO.

ANNUAL RISK MANAGEMENT REPORT 2019/20

SUMMARY REPORT

Purpose of the Report

1. To update Members on the approach to and outcomes from the Council's Risk Management processes.

Summary

2. Positive progress continues to be made within the Authority regarding the management of key strategic risks and with the work undertaken by Officers to manage operational risk.

Recommendation

3. It is recommended this Risk Management Report be noted.

Reasons

4. The recommendation is supported to provide the Audit Committee with evidence to reflect on the Council's approach to Risk Management.

Paul Wildsmith
Managing Director

Background Papers

- (i) Council's Risk Management Strategy
- (ii) Corporate and Group Risk Registers
- (iii) Mid Year Risk Management Update Report to Audit Committee 29 January 2020

Lee Downey 5451

S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	There is no specific health and well-being impact
Carbon Impact and Climate Change	There are no specific recommendations contained within the attached reports concerning Carbon Reduction.
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 purpose 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	Insurance premiums reflect the pro-active approach taken to risk management within the Council.
Impact on Looked After Children and Care Leavers	The report does not impact upon Looked After Children or Care Leavers.

MAIN REPORT

Background

5. Risk Management is an essential part of effective and efficient management and planning and it strengthens the ability of the Council to achieve its objectives and enhance the value of services provided. It is also an important element in demonstrating continuous improvement as well as being part of the Council's Local Code of Corporate Governance that reflects the requirements of the CIPFA/SOLACE Framework of Corporate Governance.

Information and Analysis

Strategic Risk Outcomes

6. A key element of the Council's planning process is that the areas of potential risk, which could adversely impact on the ability to meet objectives, are identified together with the officer responsible for managing that risk. These risks are plotted on to a standard likelihood and impact matrix with reference to management controls in place and working. The shaded part of the matrix signifies the area above the 'risk appetite line'. Risks in this region require further specific management i.e. are priorities for improvement that have an appropriate improvement action plan. Risk matrices that reflect the updated Council structure from 1 June 2018, are attached at Appendices A-D and show the current Council Corporate and Departmental risks.
7. All risks are continually managed during the year by Corporate and Departmental Management Teams including any emerging risks identified. In addition, Assistant Directors are required to confirm in their Annual Managers' Assurance Statements (MAS) that processes are in place to ensure that controls identified to support the positioning of risks on the risk matrices are in place and working.
8. The information that follows, provided by appropriate departmental staff, details progress made on improvement actions for those risks identified as above the risk appetite line.
 - (a) **Corporate Risks (Appendix A)** – one risk has been identified as above the risk appetite line.

(C18) COVID-19:

1. **Health and safety of the Council workforce**
 2. **Health and safety of the public of Darlington**
 3. **The impact on the Economy of the Borough and its population**
 4. **Financial impacts on the Council of increased costs and reduced income**
- (i) In terms of mitigating this risk the Council has introduced safe working practices; is working with partners to make the public aware of risks and working to ensure compliance within businesses and other sectors in the Borough; will work with Government departments and the Tees Valley Combined Authority to seek to limit the impacts by utilising interventions to kick start the economy; and will keep its Medium Term Financial Plan

(MTFP) under constant review and take appropriate decisions to safeguard the Council's finances.

- (b) **Children and Adult Services (Appendix B)** – three risks have been identified as above the risk appetite line.

(C & A1) Inability to contain placement costs for children looked after.

- (i) A full Transformation and Efficiency programme is being delivered with the key objective of developing sufficient provision within or close to Darlington that meet the needs of the looked after children. This includes in-house foster care, residential care and specialist provision for complex needs. Due to the changing complexities and the demand for placements not just locally, but also regionally and nationally, the work will be informed by other localities, and joint working will take place where this can add value.

(C & A8b) Increased demand for Children's services impacts negatively on budget.

- (ii) Work is ongoing within the Transformation Programme to safely reduce the level of risk in children's services. This work will be enhanced with colleagues from Leeds City Council under the DfE sponsored Strengthening Families Programme.

(C & A 14b) Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures.

- (iii) Services are in place to screen contacts and referrals, and to respond should concerns be identified. Thresholds for intervention are multi-agency, and the Council ensure that its own staff understand and apply them robustly.

- (c) **Economic Growth & Neighbourhood Services (Appendix C)** – two risks have been identified as above the risk appetite line.

(EG & NS 13) Risk Reworded - Significant impacts arising from the reduction in available cash/resources to the local economy, Council's GF and HRA and businesses due to the impacts of increased levels of unemployment and Universal Credit payments.

- (i) The Council has increased bad debt provision.

(EG & NS20) New Risk - Inability to cope with significant increase in homelessness cases due to new requirements by MHCLG to accommodate everyone irrespective of status in order to limit spread of COVID-19 and also increased levels of homelessness due to increased relationship breakdowns and financial difficulties.

- (ii) Work is ongoing with MHCLG and People's Commissioners to attract additional funding and commission new services.

- (d) **Resources (Appendix D)** – no risks have been identified as above the risk appetite line.

Operational Risk Outcomes

9. The Insurance Group continues to meet representatives of the Council's insurers to examine insurance claims. The insurers are able to provide the group with an update in relation to trends and operational risks to enable continuous improvement to the safety culture within the organisation.
10. The development of an electronic incident management system, for the reporting and recording of all incidents (accidents, violent incidents, near miss reports and security concerns) has continued. Employees will be able to easily and quickly report incidents at work and on 'submission' the system will automatically notify the line manager that an incident has been reported and it is with them to investigate. On completion of the investigation the report will be 'submitted' to their senior manager for assessment and finally it will notify the Health and Safety Team who will carry out any further investigation/comment and sign off. The new system will provide real time management information on incidents, which will be available to management via dashboards. It was intended for the system to 'go live' on the 1 April, however this has been delayed due to COVID-19.
11. The Health and Safety Team have been working collaboratively on a project with Xentrall and Stockton Borough Council to develop a replacement to the current Employee Protection Register (EPR), which is no longer supported. The EPR is a data base of addresses/names where a warning indicator is placed to indicate a possible threat to staff. Access to the system is permissions based. The developed system will operate in a similar way to the current system and allow information to be shared in a secure way across relevant service areas.
12. The organisation has over 80 health and safety champions. Champions are Assistant Director appointed, receive health and safety training, meet regularly with Assistant Directors and play a key role in raising awareness, monitoring work practices and communicating health and safety messages.
13. The Health and Safety Team continue to carry out a schedule of health and safety audits, the purpose of which are to monitor the effective implementation of the health and safety management system against health and safety standards. In addition to these audits a comprehensive inspection programme has also been carried out to monitor health and safety practice during day to day operational activities including construction and highways projects, waste services, horticulture and culture.
14. It was previously reported that a review of working practices had been completed by the Health and Safety Team working with Highway Construction and implementation has seen a reduction in the total amount of cable strikes noted by the service. Services are continuing to monitor this closely.
15. In March 2020 a new Street Works Permit Scheme was implemented in Darlington. The Council has worked with the other north east authorities over the last 18 months to develop the scheme. Studies by the Department for Transport have

indicated that works durations are generally less in areas where a permit scheme operates compared with a noticing regime.

16. In 2019/2020 the Council repaired 5,075 potholes. This is the lowest number since we began collecting data seven years ago. The reduction corroborates the information obtained from the machine and visual surveys which show an improvement in road surface condition. These surveys are carried out by a contractor jointly procured with the other 11 north east authorities. The data from the surveys is used to inform decisions on scheme selection as well as providing performance indicator information which is reported to the Department for Transport.
17. The Council is preparing a programme of carriageway resurfacing works, including micro asphalt. At the present time it is not clear to what extent the highway schemes will be impacted by the COVID-19 restrictions. However, it is likely that at the very least the programme will be delayed. The schedule is being adapted as the situation develops.
18. During the COVID-19 restrictions our Highway Inspectors have continued to monitor the condition of our roads and footways. Due to the need to maintain social distancing and the closure of materials suppliers only urgent works have been carried out to ensure that the network is maintained in a safe condition.
19. In September 2019 the Council moved its highway asset management system to a cloud based service 'Symology Insight Online'. Due to this change several staff members have been able to work from home during the COVID-19 restrictions.
20. The proactive tree risk management processes continue to provide positive results enabling the Council to defend the majority of storm and subsidence compensation claims received.
21. Occupational Health (OH) is a specialist branch of medicine that focuses on the physical and mental wellbeing of employees in the workplace and considers an employee's ability and fitness to perform a particular job. It has a key role in assisting to manage risks in the workplace that may have the potential to give rise to work-related ill health. The Council's service operates as an in-house model with a directly employed OH Advisor and an OH Doctor provided via a contract with Durham County Council, both of which are suitably qualified and experienced. Together their aim is to prevent work-related illness and injury by:
 - Encouraging safe working practices and proactive absence management;
 - Health surveillance and vaccination programmes in line with HSE recommendations, relevant to the workplace and specific job roles;
 - Supporting the management of sickness absence and facilitating early return to work;
 - Working with HR, Health and Safety and managers to assist with policies to ensure we are health and safety compliant, including ensuring that reasonable adjustments are considered;
 - Providing specific advice to managers on hazards and risks to health with work functions;
 - Conducting pre-employment health assessments;
 - Supporting health promotion and awareness programmes;
 - Providing advice and signposting around non-health-related problems; and

- Challenging fit note advice from a GP to ensure a swift return to work that is suitable and safe for the employee and team.
22. The Council has accredited Mental Health First Aiders and trained Mental Health Mentors in the workplace and has recently upped its promotion of mental health across the workforce. Mental Health First Aiders and Mentors are identified in numerous ways and can be easily contacted for confidential chats where employees are offered a listening ear and signposted to further help where applicable.
 23. Mental Health awareness sessions for both managers and employees are provided and have been received very positively. Both sessions have been built with localised input to ensure that the local offer and integration into wider policy/practice is reflected. These sessions are now a firm fixture of the training offer and both are run three times per year. Mental Health will continue to be a focus for wellbeing.
 24. The Council runs an annual winter flu vaccination programme and associated communications strategy offering its employees a free flu vaccination. This is extremely successful with a record number of free vaccinations administered to staff in the last year, equating to a total of 24% of the total workforce being vaccinated against flu.
 25. Wellbeing activities and events run throughout the year engaging with as many employees as possible, wherever possible events are tailored to meet the differing groups of employees and locations across the Council. These include Health Checks for employees, Cancer Awareness, Carers information and other initiatives in line with relevant NHS campaigns as well as workshops on 'Stress Busting' and 'Improving Sleep' which follow some core mindfulness practices and meditation techniques.

Conclusion

26. The Council's pro-active approach to risk management continues to produce positive results for the Authority.

Outcome of Consultation

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

RISK MATRIX

CORPORATE RISK REGISTER

Page 62

LIKELIHOOD	A Very High				
	B High				
	C Significant			18	
	D Low			3, 4, 5, 17	
	E Very Low		1		
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

CORPORATE RISK REGISTER

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
C1	Implementation of recommendations from the Capital Process Review is needed to improve effective capital project management	Ian Williams	None at E/III		
C3	Corporate Premises Risks	Ian Williams	None at D/II		
C4	Business Continuity Plans not in place or tested for key critical services	Ian Williams	None at D/II		
C5	Council unable to meet its obligations under the information governance agenda	Paul Wildsmith	None at D/II		

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
C17	Brexit could result in changes to laws, regulations, government policy or funding when/if the UK leaves the EU which could impact on Darlington Borough Council's ability to achieve its objectives	Paul Wildsmith	None at D/II		
C18	New Risk COVID-19: 1. Health and safety of the Council workforce 2. Health and safety of the public of Darlington 3. The impact on the Economy of the Borough and its population 4. Financial impacts on the Council of increased costs and reduced income	Paul Wildsmith	New at C/II		See main body of report at paragraph 8 (a) i

RISK MATRIX

APPENDIX B

CHILDREN AND ADULT SERVICES

Page 65

LIKELIHOOD	A Very High				
	B High			8b	
	C Significant		9b, 16, 17, 19	1	
	D Low		18	3a, 3b, 5, 9a, 10, 14a, 15	14b
	E Very Low			8a	
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

CHILDREN AND ADULT SERVICES RISK REGISTER

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
C&A 1	Inability to contain placement costs for children looked after due to lack of sufficient in house placements	Jane Kochanowski	None at C/II		See main body of report at paragraph 8 (b) i
C&A 3a	Inability to recruit and retain sufficient qualified suitably experienced social workers in Children's Services impacts on cost and quality of service	Jane Kochanowski	None at D/II		
C&A 3b	Inability to recruit and retain sufficient qualified suitably experienced social workers in Adult Services impacts on cost and quality of service	James Stroyan	None at D/II		

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
C&A 5	Failure to identify vulnerable schools and broker appropriate support to address needs	Tony Murphy	None at D/II		
C&A 8a Adult	Increased demand for Adult Services impacts negatively on plans for budget efficiencies	James Stroyan	None at E/II		
C&A 8b	Increased demand for Children's Services impacts negatively on budget	Jane Kochanowski	None at B/II		See main body of report at paragraph 8 (b) ii
C&A 9a	Market (Domiciliary Care Residential Care providers) failure following the Care Act/Living Wage	Christine Shields	None at D/II		
C&A 9b	Market (Domiciliary Care Residential Care providers) for Vulnerable Families with Children (including SEND) experiences provider failure	Christine Shields	None at C/III		

C&A 10	The Deprivation of Liberty Safeguards Threshold changes significantly increases the amount of people deprived of their liberty resulting in potential for increased legal challenge	James Stroyan	None at D/II		
C&A 14a	Failure to respond appropriately to safeguard vulnerable adults, in line with national legislation and safeguarding adults procedures	James Stroyan	None at D/II		
C&A 14b	Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures.	Jane Kochanowski	None at D/I		See main body of report at paragraph 8 (b) iii
C&A 15	New Risk Working with other local commissioners to ensure their understanding of their responsibilities within the Childhood pathway.	Ken Ross	New at D/II	Following the national Healthy Child Programme. Implementing HDFT's Mobilisation Plan. Development of 0-19 Task and Finish Group.	
C&A 16	Risk of unsuccessful mobilisation of new	Ken Ross	New at C/III	Employment of experienced Independent Consultant to support	

	service - Support, Recovery and Treatment In Darlington through Empowerment (STRIDE).			mobilisation process and weekly meetings with new Provider. Public Health working with Council Officer to develop options for a town centre venue.	
C&A 17	New Risk Impact of NECA not retaining the Drug & Alcohol Contract on the Stop Smoking Service - Will the provider be able to manage the Stop Smoking staff if the Gate is no longer used by the Service.	Ken Ross	New at C/III	CDDFT (as joint provider) would have to take the staff in house or the Council would have to offer a suitable venue for the service (capacity at Eastbourne Sports Complex). Public Health are working with the Provider to find a suitable venue and with CDDFT considering options.	
C&A 18	New Risk Impact of COVID-19 on team capacity.	Ken Ross	New at D/III	The team to support the Public Health Principal and Director of Public Health in responding to request and providing advice to Senior managers and members of the Council. Additional capacity being brought into the Public Health team.	
C&A 19	New Risk New Director of Public Health transition.	Ken Ross	New at C/III	The Director of Public Health will produce a robust handover plan. The team work together and with the current Director of Public Health to prepare for the new Director of Public Health.	

RISK MATRIX

APPENDIX C

ECONOMIC GROWTH & NEIGHBOURHOOD SERVICES

Page 70

LIKELIHOOD	A Very High				
	B High				
	C Significant		9	13, 20	
	D Low			1, 7, 8, 14, 16, 17, 18, 19	
	E Very Low			12	
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

ECONOMIC GROWTH & NEIGHBOURHOOD SERVICES RISK REGISTER

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
EG & NS 1	Investment in regeneration projects is not delivered	Ian Williams	None at D/II		
EG & NS 7	Financial implications of Maintaining and conserving key capital assets within the borough	Guy Metcalfe/ Pauline Mitchell/Dave Winstanley	None at D/II		
EG & NS 8	Ability to adequately address the affordable housing requirement	David Hand	None at D/II		
EG & NS 9	Delay to new Local Plan	David Hand	None at C/III		
EG & NS 12	Planning Performance at risk of Standards Authority intervention	David Coates	None at E/II		

EG & NS 13	Risk Reworded Significant impacts arising from the reduction in available cash/resources to the local economy, Council's GF and HRA and businesses due to the impacts of increased levels of unemployment and Universal Credit payments	Pauline Mitchell	Up to C/II		See main body of report at paragraph 8 (c) i
EG & NS14	Regulatory risks associated with provision of services including Street Scene Environmental Services, Building Services (Gas, Legionella, etc.) and the Lifeline service	Ian Thompson /Pauline Mitchell	None at D/II		
EG & NS16	Delay in delivering replacement cremators resulting in failure of existing equipment and therefore closure of the service	Ian Thompson	None at D/II		
EG & NS17	New Risk Impact of COVID-19 on customers and audiences on confidence to return to leisure and cultural facilities	Ian Thompson	New at D/II	Work ongoing in developing a strategy for reopening in a safe, phased and managed way in line with Government guidance and minimise financial impact	

EG & NS18	New Risk Impacts arising from the ability to progress and complete schemes/projects in the event of further COVID-19 lockdowns	Dave Winstanley	New at D/II	Projects are being delivered in a managed way in line with Government guidance. The impact of the level of lockdown would need to be assessed on a project by project basis	
EG & NS19	New Risk Potential impact on public transport networks if commercial services do not recover or continue to receive support from Government and routes are withdrawn	Dave Winstanley	New at D/II	Work ongoing with TVCA to monitor and highlight issue with Government. Ongoing ENCTS scheme payments to operators to support the public transport network	
EG & NS20	New Risk Inability to cope with significant increase in homelessness cases due to new requirements by MHCLG to accommodate everyone irrespective of status in order to limit spread of COVID-19 and also increased levels of homelessness due to increased relationship breakdowns and financial difficulties	Pauline Mitchell	New at C/II		See main body of report at paragraph 8 (c) ii

RISK MATRIX

RESOURCES

APPENDIX D

Page 74

LIKELIHOOD	A Very High				
	B High				
	C Significant		1, 2, 9, 26		
	D Low		3, 5		
	E Very Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

RESOURCES RISK REGISTER

Risk No.	Risk	Responsible Person	Movement in Period	Reason for Movement on Matrix	Progress on Action Plan for Risks Above the Appetite Line that have not moved
RE1	VAT partial exemption breach due to exempt VAT being close to the 5% limit	Elizabeth Davison	None at C/III		
RE2	Fraud in General	Andrew Barber	None at C/III		
RE3	ICT security arrangements inadequate	Ian Miles	None at D/III		
RE5	Increased sickness absence adversely affects service delivery	Elizabeth Davison	None at D/III		
RE9	Instability within financial markets adversely impacts on finance costs and investments	Elizabeth Davison	None at C/III		
RE26	New Risk Joint Venture Arrangements impacted by a slow down in house building	Elizabeth Davison	New at C/III	A slowdown in house building could impact on the financial returns for the Council	

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**AUDIT COMMITTEE
16 SEPTEMBER 2020**

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 members an update of information about issues relevant to member standards since matters were reported to the Committee in November 2019.
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 and Climate Change	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

Local Government Association (LGA)

7. The LGA has been reviewing the member code of conduct (as recommended by the Committee on Standards in Public Life's report into [Local Government Ethical Standards](#)). As a result of work carried out by the LGA a Model Member Code of Conduct has been developed. Consultation on the Model Member Code of Conduct closed on 17 August 2020. Further information is available from the LGA website <https://www.local.gov.uk/code-conduct-consultation-2020>
8. If a new standardised Model Code of Conduct is rolled out which all local authorities are required to adopt legislation will be required. However the approach being taken appears to be an advisory rather than mandatory approach. When the draft is in its final form we will need to give further consideration to see what changes could be made to our current Code of Conduct.

Committee on Standards in Public Life (CSPL)

9. The CSPL is an advisory non-departmental public body, sponsored by the Cabinet Office. The CSPL advises the Prime Minister, national and local government about ethical standards in public life in England. It monitors, conducts broad inquiries and reports on issues relating to the standards of conduct of all public office holders.

Local Government Ethical Standards

10. Members are advised that on 20 July the CSPL sent the attached letter (**Appendix 2**) to all local authority Chief Executives. The letter highlights a set of 15 best practice recommendations and indicates that the intention of the CSPL to follow up in the

autumn to ascertain from local authorities the level of implementation against the recommendations. We are already do a number of the things that are recommended but there are also a number of areas where we could improve. There are, as will be anticipated, some resourcing implications and while we can more easily deal with some of the changes other will take a bit longer. On a more general point suggestions that might involve a revision of the Code of Conduct will involve a significant degree of work and will require consultation. Given that one of the issues here will be about whether it may in fact be better to await the finalisation of the Draft Model Code of Conduct which is currently under consideration by the LGA.

11. A summary of the best practice recommendations, our current position and commentary is set out below. The consideration and views of members is invited.

Best Practice Recommendations	Our Current Position	Commentary
<p>1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.</p>	<p>The Code of Conduct includes a provision dealing with bullying (based on the 2007 model Code of Conduct).</p> <p>No definition or examples are provided</p>	<p>In practice the ACAS definition of bullying has been used:</p> <p>“offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient.”</p>
<p>2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.</p>	<p>Provisions requiring compliance with investigations or prohibiting trivial or malicious allegations are not included.</p>	<p>In practice we have not had issues with members not complying with investigations.</p> <p>Trivial and malicious allegations can be filtered out at the initial assessment stage</p>
<p>3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.</p>	<p>The Code of Conduct is modelled on the 2007 model Code of Conduct, supplemented by the provisions required by the Localism Act. It has been amended when necessary.</p>	<p>The resources involved in this type of review process would fairly significant.</p>
<p>4: An authority’s code should be readily accessible to both councillors and the public, in a prominent position on a council’s website and available in council premises.</p>	<p>The Code of Conduct is included in the Councils Constitution.</p> <p>It is also separately available via Member Conduct page.</p>	

<p>5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.</p>	<p>The Register is not currently available in this way but it is regularly updated.</p>	<p>The Register should be published on our website and updated as recommended</p>
<p>6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.</p>	<p>The current assessment process is based on the approach developed by the Standards Board for England</p>	
<p>7: Local authorities should have access to at least two Independent Persons.</p>	<p>We currently have a single Independent Person</p>	<p>Look to appoint a second Independent Person</p>
<p>8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.</p>	<p>We ask the Independent person for her views about all complaints that are received. Her views are taken into account when arriving at decisions about how complaints should be dealt with.</p>	
<p>9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.</p>	<p>Where an investigation report recommends that the matter proceeds to a hearing, the report will ordinarily be published. Where a hearing makes a finding that a member has broken the Code of Conduct, the full decision of the hearing panel will be published on the Councils website.</p>	
<p>10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and</p>	<p>Our website includes a specific member conduct page dealing with how to complain about a member and online forms.</p>	

<p>estimated timescales for investigations and outcomes.</p>	<p>This includes details of the process followed ('Arrangements for dealing with complaints against Members')</p>	
<p>11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.</p>		<p>This guidance can be suggested to Chairs of Parish Councils and Parish Clerks. However it will, of course still be open to Parish Clerks to submit a complaint.</p>
<p>12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.</p>	<p>This accords with our practice.</p>	
<p>13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.</p>	<p>We have a Protocol in place with other Tees Valley Councils which enables the monitoring officer from a neighbouring Council to deal with issues if there is a conflict of interest..</p>	
<p>14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual</p>	<p>Information about this is set out in the Annual Governance Statement.</p>	

reports in an accessible place.		
15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues	Meetings are arranged when necessary. Annual Training on the Code of Conduct is provided to all members. This provides a forum for issues of particular relevance to be raised.	

Members Code of Conduct/ Register refresh

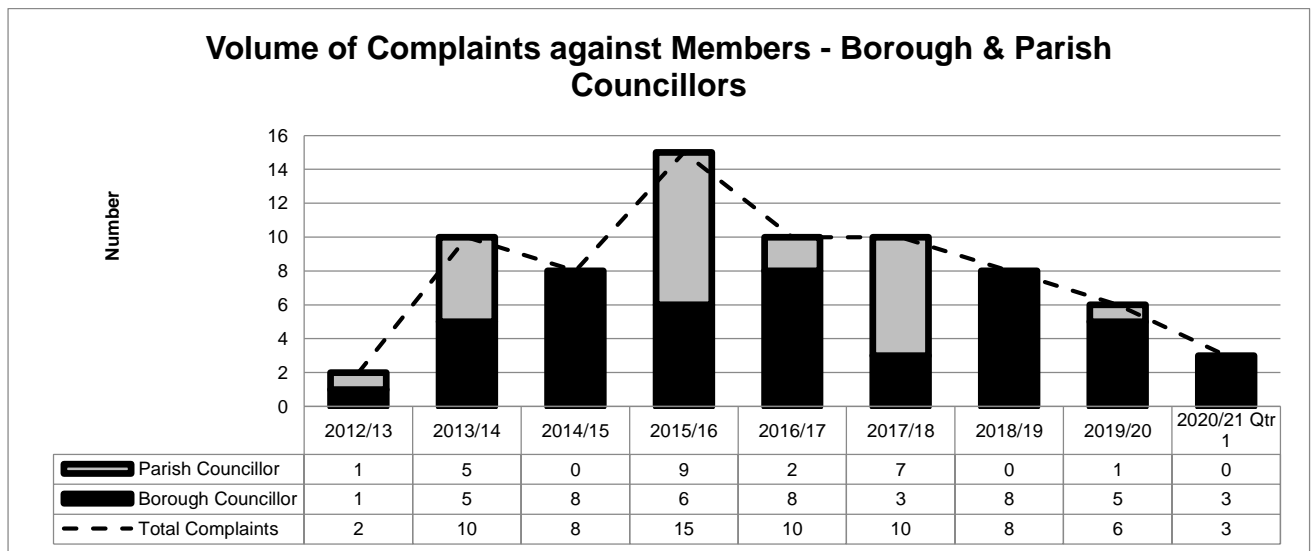
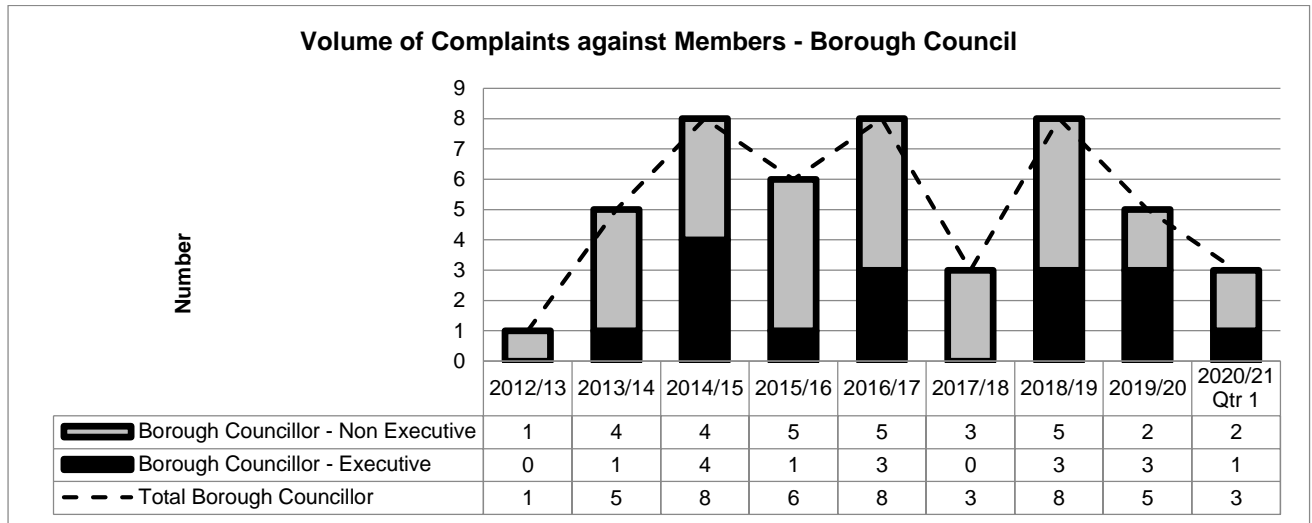
- 12. All members have been advised of the need to review the entries that they have made on their register of interests and where necessary to provide an updated form.

Ethical Indicators

- 13. Set out in **Appendix 1** are a range of data sets that it is hoped will to 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.
- 14. Member’s observations about this information are invited.

APPENDIX 1

Member Complaints



Comments

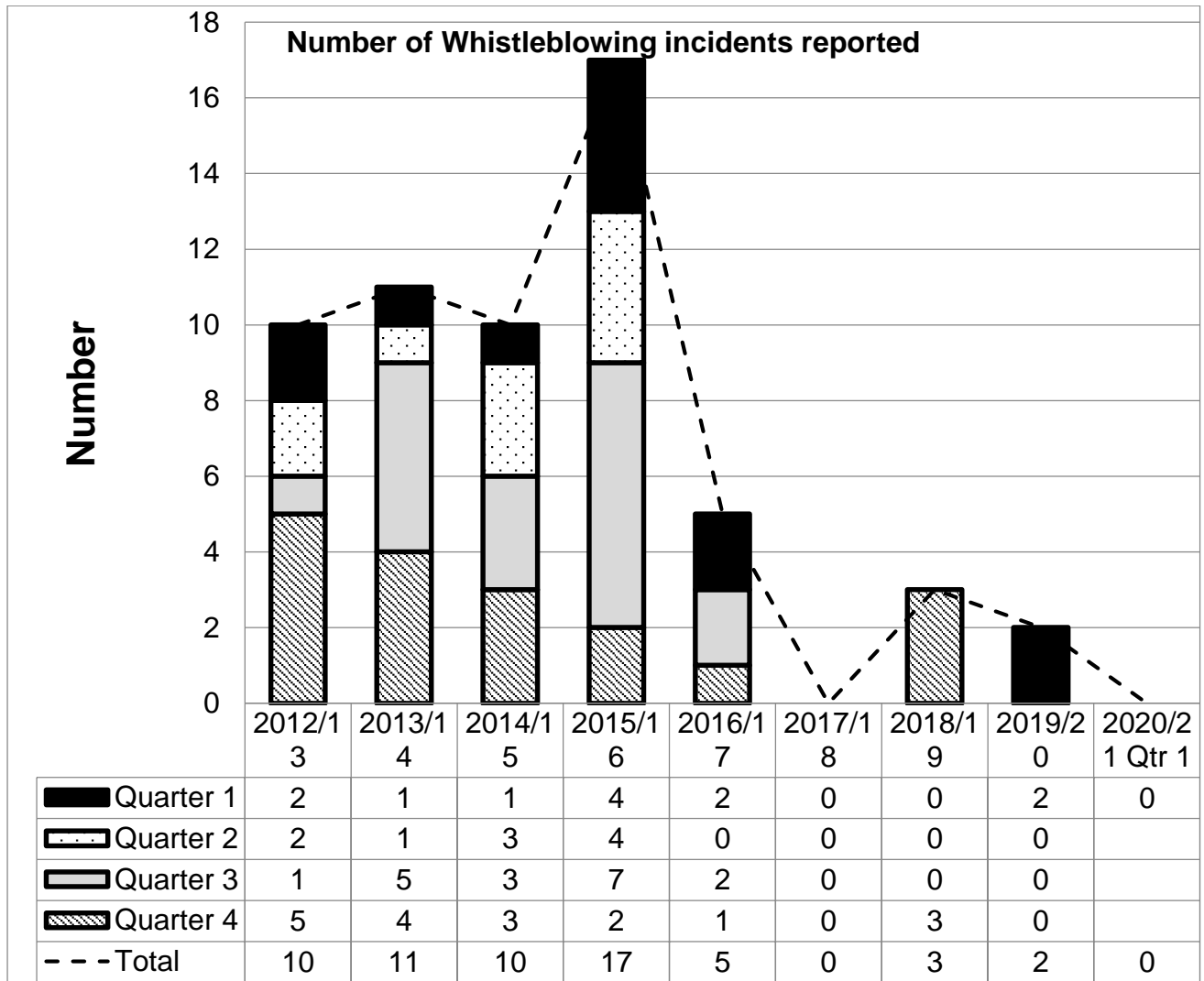
The average number of complaints per year from 2012/13 to 2019/20 is 8.62 per year.

Interpreting the information needs a degree of caution due to low volumes. It is also a factor that in some years spikes in complaints occur due to particular circumstances which account for the rise.

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 from 2016/17 on has been more in line with the overall average.

Over the period 2012/13 to 2019/20 there have been 25 complaints made in respect of Parish Councillors and for the same period 44 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.

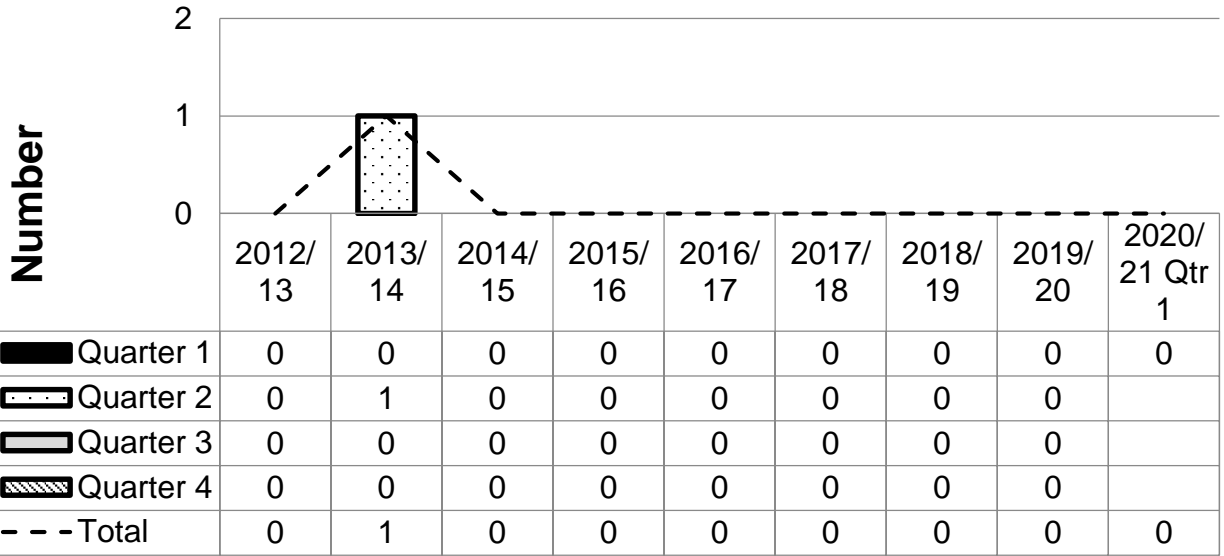
Whistleblowing



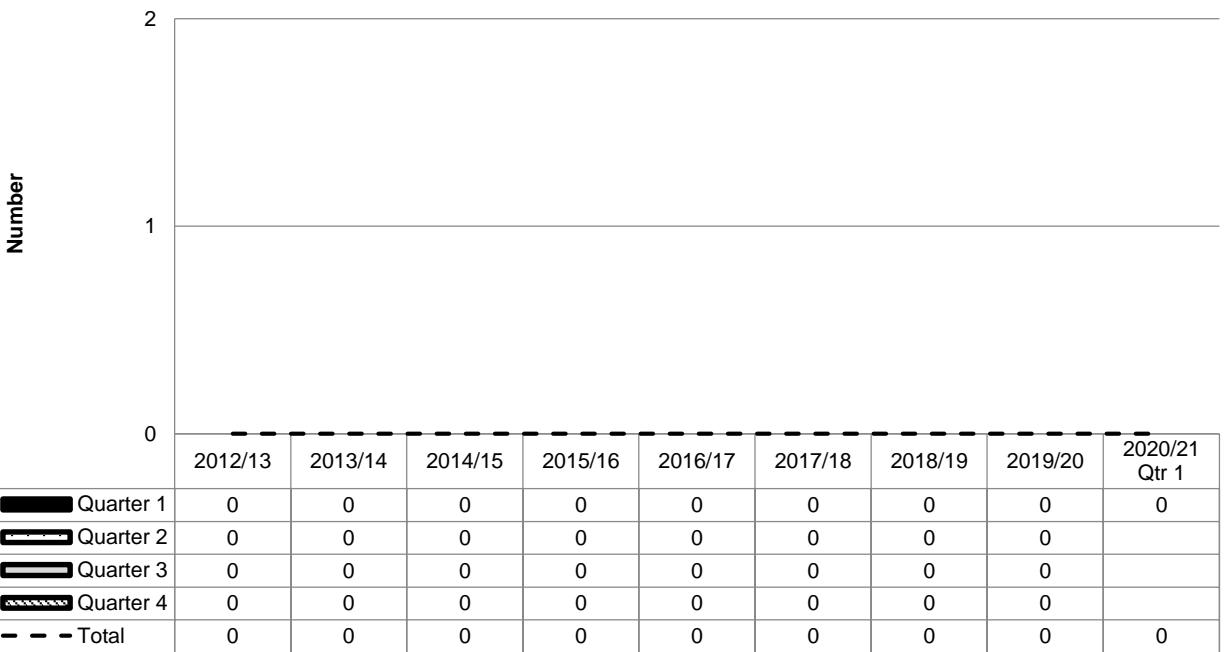
Comments

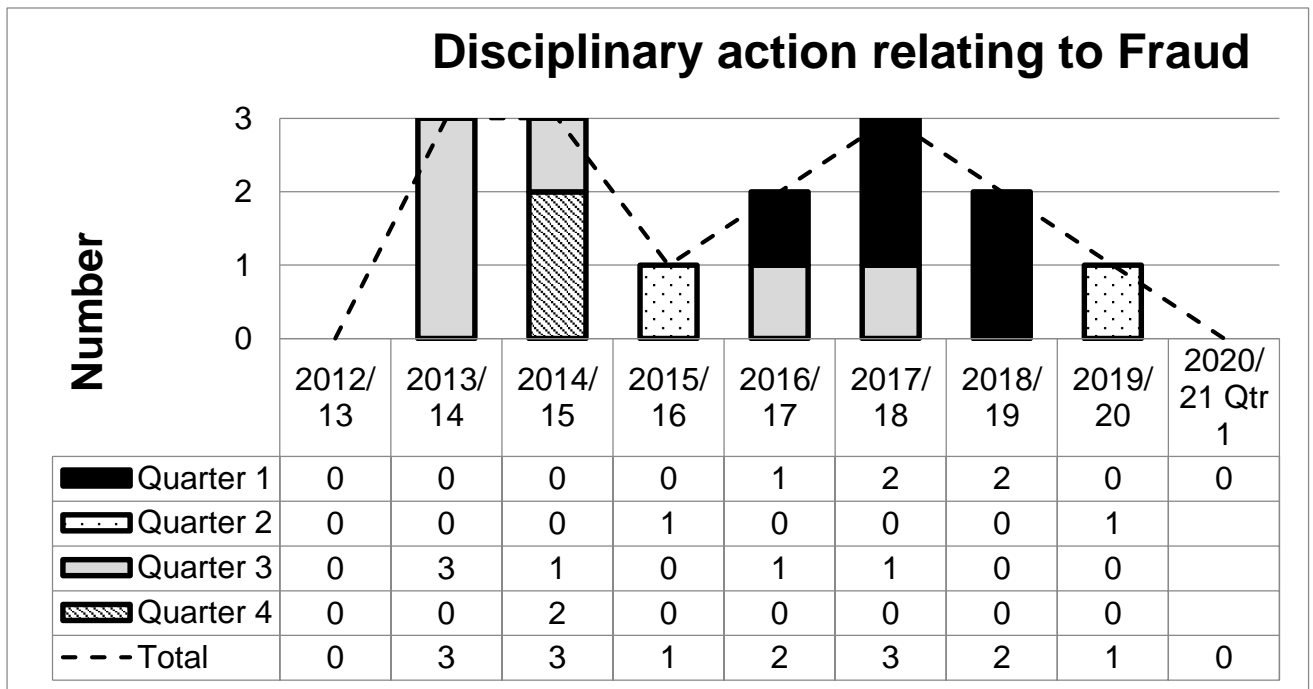
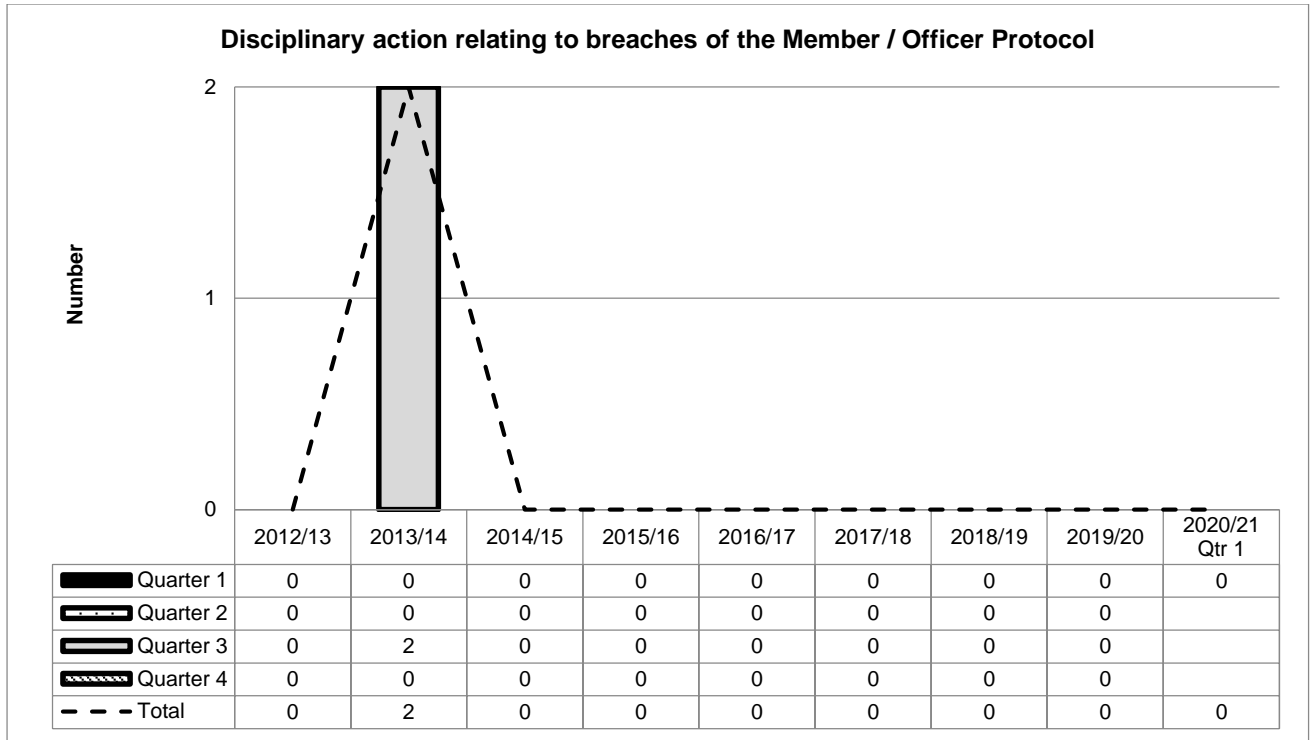
Publicity about the whistleblowing policy took place in the Autumn of 2018. Work was also undertaken to highlight the Council’s Anti-Fraud and Corruption Strategy. There has been a slight increase in reported incidents.

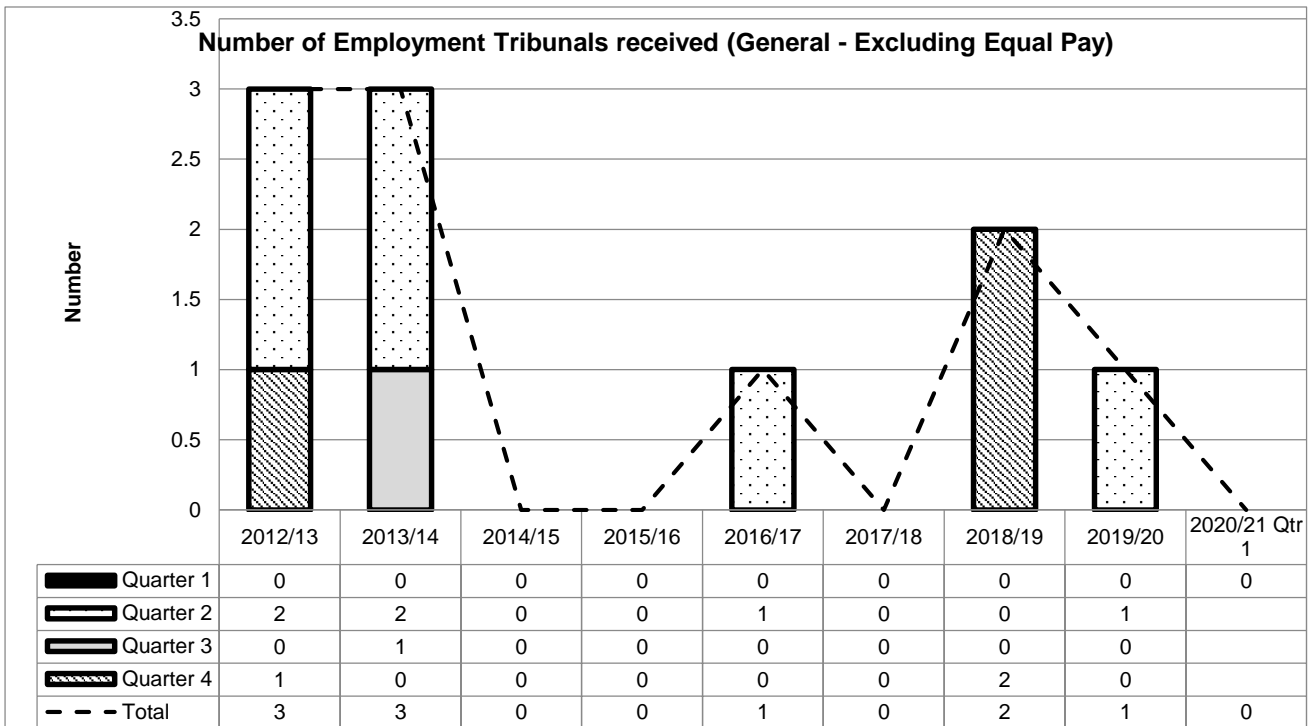
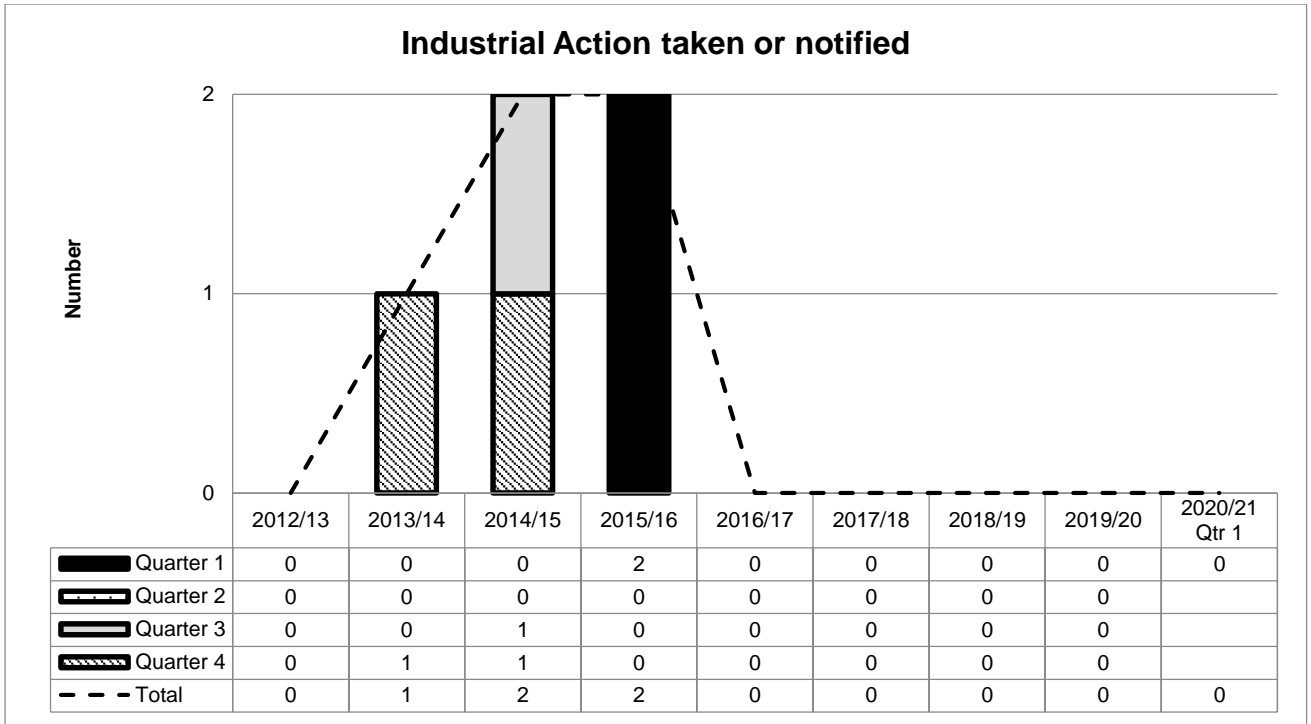
Number of challenges to procurements

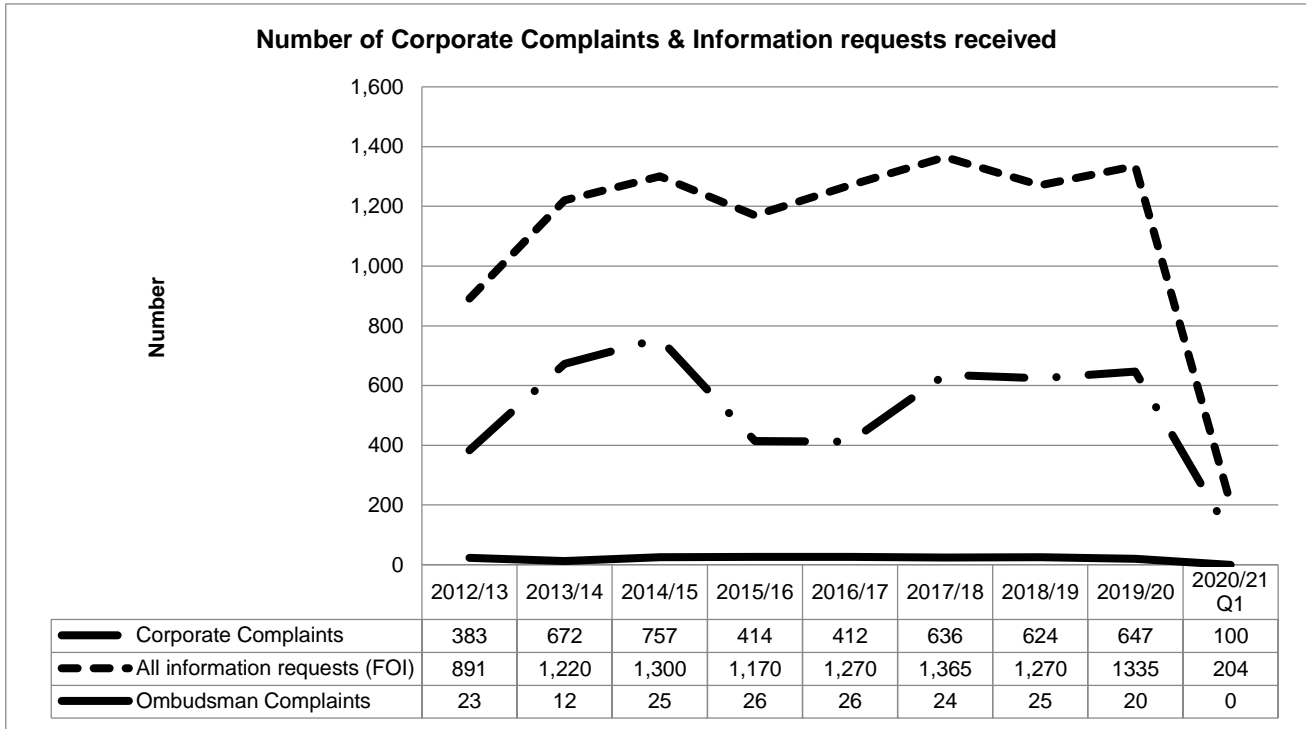


Objections to the Council's Accounts









Comments

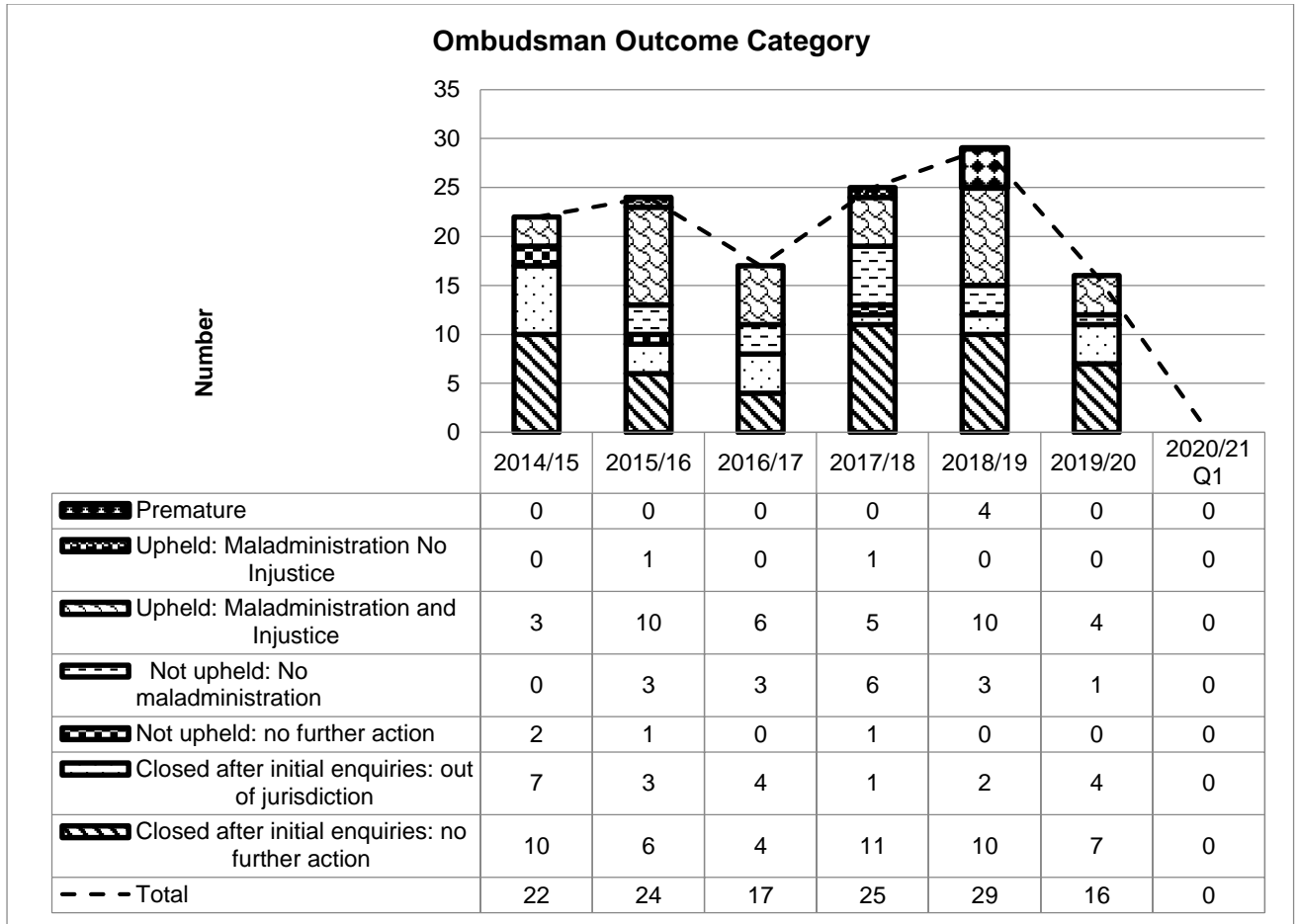
2015/16 – this decrease in complaints can be attributed primarily to the reduction in complaints about problems people initially experienced with their refuse and recycling collections following the introduction of alternate weekly collections.

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.

2017/18 – One of the major factors in the increase in corporate complaints was the introduction of the Council’s policy to no longer provide a recall service for missed refuse collections. There was also a significant increase in corporate complaints about Customer Services following a restructure, the most common theme was dissatisfaction with telephone waiting times. Additional staffing resource was brought in, as a response to the complaints about telephone waiting times.

2018/19 – The Council received 624 corporate complaints, a slight decrease from 636 the previous year. While there were increases in some areas, those which saw a decrease in complaints included Housing Benefit and Council Tax Support, Customer Services, Development Management and Parking Appeals.

2019/20 – The Council received 647 corporate complaints, an increase from 624 in 2018/19. The new Garden Waste service received 70 complaints while there were increases in a number of areas including, Refuse and recycling, ASB and Civic Enforcement Ops and Grounds Maintenance. Housing and Building Services saw a significant decrease in complaints while there were also decreases in other areas including Planning, Development Management and Environmental Health.



Room G.07
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SW1A 2HQ

public@public-standards.gov.uk

Sent by email
to Local Authorities in England
For the attention of the Chief Executive

Committee on
Standards in
Public Life

July 2020

LOCAL GOVERNMENT ETHICAL STANDARDS

I am writing from the Committee on Standards in Public Life to follow up recommendations made in our January 2019 [report](#) on local government ethical standards.

In that report, we identified some best practice recommendations which represent a benchmark for ethical practice and which we expect any local authority should implement.

We said in our report that we would review the implementation of those best practice recommendations in 2020. We completely understand the unexpected and unprecedented pressures that local authorities are facing this year with COVID-19, so we are not of course asking for an immediate response. The purpose of this email is to let you know that we will be writing again in the autumn to ask you for your progress against these recommendations. I have attached a list of the best recommendations for ease of reference, but they are of course also set out in the report.

If you have any questions, please do just let us know. Otherwise, we wish you well and look forward to being in touch again later this year.

Secretariat
Committee on Standards in Public Life

List of Best Practice Recommendations

Our best practice recommendations are directed to local authorities, and we expect that any local authority can and should implement them. We intend to review the implementation of our best practice in 2020.

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

Best practice 7: Local authorities should have access to at least two Independent Persons.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial. 19 List of best practice

Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

Best practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those

bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

**AUDIT COMMITTEE
16 SEPTEMBER 2020**

ITEM NO.

MANAGERS' ASSURANCE STATEMENTS

SUMMARY REPORT

Purpose of the Report

1. To report outcomes from the completed 2019/20 Managers' Assurance Statements (MAS).

Summary

2. The report emphasises that MAS are a key element of the Council's corporate governance arrangements and based on the 2019/20 returns concludes that a thorough review has been undertaken and generally an overall positive position was identified. While there were no common improvement themes highlighted in the 2019/20 MAS a number of service specific issues were. These matters are to be progressed by Assistant Directors during 2020/21.

Recommendation

3. It is recommended that the contents of the report be noted.

Reason

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

**Paul Wildsmith
Managing Director**

Background Papers

Managers' Assurance Statements 2019/20

Lee Downey: Extension 5451

S17 Crime and Disorder	The MAS includes reference to the need for staff to be aware of and understand the requirements of the Council's Anti-Fraud and Corruption arrangements.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact and Climate Change	There are no specific recommendations contained within the attached reports concerning Carbon Reduction.
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.
Impact on Looked After Children and Care Leavers	There are no specific recommendations contained within the attached reports concerning Looked After Children and Care Leavers.

MAIN REPORT

Information and Analysis

5. Annual MAS are a key element of the Council's corporate governance arrangements and an integral part of the framework that supports the production of the Annual Governance Statement (AGS).
6. MAS have been formally completed for a number of years and this Committee has previously received reports on the outcomes that depicted a largely positive position.
7. The MAS takes the form of a standard template covering the key aspects of the Council's internal control environment on which assurance is required. This coverage is wide ranging and includes risk and financial management, health and safety, information governance and HR arrangements. In providing this assurance the MAS also states that *'the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness'*.
8. Statements have been completed by all Assistant Directors, endorsed by the appropriate Director, covering their areas of responsibility in 2019/20. They are published on the intranet at:

<https://intranet.darlington.gov.uk/services-search/legal-services/corporate-governance/annual-governance-statement/managers-annual-assurance-statements/>

9. There were no common improvement themes highlighted by the 2019/20 MAS.
10. Service specific issues identified included:

Adult Social Care

- Maintenance of Sound governance structure in respect of Adult Social Care which incorporates all service areas and key work projects in order to identify, evaluate (with regard to mitigating controls), prioritise, allocate, record, manage and report on key areas of risk.
- Business Continuity will be understood and owned by all managers within the service.
- Managers fully understanding the performance management framework and being accountable for oversight of this.
- Robust arrangements will be in place to ensure compliance with financial procedural rules.

Commissioning Performance and Transformation

- Business Continuity Plan to be reviewed in October 2020 to incorporate systemwide winter planning.

Community Services

- Ensuring inventories are up to date by March 2021.

Economic Growth

- Improvements to performance management systems being implemented through new ICT.
- Robust monitoring and reporting mechanisms to be developed alongside Local Plan submission.
- Review training needs in relation to financial procedures.

Education

- Further development of information management procedures in SEN service being undertaken in future state procedures work.

Housing and Building Services

- Continue to work with the Civil Contingencies Team to review Business Continuity Plans as appropriate.
- Procedural notes/manuals that reflect the Health and Safety Policy to be reviewed at every team meeting and compliance meeting.

Resources

- Business Continuity Plans to be reviewed with particular reference to any changes from COVID-19 learning.
- All staff to attend the new mandatory equalities training.

Transport & Capital Projects

- Review and Test Business Continuity Plan (BCP).
- Review/refresh Performance Management Information.
- Ensure inventories are updated.
- Refresh knowledge around role/responsibilities of the Monitoring Officer and Section 151 Officer.
- Review Health and Safety arrangements/develop action plan.
- Review Information Asset Register/Privacy Notices.

These matters are to be progressed by Assistant Directors during 2020/21.

Conclusion

11. Generally the review of the 2019/20 MAS has identified an overall positive position. All of the identified improvement themes are to be progressed by Assistant Directors during the 2020/21 financial year.

Outcome of Consultation

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

**AUDIT COMMITTEE
16 SEPTEMBER 2020**

ITEM NO.

AUDIT SERVICES – AUDIT CHARTER

SUMMARY REPORT

Purpose of the Report

1. To present Audit Services' Audit Charter for 2020-21.

Information and Analysis

2. The requirement for the Council to have an internal audit function is outlined in Section 151 of the Local Government Act 1972. More specific requirements are detailed in the Accounts and Audit (England & Wales) Regulations 2015 which requires the Council to:
 - a. "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
3. Relevant standards or guidance are set out in the Public Sector Internal Audit Standards which were revised in March 2016.
4. On the 1 April 2017 a shared service was established to deliver the Internal Audit function to Darlington Borough Council and Stockton-on-Tees Borough Council.
5. A charter has been developed that outlines how the service will meet these requirements and is detailed at **Appendix A**. Specifically the charter outlines how the Audit Plan will be developed.
6. A requirement of the regulations is for a service to maintain compliance with the standards and to look to improve. To this end a Quality Assurance and Improvement Programme (QAIP) is being devised to reflect the new ways of working.
7. Usually the audit plan will be presented alongside the audit charter, however as we have moved to a more flexible plan of work as has been discussed previously this will be shown in a separate report.

Recommendation

8. It is recommended that :-

- a. That the Audit Committee approves the Internal Audit Charter (**Appendix A**) and the rights of access conferred within.

Reason

9. The recommendation is supported as it comprises part of the Council's corporate governance arrangements.

Andrew Barber
Audit and Risk Manager

Background Papers

- (i) Audit Risk Assessment Information
- (ii) Corporate and Group Risk Management Information

Andrew Barber : 01642 526176 Internal : 156176

S17 Crime and Disorder	Other than any special investigation work required 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 the report comprising part of the Council's governance arrangements.
Efficiency	There is no specific efficiency impact.

MAIN REPORT

Public Sector Internal Audit Standards

10. The Public Sector Internal Audit Standards were published on 18th December 2012 and updated in March 2016. These standards, which are based on the requirements of the Institute of Internal Auditors (IIA), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. They are mandatory and apply to all internal audit service providers, whether in-house, shared or outsourced.
11. There are three distinct areas covered by the standards:-
- a. A definition of Internal Auditing;
 - b. A Code of Ethics designed to promote an ethical, professional culture; and
 - c. The International Standards for the Professional Practice of Internal Auditing.
12. CIPFA has provided guidance on the application of Public Sector Internal Audit Standard in the form of an Application Note. The Internal Audit Charter (attached) has been prepared in accordance with the Public Sector Internal Audit Standards and this guidance.

Internal Audit Charter

13. Under the standards, the Procurement and Governance Manager is required to prepare an Internal Audit Charter. This is a high level statement of how the Internal Audit Service will be delivered to meet the requirements of the legislation and the standards.
14. The revised charter attached sets out the approach for the period 2020-2021 and gives details of:
- a. Purpose of the Internal Audit Service
 - b. Scope of Internal Audit work
 - c. Access to Information
 - d. Resourcing of the Service
 - e. Future Development of the Service
15. The Internal Audit Charter is attached at **Appendix A**. The main change to the charter is the recognition that the service will no longer be delivering internal audit to the Tees Valley Combined Authority.

Development of the Audit Service

16. The service is continuously striving to improve the way it operates and the following actions have been identified to further enhance the service:
- a. Review and update the Quality, Assurance and Improvement measures.

- b. Review how to maximise the effectiveness of audits using technology and implement continuous auditing.
- c. Establish how the service can place reliance on other sources of assurance.
- d. Implement the new format Audit Report to Directors.
- e. Implement the new format Corporate Risk Register and Assurance Report to Audit Committee.
- f. Improved promotion of the service to provide managers and individuals with more information about the audit service and the audit process itself.

Internal Audit Charter

Introduction

This document will outline how the internal audit service to Stockton-on-Tees Borough Council and Darlington Borough Council will be delivered to ensure it is compliant with the relevant standards and statutory requirements currently in place.

Purpose of the Service

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Its mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Authority to Undertake the Function

Each authority is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

This requirement is set out in the Accounts & Audit Regulations 2015. The regulations also state that any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit make available such documents/records and supply such information/explanations as are considered necessary by those conducting the internal audit.

Internal Audit's Responsibilities

The service will be delivered in accordance with the purpose outlined above and by ensuring it:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focussed
- Promotes organisational improvement

The service will ensure it complies with the IIA International Standards for Internal Audit by adopting the Public Sector Internal Audit Standards.

For the purposes of applying these standards “the board” are represented by the Audit Committee through the scheme of delegation in place within each authority. “Senior Management” is the Head of Paid Service, Section 151 Officer & Monitoring Officer who undertake statutory functions. Each authority will have senior management teams, which will include each of these officers. The service will report the results of audit work individually to each relevant member of this senior management team.

The service will report the findings of its work to the board and to senior management a minimum of 3 times per year in line with the Audit Committee schedule. Where there is any attempt to apply undue influence on the findings of its work the service will seek to make either senior management or the board aware of any such attempts and reserves the right to report without prejudice to any member of the board or senior management.

Recommendations will be made where it is considered the control environment could be improved. This could either be addressing a particular weakness or identifying efficiencies/improvements within processes.

Functionally the service will be based within Stockton-on-Tees Borough Council in the Finance and Business Services Department. The “Chief Audit Executive (CAE)” role as specified by the standards is undertaken by the Audit & Risk Manager. An annual report will be produced giving an overall audit opinion of the control environment to be used as part of the assurance gathering process for the annual governance statement in each authority.

Day-to-day line management for the service will be provided by the Procurement and Governance Manager within the Finance and Business Services Department of Stockton-on-Tees Borough Council.

In order to maintain the actual or perceived independence of the function, where audit work is to be conducted on any function where the Procurement and Governance Manager has operational responsibility, the Audit & Risk Manager has the right to agree the scope of/report findings of this work to any member of senior management. The Audit & Risk Manager has a responsibility to report any attempt to unduly influence/interfere with the scope or outcome of this audit work to relevant members of senior management/the board.

The service will conform to a code of ethics. Annually auditors will sign a declaration that they will conform to a code of ethics that addresses:

- Integrity
- Objectivity
- Competence
- Confidentiality
- Conflicts of Interest

Failure to abide by this code will result in action being taken against individuals through either the Council’s disciplinary process, professional disciplinary process or a combination of both.

An opinion will be provided on the entire control environment each year, one for each authority by 30 June. Frequency and scope of testing will be determined by an audit risk assessment, which will be kept up to date. A plan of work will be agreed with the board and senior management, which is considered sufficient to enable this opinion to be given.

In addition to auditing the control environment, the service has a role in preventing, detecting and investigating possible fraudulent or corrupt activity. It is a requirement that the service will be made aware of any such activity either suspected or proven. In addition to this, audit testing will be conducted on the basis that fraud and corruption is a risk within any system and auditors will be aware of the potential for this to be taking place.

Because of the breadth of skills and knowledge possessed by auditors, the service may be approached to provide advice and guidance to managers outside of the normal audit process. Any such consultancy engagement will be managed appropriately and will only be undertaken where the agreed scope of the engagement is consistent with the purpose of the service and where the requisite skills are available. Such assignments will be added to the audit plan.

The service will ensure it has sufficient resources to deliver a risk based audit plan with adequate coverage to enable an overall opinion to be given. A competency framework will be maintained to ensure auditors have the required skills to deliver the plan. Auditors will be assessed against this framework as part of the annual appraisal process. In addition, to ensure auditor's skills remain current they will be required to undertake Continual Professional Development (CPD). Where it is believed there will be insufficient resources (either in terms of capacity or in terms of competence) this will be brought to the attention of the board through the audit committee.

Delivery of the Service

An audit portfolio will be maintained which will encompass the entire control environment of the authority. The portfolio will be kept up to date with consultation taking place with senior management on a regular basis.

Each control in the portfolio will be risk assessed to determine frequency and priority of audit work. The risk assessment will be kept up to date and planning will be undertaken on a quarterly basis. The service will utilise continuous monitoring techniques as part of the risk assessment process, which, will incorporate feedback from a number of sources. This approach will include schools where the primary source of feedback will be the Schools Financial Value Standard Self-Assessment returns and where applicable the schools risk action groups.

Frequency of testing of each control will be determined by a risk assessment. Planning will be focussed on the adequacy of resources to meet the pre-defined frequency of testing requirements rather than a detailed break-down of testing to be undertaken.

A manual will be maintained which will document the audit process, the way in which results of audit work will be presented (this will be subject to consultation with senior management/the board) and the standard of working papers required to support the audit opinion.

The service will maintain an intranet page in each Council which will include basic contact details and any other relevant information.

Monitoring the Service

A Quality Assurance and Improvement Programme (QAIP) will be developed to reflect the new ways way planning and recording work.

The QAIP will detail:

- Performance measures for assessing the service
- Complaints procedure
- Process for reviewing compliance with the Standards.

Regular reports will be presented to the board on the outcomes of the QAIP

**AUDIT COMMITTEE
16 SEPTEMBER 2020**

ITEM NO.

**TREASURY MANAGEMENT ANNUAL REPORT AND OUTTURN
PRUDENTIAL INDICATORS 2019/20**

Responsible Cabinet Member - Councillor Charles Johnson, Resources Portfolio

Responsible Director - Paul Wildsmith, Managing Director

SUMMARY REPORT

Purpose of the Report

1. This report provides important information regarding the regulation and management of the Council's borrowing, investments and cash-flow. It is a requirement of the Council's reporting procedures and covers treasury activity for 2019/20. The report also seeks approval of the Prudential Indicators results for 2019/20 in accordance with the Prudential Code.

Summary

2. The financial year 2019/20 presented similar circumstances to 2018/19 with regard to treasury management. However, as Members are aware due to the recent low returns for cash investments new ways to improve investment returns are continually being sought. Cost of borrowing remained low throughout 2019/20 and due to the Covid-19 pandemic the cost of shorter term borrowing is anticipated to remain low for a number of years in the future.
3. During 2019/20 the Council complied with its legislative and regulatory requirements. The borrowing need (**Table 1**) was only increased for capital purposes.
4. At 31st March 2020 the Council's external debt was £181.661m which is £2.500m more than the previous year, this increase relates to externalising debt which was in the past internal i.e. use of reserves. The average interest rate for borrowing was down from 3.22% in 2018/19 to 2.72% in 2019/20. This reduction in the average rate of interest is due to a new mix of maturity dates to take advantage of the lower cost of borrowing for short term debt. Investments totalled £56.799m at 31st March 2020 (£55.849m at 31st March 2019) earning interest of 0.75% on short term cash investments and 2.23% on Property Fund units net of costs.
5. Financing costs have been reduced during the year and a saving of £0.268m has been achieved from the original MTFP. The majority of the savings relate to the

increase in interest received from investments and increased MRP from departmental prudential borrowing.

Recommendation

6. It is recommended that:
 - (a) The outturn 2019/20 Prudential Indicators within this report and those in **Appendix 1** be noted.
 - (b) The Treasury Management Annual Report for 2019/20 be noted.
 - (c) This report to be forwarded to Cabinet and Council, in order for the 2019/20 Prudential Indicators to be noted.

Reasons

7. The recommendations are supported by the following reasons:
 - (a) In order to comply with the Prudential Code for Capital Finance in Local Authorities.
 - (b) To inform members of the Performance of the Treasury Management function.
 - (c) To comply with the requirements of the Local Government Act 2003.

Paul Wildsmith
Managing Director

Background Papers

- (i) Accounting Records
- (ii) Annual Investment Strategy 2019/20
- (iii) Prudential Indicators and Treasury Management Strategy Report 2019/20

Peter Carrick: Extension 5401

S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	There are no issues relating to health and wellbeing which this report needs to address
Carbon Impact	There are no issues relating to carbon impact
Diversity	There are no specific implications for diversity
Wards Affected	The proposals affect all wards
Groups Affected	The proposals do not affect any specific group
Budget and Policy Framework	The report does not change the Council's budget or Policy framework but needs to be considered by Council
Key Decision	This is not an Executive decision
Urgent Decision	This is not an Executive decision
One Darlington: Perfectly Placed	The proposals in the report support delivery of the Community Strategy through appropriate and effective deployment of the Councils Resources
Efficiency	The report outlines movements in the national economic outlook that have enabled officers to take advantage of different types of Investments and changing interest rates to benefit the Revenue MTFP.
Impact on Looked After Children and Care Leavers	Does this report impact on Looked After Children or Care Leavers

MAIN REPORT

Information and Analysis

8. This report summarises:
 - (a) Capital expenditure and financing for 2019/20
 - (b) The Council's underlying borrowing need
 - (c) Treasury position at 31st March 2020
 - (d) Prudential indicators and compliance issues
 - (e) The economic background for 2019/20
 - (f) A summary of the Treasury Management Strategy agreed for 2019/20
 - (g) Treasury Management activity during 2019/20
 - (h) Performance and risk benchmarking
9. Throughout this report a number of technical terms are used, a glossary of terms can be found at the end of this report.

The Council's Capital Expenditure and Financing 2019/20

10. The Council undertakes capital expenditure on long term assets, which is financed either,
 - (a) immediately through capital receipts, capital grants, contributions and from revenue; or
 - (b) by borrowing.
 11. Part of the Council's treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council. The wider treasury activities also include managing the Council's cash flow, its previous borrowing activities and the investment of surplus funds. These activities are structured to manage risk foremost and then optimise performance.
 12. Capital Expenditure forms one of the prudential indicators that are used to regulate treasury activity. Table 1 shows total capital expenditure and how this was financed, compared with what was expected to be spent and how this would have been financed. Actual expenditure was £4.281m more than planned, mostly due to increased activity in the General Fund. However the mix of funding differs from that which was expected as some schemes progressed quicker than others. This impacted slightly on the borrowing needed to fund expenditure which was £2.559m higher than initially anticipated.
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Table 1 – Capital Expenditure and Financing

	2018/19	2019/20		
	Outturn £m	Revised Estimate £m	Outturn £m	Variance £m
General Fund Capital Expenditure	21.298	17.280	23.111	5.831
HRA Capital Expenditure	9.376	10.834	11.963	1.129
Loans to Joint Ventures etc	6.117	10.544	7.865	(2.679)
Total Capital Expenditure	36.791	38.658	42.939	4.281
Resourced by:				
Capital Receipts GF	3.022	1.705	2.348	0.643
Capital receipts Housing	0.550	0.200	1.432	1.232
Capital Grants	9.336	14.753	16.705	1.952
Capital Contributions	4.076	0.000	0.162	0.162
Revenue Contributions - GF	0.000	0.000	0.956	0.956
Revenue (Housing)	9.446	10.634	7.411	(3.223)
Total Resources	26.430	27.292	29.014	1.722
Borrowing needed to finance expenditure	10.361	11.366	13.925	2.559

The Council's Overall Borrowing Need

13. The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). The figure is a gauge for the Council's debt position. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents 2019/20 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources.
14. Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the government, through Public Works Loan Board (PWLB), or the money markets) or utilising temporary cash resources within the Council.
15. The General Fund element of the CFR is usually reduced each year by a statutory charge to the revenue accounts called the Minimum Revenue Provision (MRP). The total CFR can also be reduced each year through a Voluntary Revenue Provision (VRP).
16. The Council's CFR for the year is shown in Table 2, and represents a key prudential indicator. The CFR outturn for 2019/20 is £219.489m which is £2.559m higher than approved due to the increased borrowing need required to finance the additional capital expenditure in 2019/20.
17. No MRP repayments were made on the General Fund debt in line with the report to Council on 23rd February 2017.

Table 2 - Capital Financing Requirement

	2018/19	2019/20		
	Outturn £m	Approved Indicator £m	31 March Actual £m	Variance £m
Opening Balance	198.788	207.348	207.348	0.000
Add Capital Expenditure financed by borrowing	10.361	11.366	13.925	2.559
Less MRP/VRP General Fund	0.000	0.000	0.000	0.000
Less MRP/VRP Housing	(0.629)	(0.629)	(0.629)	0.000
Less MRP/VRP PFI	(1.172)	(1.155)	(1.155)	0.000
Closing balance	207.348	216.930	219.489	2.559

Treasury Position at 31 March 2020

18. Whilst the measure of the Council's underlying need to borrow is the CFR, the Assistant Director of Resources can manage the Council's actual borrowing position by:
- borrowing to the CFR level; or
 - choosing to utilise some temporary cash flows instead of borrowing ("under borrowing"); or
 - borrowing for future increases in CFR (borrowing in advance of need, the "over borrowed" amount can be invested).
19. The financial reporting practice that the Council is required to follow (the Statement of Recommended Practice (SORP)), changed in 2007/08. Financial instruments (borrowing and investments etc.) must now be reported in the Statement of Accounts in accordance with national Financial Reporting Standards. The figures in this report are based on actual amounts borrowed and invested and so will differ from those in the Statement of Accounts which due to statutory requirements are shown at Fair Value.
20. The Council's total debt outstanding at 31st March 2020 was £181.661m. In addition to this, a liability of £11.498m relating to the PFI scheme and Finance Leases brings the total to £193.159m. The Council's revised CFR position was estimated to be £216.930m, however, the actual out turn position was £219.489m. When comparing this to our actual borrowing of £193.159m this meant that the Council was "under borrowed" by £26.330m. This "under borrowed" amount was financed by internal borrowing which means that the amount that could have been invested externally was reduced to cover this. The reduced under borrowed position still has the dual effect of reducing costs to the MTFP because borrowing costs are generally greater than investment returns and it reduces counterparty risk by reducing our exposure to banks and other financial institutions.
21. The treasury position at the 31st March 2020, including investments compared with the previous year is shown in table 3 below.

Table 3 – Summary of Borrowing and Investments

Treasury Position	31 March 2019		31 March 2020	
	Principal £m	Average Rate %	Principal £m	Net annualised Average Rate %
General Debt - Fixed Rate Debt, Market and Public Works Loan Board (PWLB)	154.161	3.52%	156.661	2.93%
Property Fund Borrowing	25.000	1.17%	25.000	1.45%
Total Debt	179.161	3.22%	181.661	2.72%
Cashflow Investments up to 6 months	25.850	0.69%	21.800	0.91%
Capital Investments over 6 months	0.000	0.00%	5.000	1.05%
Property Fund Investment -net of costs	29.999	2.30%	29.999	2.20%
Total Investments	55.849		56.799	
Net borrowing position	123.312		124.862	

Prudential Indicators and Compliance Issues

22. Some prudential indicators provide an overview while others are specific limits on treasury activity. These indicators are shown below:
23. **Gross Borrowing and the CFR** – in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2018/19) plus the estimates of any additional capital financing requirement for the current (2019/20) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2019/20. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

Table 4 – Gross Borrowing Compared with CFR

	31 March 2019 Actual £m	31 March 2020 Approved Indicator £m	31 March 2020 Actual £m
Gross Borrowing Position	179.161	183.258	181.661
PFI and Finance Lease Liability	12.653	11.498	11.498
CFR Excluding PFI & leases	194.695	205.432	207.991
CFR	207.348	216.930	219.489

24. **The Authorised Limit** – The Authorised Limit is the “Affordable Borrowing Limit” required by section 3 of the Local Government Act 2003. The Council does not have power to borrow above this level.
25. **The Operational Boundary** – The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary are both acceptable, subject to the Authorised Limit not being breached.
26. **Actual financing costs as a proportion of net revenue expenditure** - This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue expenditure. The actual for this indicator has reduced due to nil provision of MRP for the General Fund and other savings in the Financing Costs budget, but has risen from the previous year due to a reduction in the Councils overall budget.

Table 5 – Key Prudential Indicators

	Actual 2018/19 £m	Original Approved Limits 2019/20 £m	Revised Approved Limits 2019/20 £m	Actual Total Liabilities Borrowing + PFI/ leases 2019/20 Maximum £m
Approved Indicator – Authorised Limit	191.814	326.023	227.776	193.159
Approved Indicator – Operational Boundary	191.814	310.498	194.756	193.159
Financing costs as a percentage of net revenue expenditure	4.07%	2.10%	2.10%	2.02%

27. At 31st March 2020 the total liabilities were £193.159m which is below both the approved Authorised Limit and the approved Operational Boundary. The Operational Boundary is the point at which we expect borrowing to be, but it can be lower or higher. Borrowing cannot exceed the Authorised Limit.
28. A further four prudential indicators are detailed in **Appendix 1**.

Economic Background for 2019/20

29. A summary of the general economic conditions that have prevailed through 2019/20 provided by Link Asset Services, the Council’s treasury management advisors is attached at **Appendix 2**.

Summary of the Treasury Management Strategy agreed for 2019/20

30. The revised Prudential Indicators anticipated that during 2019/20 the Council would need to borrow £11.366m to finance part of its capital programme.

31. The Annual Investment Strategy stated that the use of specified (usually less than 1 year) and non-specified (usually more than 1 year) investments would be carefully balanced to ensure that the Council has appropriate liquidity for its operational needs. In the normal course of the Council's business it is expected that both specified and non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.
32. Longer term instruments (greater than one year from inception to repayment) will only be used where the Council's liquidity requirements are safeguarded. An estimate of long term investments (over 1 year) were included in the report on the Prudential Indicators update these were as follows £50m for 2019/20 and £50m for 2020/21. No other investments of over 1 year duration have been made during 2019/20.

Treasury Management Activity during 2019/20

Debt Position

33. **Borrowing** – this increased during 2019/20 by £2.500m in total

	PWLB			Market Loans (incl. other Local Authorities)			Total £m
	Amount	Length of Loan	Interest Rate	Amount	Length of Loan	Interest Rate	
	£m		%	£m		%	
New Loans Taken							
	5.000	50 years	1.69%				
	5.000	50 years	1.69%				
				2.000	1 year	1.02%	
				3.000	1 year	1.02%	
				5.000	1 year	0.83%	
				5.000	3 months	0.70%	
				5.000	2 years	0.87%	
				5.000	9 months	0.80%	
				5.000	5 months	0.80%	
				5.000	1 year	1.00%	
							45.000
Loans Repaid							
				(5.000)	2 years	0.80%	
				(5.000)	1 year	0.70%	
				(5.000)	10 months	0.80%	
				(3.500)	1 year	1.00%	
				(5.000)	1 year	1.05%	
				(5.000)	1 year	1.15%	
				(4.000)	1 year	1.00%	
				(5.000)	1 year	1.10%	
				(5.000)	3 months	0.70%	
							(42.500)
Total New Borrowing	10.000			(7.500)			2.500

34. The new net borrowing of £2.500m was taken for various lengths of time at various interest rates as shown above.
- 35. Summary of Debt Transactions** –The consolidated rate of interest decreased from 3.22% to 2.72% due to the above transactions.

Investment Position

36. **Investment Policy** – the Council’s investment policy for 2019/20 is governed by the DCLG Guidance which has been implemented in the annual investment strategy for 2019/20 approved by Council on 21 February 2019.
37. The investment activity during the year conformed to the approved Strategy and the Council had no liquidity difficulties.
38. Investments held by the Council consist of temporary surplus balances, capital receipts and other funds. Cash balances are invested on a daily basis to maximise the benefit of temporary surplus funds. These include investments in Money Market Funds, the Government’s Debt Management Office and bank short term notice accounts. A total of 79 investments were made in the period 1 April 2019 to 31 March 2020 totalling c£146m these were for short periods of up to 100 days and earned interest of £195k on an average balance of £27.354m which equated to an annual average interest rate of 0.70%
39. The Council also has longer term investments which consist of the property funds and the returns are shown below in **Table 6**.

Table 6 – Longer Term 6 months to 5 years - Property Funds

	Original Budget 2019/20	Revised Budget 2019/20	Actual 2019/20
Daily average level of Investments	£29.999m	£29.999m	£29.999m
Average Rate of Return on Investment (gross)	3.57%	3.57%	3.44%
Interest Earned (Gross)	£1.072m	£1.072m	£1.033m

Performance and Risk Benchmarking

40. A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance and these are shown in **Table 9**. Discrete security and liquidity benchmarks are relatively new requirements to the member reporting. These were first set in the Treasury Strategy report of the 25th February 2010.
41. The following reports the current position against the benchmarks originally approved.

42. Security – The Council’s maximum security risk benchmarks for the current portfolio of investments, when compared to historic default tables was set as follows:

0.077% historic risk of default when compared to the whole portfolio

43. **Table 7** shows that there has been a fluctuation in the historic levels of default over the year although still well below the benchmark. This is mainly due to some longer term investments actually being made for shorter terms i.e. up to six months rather than 1 year as these investments were better value than longer term investments and were also a better fit with how the council was expecting to utilise investments. It also shows more emphasis being placed on counterparties with a higher credit rating.

44. The investment portfolio was maintained within this overall benchmark during this year as shown in **Table 7**.

Table 7

Maximum	Benchmark 2019/20	Actual June 2019	Actual October 2019	Actual January 2020	Actual March 2020
Year 1	0.077%	0.002%	0.002%	0.001%	0.006%

45. The counterparties that we use are all high rated therefore our actual risk of default based on the ratings attached to counterparties is virtually nil.

46. Liquidity – In respect of this area the Council set liquidity facilities/benchmark to maintain

- (a) Bank Overdraft £0.100M
- (b) Liquid short term deposits of at least £3.000M available within a weeks’ notice.
- (c) Weighted Average Life benchmark is expected to be 146 days with a maximum of 1year.

47. Liquidity arrangements have been adequate for the year to date as shown in **Table 8**.

Table 8

	Benchmark	Actual June 2019	Actual October 2019	Actual January 2020	Actual March 2020
Weighted Average life	146 days to 1 year	11 days	12 days	8 days	84 days

48. The figures are for the whole portfolio of cash flow investments deposited with Money Market funds on a call basis (i.e. can be drawn on without notice) as well as call accounts that include a certain amount of notice required to recall the funds.

49. Yield - In respect of this area performance indicators relating to interest rates for borrowing and investments were set with reference to comparative interest rates.

For borrowing, the indicator is the average rate paid during the year compared with the previous year. Investment rates are compared with a representative set of comparative rates.

Table 9 – Performance Compared With Indicators

Borrowing	Average overall rate paid compared to previous years	2018/19 3.22%	2019/20 2.72%
Investments		DBC 2018/19	DBC 2019/20
Short term	Cash flow investment rate returned against comparative average rate	0.68%	0.69%
Long term	Capital investment rate returned against comparative average rates	0.71%	0.72%
Comparative rates used to compare DBC performance: -			
Comparative Rates		Short Term Investments	Long Term Investments
Overnight Bid Rate Overnight		0.54%	-
London Interbank Bid Rate 7 day		0.53%	-
London Interbank Bid Rate 1 month		0.56%	-
London Interbank Bid rate 3 months		0.63%	-
London Interbank Bid rate 6 months		-	0.70%
London Interbank Bid rate 12 months		-	0.80%
Average External Comparators		0.57%	0.75%

50. As can be seen from the table, the actual investment rate achieved for short term investments exceeds the average of comparative rates whilst the longer term rate is roughly comparable with the comparator.

Risk

51. The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:-

- (a) The Local Government Act 2003(the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity.
- (b) The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2017/18).
- (c) Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act.

- (d) The SI requires the Council to undertake any borrowing activity with regard to the CIFPA Prudential Code for Capital Finance in Local Authorities.
 - (e) The SI also requires the Council to operate the overall treasury function with regard to the CIPFA code of Practice for Treasury Management in Public Services.
 - (f) Under the Act the Department for Communities and Local Government has issued Investment Guidance to structure and regulate the Council's investment activities.
 - (g) Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.
52. The Council's Treasury Management function has complied with all of the relevant statutory and regulatory requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable and its treasury practices demonstrate a low risk approach.
53. Officers of the Council are aware of the risks of passive management of the treasury portfolio and, with the support of Capita Asset Services, the Council's advisers, have proactively managed the debt and investments over the year.

Treasury Management Budget

54. There are three main elements within the Treasury Management Budget :-
- (a) Long Term capital investments including Property Funds which earns interest, this comprises of the Council's revenue and capital balances, unused capital receipts, reserves and provisions.
 - (b) Cash flow interest earned – since becoming a unitary council in 1997, the authority has consistently had positive cash flow. Unlike long term capital investments it does not represent any particular sum but it is the consequence of many different influences such as receipts of grants, the relationship between debtors and creditors, cashing of cheques and payments to suppliers.
 - (c) Debt servicing costs – This is the principal and interest costs on the Council's long term debt to finance the capital programme.

Table 10 Changes to the Treasury Management Budget 2019/20

	£m	£m
Original Treasury Management Budget		0.425
Debt		
Add increased interest payable on debt	0.083	
Less further savings on MRP	(0.109)	
Less reduced annual premium on rescheduled debt	(0.163)	(0.189)
Investments		
Less increased investment income including property funds etc		(0.092)
Other Costs		
Add increased brokerage charges		0.013
Outturn Treasury Management Budget 2019/20		0.157

55. The majority of the savings relate to a reduction in the annual premium on rescheduled debt some of which has been passported to HRA, although this has been offset by a reduction to the HRA of the interest payable on debt. There has also been an increase in the interest due on investments.

Conclusion

56. The Council's treasury management activity during 2019/20 has been carried out in accordance with Council Policy and within legal limits. Financing costs have been reduced during the year and a saving of £0.268m achieved from the original MTFP.

Outcome of Consultation

57. No formal consultation has been undertaken regarding this report.

APPENDIX 1

Additional Prudential Indicators not reported in the body of the report

		2018/19 Actual	2019/20 Approved Indicator	2019/20 Outturn
1	Upper limits on fixed interest rates (<i>against maximum position</i>)	83%	100%	79%
2	Upper limits on variable interest rates (<i>against maximum position</i>)	17%	40%	21%
3	Maturity structure of fixed rate borrowing (<i>against maximum position</i>)			
	Under 12 months	17%	30%	19%
	12 months to 2 years	3%	40%	5%
	2 years to 5 years	10%	60%	9%
	5 years to 10 years	5%	80%	8%
	10 years and above	65%	100%	59%
4	Maximum Principal funds invested greater than 364 days	£30m	£50m	£50m

The Economy and Interest Rates

UK. Brexit. The main issue in 2019 was the repeated battles in the House of Commons to agree on one way forward for the UK over the issue of Brexit. This resulted in the resignation of Theresa May as the leader of the Conservative minority Government and the election of Boris Johnson as the new leader, on a platform of taking the UK out of the EU on 31 October 2019. The House of Commons duly frustrated that renewed effort and so a general election in December settled the matter once and for all by a decisive victory for the Conservative Party: that then enabled the UK to leave the EU on 31 January 2020. However, this still leaves much uncertainty as to whether there will be a reasonable trade deal achieved by the target deadline of the end of 2020. It is also unclear as to whether the coronavirus outbreak may yet impact on this deadline; however, the second and third rounds of negotiations have already had to be cancelled due to the virus.

Economic growth in 2019 has been very volatile with quarter 1 unexpectedly strong at 0.5%, quarter 2 dire at -0.2%, quarter 3 bouncing back up to +0.5% and quarter 4 flat at 0.0%, +1.1% y/y. 2020 started with optimistic business surveys pointing to an upswing in growth after the ending of political uncertainty as a result of the decisive result of the general election in December settled the Brexit issue. However, the three monthly GDP statistics in January were disappointing, being stuck at 0.0% growth. Since then, the whole world has changed as a result of the **coronavirus outbreak**. It now looks likely that the closedown of whole sections of the economy will result in a fall in GDP of at least 15% in quarter two. What is uncertain, however, is the extent of the damage that will be done to businesses by the end of the lock down period, when the end of the lock down will occur, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, Brexit uncertainty caused the MPC to sit on its hands and to do nothing until March 2020; at this point it was abundantly clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in **quantitative easing (QE)**, essentially the purchases of gilts (mainly) by the Bank of England of £200bn. The Government and the Bank were also very concerned to stop people losing their jobs during this lock down period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lock down period when some firms may have little or no income. However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. At the time of writing, this is a rapidly evolving situation so there may be further measures to come from the Bank and the Government in April and beyond. The measures to support jobs and businesses already taken by the Government will result in a huge increase in the annual budget deficit in 2020/21 from 2%, to nearly 11%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lock down is ended. Provided the coronavirus outbreak is brought under control relatively swiftly, and the lock down is eased, then it is hoped that there would be a sharp recovery, but one that would take a prolonged time to fully recover previous lost momentum.

Inflation has posed little concern for the MPC during the last year, being mainly between 1.5 – 2.0%. It is also not going to be an issue for the near future as the world economy will be heading into a recession which is already causing a glut in the supply of oil which has fallen sharply in price. Other prices will also be under downward pressure while wage inflation has also been on a downward path over the last half

year and is likely to continue that trend in the current environment. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

Employment had been growing healthily through the last year but it is obviously heading for a big hit in March – April 2020. The good news over the last year is that wage inflation has been significantly higher than CPI inflation which means that consumer real spending power had been increasing and so will have provided support to GDP growth. However, while people cannot leave their homes to do non-food shopping, retail sales will also take a big hit.

USA. Growth in quarter 1 of 2019 was strong at 3.1% but growth fell back to 2.0% in quarter 2 and 2.1% in quarters 3 and 4. The slowdown in economic growth resulted in the Fed cutting rates from 2.25-2.50% by 0.25% in each of July, September and October. Once coronavirus started to impact the US in a big way, the Fed took decisive action by cutting rates twice by 0.50%, and then 1.00%, in March, all the way down to 0.00 – 0.25%. Near the end of March, Congress agreed a \$2trn stimulus package (worth about 10% of GDP) and new lending facilities announced by the Fed which could channel up to \$6trn in temporary financing to consumers and firms over the coming months. Nearly half of the first figure is made up of permanent fiscal transfers to households and firms, including cash payments of \$1,200 to individuals.

The loans for small businesses, which convert into grants if firms use them to maintain their payroll, will cost \$367bn and 100% of the cost of lost wages for four months will also be covered. In addition there will be \$500bn of funding from the Treasury's Exchange Stabilization Fund which will provide loans for hard-hit industries, including \$50bn for airlines.

However, all this will not stop the US falling into a sharp recession in quarter 2 of 2020; some estimates are that growth could fall by as much as 40%. The first two weeks in March of initial jobless claims have already hit a total of 10 million and look headed for a total of 15 million by the end of March.

EUROZONE. The annual rate of GDP growth has been steadily falling, from 1.8% in 2018 to only 0.9% y/y in quarter 4 in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), prompted the ECB to take new measures to stimulate growth. At its March 2019 meeting it announced a third round of TLTROs; this provided banks with cheap two year maturity borrowing every three months from September 2019 until March 2021. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting in September 2019, it cut its deposit rate further into negative territory, from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt to start in November at €20bn per month, a relatively small amount, plus more TLTRO measures. Once coronavirus started having a major impact in Europe, the ECB took action in March 2020 to expand its QE operations and other measures to help promote expansion of credit and economic growth. What is currently missing is a coordinated EU response of fiscal action by all national governments to protect jobs, support businesses directly and promote economic growth by expanding government expenditure on e.g. infrastructure; action is therefore likely to be patchy.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium-term risks have also been increasing. The major feature of 2019 was the trade war with the US. However, this has been eclipsed by being the first country to be hit by the coronavirus outbreak; this resulted in a lock down of the country and a major contraction of economic activity in February-March 2020. While it appears that China has put a lid on the virus by the end of March, these are still early days to be confident and it is clear that the economy is going to take some time to recover its previous rate of growth. Ongoing economic issues remain, in needing to make major progress to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs to address the level of non-performing loans in the banking and credit systems.

JAPAN has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It appears to have missed much of the domestic impact from coronavirus in 2019-20 but the virus is at an early stage there.

WORLD GROWTH. The trade war between the US and China on tariffs was a major concern to financial markets and was depressing worldwide growth during 2019, as any downturn in China would spill over into impacting countries supplying raw materials to China. Concerns were particularly focused on the synchronised general weakening of growth in the major economies of the world. These concerns resulted in government bond yields in the developed world falling significantly during 2019. In 2020, coronavirus is the big issue which is going to sweep around the world and have a major impact in causing a world recession in growth in 2020.

Glossary of Terms

Capital Financing Requirement (CFR)	This is the Councils underlying need to borrow which can be traced back to the Councils Balance Sheet and the value of the Councils assets which have yet to be paid for.
Minimum Revenue Provision (MRP)	Monies set aside from the revenue budget to repay accumulated debt.
Call	Investments that can be returned without a period of notice
Counterparty	Institutions, Banks etc. that with make investments or take out loans with.
Specified Investments	Investments in Banks and Building Societies with a high credit rating for periods of less than 1 year
Non-Specified Investments	Investments in un rated Building Societies and any investments in Banks and Building Societies for more than 1 year.
Operational Liquidity	Working Cash flow
Authorised Limit	Maximum amount of borrowing that could be taken in total.
Operational Boundary	The expected amount of borrowing assumed in total.
PWLB	Public Works Loan Board. The Governments lending body to Local Authorities
Discount	Amount payable by the PWLB when loans are repaid if the current loan rate is less than the rate borne by the original debt
Yield Curve	Is a graph that shows the relationship between the interest rate paid and length of time to repayment of a loan.
Gilts	Government Borrowing Bonds
Spreads	The difference between the highest rate of interest and the lowest rate of interest earned/charged on any one particular maturity period i.e. 1 year, 2 year 5 year etc.
LIBID	London Interbank Bid Rate. The average rate at which a bank is willing to borrow from another bank.
LIBOR	London Interbank Offer Rate. The average rate at which a bank is willing to lend to another bank. LIBOR is always higher than the corresponding bid rate and the difference between the two rates is known as the spread.

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**AUDIT COMMITTEE
16 September 2020**

ITEM NO.

AUDIT SERVICES – ACTIVITY REPORT

SUMMARY REPORT

Purpose of the Report

1. To provide Members with a progress report of activity and proposed activity for the next period.

Summary

2. The report outlines progress to date on audit assignment work, consultancy/contingency activity.

Recommendation

3. It is recommended that the activity and results be noted.

Reasons

4. 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) Departmental Audit Reports

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

5. Members will be aware of a change in approach from traditional audit assignments to individual control testing and reporting. This requires a different approach in terms of reporting on activity and this will be developed further in the coming months. Additionally there is a move away from annual audit planning to quarterly planning to enable the service to respond more effectively to the changing risk environment.
6. 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.
7. Appendix 1 provides members with detailed feedback on the performance of the service and the position in relation to completion of audit work. COVID-19 has brought challenges to the Authority and has quite rightly been the focus for a number of service areas. Audit advice has been provided as required and time has been spent transitioning to the new ways of working. Testing has however been undertaken and good progress has been made to date.
8. The audit team is currently at full capacity with sufficient resource available to deliver testing against the current risk assessment.

9. In line with good practice, at an appropriate time, Audit Services follow up with Managers progress on implementation of audit recommendations agreed as part of audit work.
10. The Shared Service has also responded to routine requests from Groups for advice and guidance on operational matters.

Outcome of Consultation

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

**INTERNAL AUDIT
AUDIT COMMITTEE UPDATE REPORT
2020/21**

Results to Date

Very Low			Low			Medium			High			Very High		
R	A	G	R	A	G	R	A	G	R	A	G	R	A	G
0	1	2	0	0	9	0	4	10	0	1	5	0	1	3

Planned Work Next Period

	Very Low	Low	Medium	High	Very High
DBC	3	19	15	13	3
SBC	1	11	27	18	5

Minimum Resources Required : 396
 Resources Available: 412

**AUDIT COMMITTEE
16 SEPTEMBER 2020**

ITEM NO.

AUDIT SERVICES ANNUAL AUDIT PLAN 2019/20 – ANNUAL REPORT

SUMMARY REPORT

Purpose of the Report

1. To provide Members with the annual 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 all agreed work completed.

Recommendation

5. It is recommended that the annual report against the 2019/20 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 2019/20 was approved by the Audit Committee in June 2019.
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. A number of changes were required to the original plan. The service carried 2 vacancies throughout the year and there a significant impact on working arrangements and priorities in response to the COVID-19 outbreak. The service

was however able to deliver 47% coverage of the full audit portfolio. The agreed minimum level of coverage was 45% and as such sufficient work was completed to enable an overall opinion to be provided.

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. The Shared Service has also responded to routine requests from Groups for advice and guidance on operational matters.

Outcome of Consultation

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

INTERNAL AUDIT ANNUAL REPORT & OPINION STATEMENTS

2019/20

1.0 EXECUTIVE SUMMARY

Introduction

- 1.1** Under the Accounts and Audit Regulations 2015, the Council is required to *“undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”*. For the purposes of the 2017/18 opinion the standards for proper practices for internal audit are laid down in the CIPFA Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (PSIAS).
- 1.2** The relevant body must conduct a review, at least once a year, of the effectiveness of its system of internal control. Following the review the Council must approve an Annual Governance Statement prepared in accordance with proper practices. The opinions given in this report provides independent and objective assurance on the overall adequacy and effectiveness of the Council’s system of internal control.
- 1.3** It is management’s responsibility to establish and maintain appropriate risk management processes, internal control systems, accounting records and governance arrangements. Internal Audit plays a vital role in advising management that these arrangements are in place and operating properly.

Quality Assurance and Improvement Programme

- 1.4** The Quality Assurance and Improvement Programme (QAIP) required by the PSIAS has been maintained during the year.

Planned Coverage and Output

- 1.5** The 2019/20 Audit Plan was approved by the Audit Committee on 19 June 2019. Best practice requires that audit resources should target those areas that represent the greatest risk to the Council.
- 1.6** In terms of audit engagements delivered by the audit team, the audit plan at the start of the year included 76 audits specific to DBC. The plan has to be flexible to allow for movement in the number of audits in the plan and days delivered to reflect changing client needs. The overall number of audit engagements will always be subject to change over the course of the year as audits may be deferred or no longer be required. Additional audits may be added if concerns are raised about a specific control area.

Original number of planned engagements	76
Unplanned engagements added	0
Planned engagements cancelled /deferred	8
Revised number of audit engagements	68
Engagements completed	63
Engagements ongoing	3
Engagements not Started	2

- 1.7 As can be seen from the table 78 reports have been issued, with two reports to be issued. This is covered in more detail in the audit coverage section of the report.
- 1.8 The plan for 2019/20 was based on 6 full time auditors plus 2 part time auditors during the year the audit capacity reduced to 4 full time auditors plus 2 part time auditors. The posts have been successfully filled and the service is back at it's full compliment.
- 1.9 These variations have not impacted on the ability of the Head of Internal Audit to provide assurance on the control environment as sufficient audit work has been completed.

Recommendations Made

- 1.10 Management continues to respond positively to audit reports and recommendations, with positive action taken to remedy any internal control weaknesses highlighted. The 69 audits completed have resulted in the following summary of recommendations made.
- 1.11 Analysis of Recommendations made in 2019/2020

Low	Medium	High	Critical	Total
21	49	5	0	75

This is covered in more detail in the output section.

Assurance Levels

- 1.12 The 63 completed audits resulted in the following assurance opinions (DBC Only) being made.

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.	38	60
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.	18	29
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.	2	3
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.	5	8
Total		63	

Overall Assurance

1.13 As the Head of Internal Audit, I am required to provide the Council with an opinion on the adequacy and effectiveness of the internal control environment. In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes. In assessing the level of assurance to be given, I based my opinion on:

- The written reports on all internal audit work completed during the course of the year and the subsequent audit opinions;
- Any follow up exercises undertaken in respect of previous years' internal audit work;
- The proportion of Darlington Borough Council's audit need that has been covered within this period;
- Any limitations which may have been placed on the scope of Internal Audit. (There have been no operational constraints placed upon Internal Audit, apart from agreed budgetary control provisions).

Opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework

From the testing undertaken by the Internal Audit Section over the course of the year I am satisfied that sufficient assurance work has been undertaken to allow me to form a reasonable conclusion on the adequacy and effectiveness of the Council's control environment to support the preparation of the Annual Governance Statement.

It is my opinion that the Council continues to have an appropriate, and overall, an effective system of internal control, upon which it can place reasonable reliance to deliver the Council's objectives, and detect fraud and other malpractice within a reasonable period of time.

Where weaknesses have been identified through internal audit work, we have worked with management to agree appropriate corrective actions and a timescale for introduction.

Statement of conformance with the PSIAS

A self-assessment of compliance with the PSIAS has been undertaken using the checklist included in the CIPFA Local Government Application Note to the PSIAS. The checklist runs to 35 pages and contains over 300 conformance targets.

This has been validated by an independent external assessor in-line with the requirements to undertake such a review at least once every 5 years.

The conclusion of the review is that the service conforms with the requirements of the standard. There are minor areas which may warrant further development but they do not have a material impact on the overall opinion.

The areas of non-compliance identified in the self-assessment and validated by the external review are as follows:-

- **Feedback is not sought from the Chair of the Audit Committee on the Audit & Risk Manager's performance appraisal,**
- **Assignments for on-going assurance engagements should be rotated periodically, this is not always possible given the size of the team and some areas that require technical expertise such as ICT. Audits are rotated wherever practical. This is mitigated by the code of conduct signed by auditors.**
- **Organisational independence expects the Audit and Risk manager to report to an organisational level equal to or higher than corporate management team. For line management purposes the Audit & Risk Manager reports to the Procurement and Governance Manager however this is mitigated by having a secondary reporting line to the Director of Finance & Business Services and other senior management and the Audit Committee as required.**

Many of the compliance targets relate to consulting engagements. As the Internal Audit Section does not undertake any such engagements, the answers to these questions have to be "no".

1 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

2.1 Internal Audit is defined in the PSIAS as:-

“Internal auditing is an independent, objective and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

Adherence to the PSIAS ensures that Internal Audit complies with this definition.

2.2 In addition to the performance information shown below the following is evidence demonstrating Internal Audit’s compliance with the PSIAS:-

- Independence/no interference – There has been no interference during the year that would require the escalation processes to be invoked.
- Access to records – The service has been provided access to all records/personnel required to undertake the work in the plan.
- Director of Finance and Business Services’ operational responsibility – Appropriate arrangements have been put in place to allow an objective opinion of the other operational services for which the Director of Finance and Business Services has responsibility.
- Staff skills mix – An appropriate mix of staff has been in place throughout the year as defined in the audit competency framework.
- Staff training – Training has been given to staff as required including a staff away day. Staff have also completed a minimum of 20 hours CPD.
- Code of Conduct for Auditors – All auditors have signed up to an audit code of conduct and there is no evidence that this has not been complied with.

Performance Indicators

2.3 The PSIAS are unequivocal in that a QAIP must include both internal and external assessments: internal assessments are both ongoing and periodical and external assessments at least once every five years.

2.4 An independent external peer review was undertaken to assess the effectiveness of internal audit and compliance with the new standards. The review concluded:-

- The Internal Audit service complies fully with all key requirements of the Standards, and overall the level of compliance is very high.
- On the basis of the assessment and supporting evidence the Internal Audit service is shown to be well managed. It provides a good standard of service covering all key aspects of its remit and is well regarded and effectively utilised by senior management.
- No significant issues have been identified by the assessment process. The opportunities for improvement will improve service delivery and effectiveness, but they do not in themselves represent a material risk to the Internal Audit service or its ability to deliver the audit programme.

3 AUDIT PROGRESS

3.1 The plan, approved on 19 June 2019, was based on an audit assessment of risk drawn from a wide variety of sources including:-

- Findings from previous audit reports and knowledge of Council systems
- Input from Corporate Management Team and Heads of Service
- Corporate Risk Register
- Any areas highlighted by special investigations
- Susceptibility to Fraud
- Complexity of systems
- Service Provider
- Political/Media Sensitivity
- Levels of Finance/Budgets

Audit Progress by Service Group

Department	Planned Audits	Cancelled Audits	Unplanned Audits	Revised Audits	Completed	In Progress	Under Review	Drafts Issued	Not Started
Children's and Adult Services	17	2	0	15	10	2	1	0	2
Economic Growth & Neighbourhood Services	17	3	0	14	14	0	0	0	0
Resources	6	0	0	6	6	0	0	0	0
Law & Governance	3	1	0	2	2	0	0	0	0
Schools	2	0	0	2	2	0	0	0	0
Xentrall	11	0	0	11	11	0	0	0	0
Corporate	13	2	0	11	11	0	0	0	0
Contingency	7	0	0	7	7	0	0	0	0
SBC Only	4	0	2	6	6	0	0	0	0
TVCA Only	0	0	0	0	0	0	0	0	0
Totals	80	8	2	74	69	2	1	0	2

3.2 The Audit Plan is constantly revised during the year to take account of changing requirements. Amendments to the Plan agreed on 19 June 2019 can be summarised as follows:

2019/20 Planned Audits Amalgamated/Cancelled/Deferred

- Asset Register – Low priority, no issues in previous year, external audit provide oversight
- Absence Management – Significant work undertaken in previous year, assurance managers have access to more detailed reporting than previously.
- Development Services – Large piece of work undertaken in previous year so lower priority for current year.
- Land Charges – Work undertaken in previous year, low risk audit on the plan.

**Internal Audit Annual Report and
Opinion Statements 2019/2020**

- Building Control – Work undertaken in previous year, no issues identified.
- First Contact – Service is currently being reviewed.
- Emergency Duty Team – Service is currently being reviewed
- Scheme of Delegation – Low priority audit.

2019/20 Unplanned Audits Added to the Plan

None

4 AUDIT OUTPUT

Engagement Opinions

4.1 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.

4.2 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.	38	60
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.	18	29
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.	2	3
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.	5	8
Total		63	

Internal Audit Annual Report and Opinion Statements 2019/2020

4.3 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.	5	7
Medium	Required actions to reduce the risk of systems failing to achieve their objectives.	49	65
Low	Beneficial to the improvement of internal controls, which will support the achievement of objectives.	21	28
Total		75	

4.4 The following table shows the breakdown of recommendations by audit area.

Details of Audits by Service Group

2019/2020

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	10	4	5	1	0	0	0	16	12	10	1	1
Economic Growth & Neighbourhood Services	14	8	5	1	0	0	0	42	2	2	0	0
Resources	6	5	1	0	0	0	0	8	0	0	0	0
Law & Governance	2	1	0	0	0	0	0	0	0	0	0	0
Schools	2	1	1	0	0	0	0	2	0	0	0	0
Xentrall	11	11	0	0	0	0	0	1	1	1	0	0
Corporate	11	7	4	0	0	0	0	5	0	0	0	0
Contingency	7	1	2	0	0	0	0	0	0	0	0	0
SBC Only	6	0	0	0	0	0	0	1	0	0	0	0
Total	69	38	18	2	0	0	0	75	15	13	1	1

2018/2019

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	17	3	8	1	0	0	5	24	6	1	3	2
Economic Growth & Neighbourhood Services	17	5	11	0	0	0	1	25	43	28	12	1
Resources	6	3	2	1	0	0	0	13	0	0	0	0
Law & Governance	4	2	1	0	0	0	1	5	7	2	1	1
Schools	1	1	0	0	0	0	0	0	0	0	0	0
Xentrall	16	13	2	0	0	0	1	3	1	1	0	0
Corporate	12	3	8	0	1	0	0	16	11	7	4	0
Contingency	8	1	0	0	0	0	1	0	0	0	0	0
SBC Only	2	0	0	0	0	0	0	0	0	0	0	0
TVCA Only	3	0	0	0	0	0	0	0	0	0	0	0
Total	86	31	32	2	1	0	9	86	68	39	20	4

4.5 A further analysis of new recommendations by category is shown below.

Category		Low	Medium	High	Critical
1. Financial Management	Current	3	21	0	0
	Previous	0	1	0	0
2. Information Communication Technology	Current	0	0	0	0
	Previous	1	0	1	0
3. Information Governance / Assurance	Current	6	10	2	0
	Previous	0	4	0	0
4. Procurement	Current	1	1	0	0
	Previous	1	3	1	0
5. Health & Safety	Current	0	0	1	0
	Previous	0	4	0	0
6. Risk Management	Current	0	1	0	0
	Previous	0	0	0	0
7. Asset Management	Current	2	5	0	0
	Previous	1	2	0	0
8. Business Continuity / Disaster Recovery	Current	4	5	0	0
	Previous	0	4	0	0
9. Competencies / Workforce Planning	Current	0	4	0	0
	Previous	0	0	0	0
10. Fraud Management	Current	1	3	1	0
	Previous	0	1	0	0
11. Legislative / Constitutional Compliance	Current	0	2	1	0
	Previous	1	1	2	0
12. Ethical Compliance	Current	0	0	0	0
	Previous	0	0	0	0
13. Performance Management / Service Improvement	Current	5	4	0	0
	Previous	1	0	0	0
14. Partnership / Relationship Governance	Current	0	0	0	0
	Previous	0	0	0	0
15. Authorisation	Current	0	0	0	0
	Previous	0	1	0	0
16. Segregation	Current	0	0	0	0
	Previous	0	0	0	0
17. VAT	Current	1	0	0	0
	Previous	1	1	0	0
18. Safeguarding	Current	0	0	0	0
	Previous	0	0	0	0

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

2019/20 Audit Plan

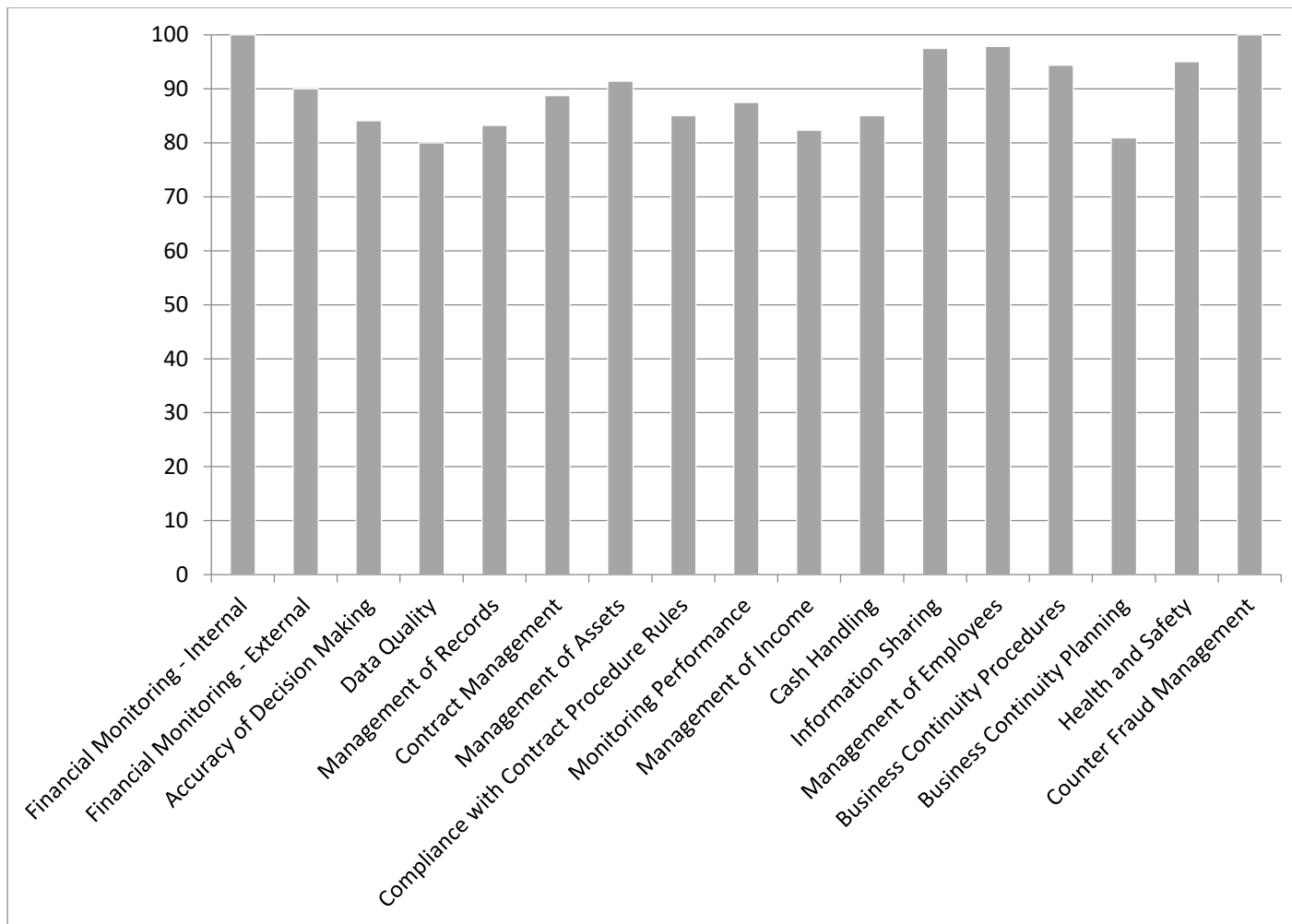
Department	Audit ID	Name	Status	Assurance	Recommendations			
					L	M	H	C
Corporate	2606	Absence Management	Cancelled					
Xentrall	2607	Active Directory	Complete	Full Assurance	0	0	0	0
Economic Growth & Neighbourhood Services	2610	Building Control	Cancelled					
Xentrall	2611	Cloud Computing	Complete	Full Assurance	0	0	0	0
Economic Growth & Neighbourhood Services	2612	Asset Register/Asset Management	Cancelled					
Children's and Adult Services	2615	Child Placement - Adoption	Complete	Substantial Assurance	0	0	0	0
Xentrall	2617	Creditors	Complete	Full Assurance	0	0	0	0
Resources	2620	Client Financial Services	Complete	Full Assurance	1	3	0	0
Law & Governance	2621	Complaints Review	Complete	Full Assurance	0	0	0	0
Children's and Adult Services	2622	Community Transport	Complete	Moderate Assurance	0	0	1	0
Xentrall	2623	Change Control	Complete	Full Assurance	0	0	0	0
Economic Growth & Neighbourhood Services	2632	Housing Benefits	Complete	Full Assurance	0	0	0	0
Xentrall	2634	Debtors	Complete	Full Assurance	0	0	0	0
Law & Governance	2642	Land Charges	Cancelled					
Children's and Adult Services	2646	Leaving Care	Complete	Full Assurance	0	0	0	0
Children's and Adult Services	2648	First Contact	Cancelled					
Corporate	2653	DBS Procedures	Complete	Substantial Assurance	0	1	0	0
Economic Growth & Neighbourhood Services	2654	Development Services	Cancelled					
Children's and Adult Services	2656	Early Years & Complex Needs	Not Started					
Xentrall	2657	Virtualisation	Complete	Full Assurance	0	0	0	0
Children's and Adult Services	2658	Emergency Duty Team	Cancelled					

Children's and Adult Services	2659	Looked After Children	Complete	Substantial Assurance	0	0	2	0
Corporate	2660	Officer Payments - Mileage	Complete	Full Assurance	0	0	0	0
Resources	2664	Treasury Management	Complete	Full Assurance	4	0	0	0
Resources	2665	VAT	Complete	Full Assurance	0	0	0	0
Economic Growth & Neighbourhood Services	2666	Taxation	Complete	Full Assurance	0	0	0	0
Corporate	2667	Recruitment Services	Complete	Full Assurance	0	0	0	0
Xentrall	2668	Server Operating Systems	Complete	Full Assurance	0	0	0	0
Resources	2670	Personal Budgets & Direct Payments	Complete	Substantial Assurance	0	0	0	0
Xentrall	2672	Firewalls	Complete	Full Assurance	0	0	0	0
Children's and Adult Services	2673	Referral & Assessment - Adults	Not Started					
Xentrall	2674	Payroll & Absence Recording	Complete	Full Assurance	0	1	0	0
Economic Growth & Neighbourhood Services	2676	Environmental Health	Complete	Full Assurance	0	0	0	0
Economic Growth & Neighbourhood Services	2677	Enforcement	Complete	Full Assurance	0	0	0	0
Children's and Adult Services	2679	Youth Offending and Prevention	Complete	Substantial Assurance	0	1	0	0
Children's and Adult Services	2680	Early Years, Children's Centres & Childcare	Complete	Substantial Assurance	0	5	0	0
Corporate	2700	Declaration of Interests/Gifts & Hospitality	Complete	Full Assurance	0	0	0	0
Children's and Adult Services	2701	Adult Education	Complete	Full Assurance	1	2	0	0
Xentrall	2702	Bank Reconciliation	Complete	Full Assurance	0	0	0	0
< None >	2703	Catering & Cleaning	Complete	Substantial Assurance	0	2	0	0
Children's and Adult Services	2704	Residential Childrens Homes	Complete	Full Assurance	0	0	0	0
Corporate	2705	Data Protection	Complete	Full Assurance	0	0	0	0
Children's and Adult Services	2706	Day Centres, Residential & Supported Living	Complete	Substantial Assurance	0	3	1	0
Economic Growth & Neighbourhood Services	2707	Eastbourne Sports Complex	Complete	Moderate Assurance	2	8	0	0
Children's and Adult Services	2708	Education Improvement Service	In Progress					
Resources	2709	Employee Benefits	Complete	Full Assurance	0	0	0	0
Resources	2710	Employee Therapy Services	Complete	Full Assurance	0	0	0	0

Children's and Adult Services	2711	Fuel Poverty Reduction	In Progress					
Economic Growth & Neighbourhood Services	2712	Highways Maintenance Management	Complete	Full Assurance	0	0	0	0
Economic Growth & Neighbourhood Services	2713	Horticultural Services & Allotments	Complete	Substantial Assurance	2	4	1	0
Economic Growth & Neighbourhood Services	2714	Housing Building Maintenance	Complete	Substantial Assurance	4	4	0	0
Economic Growth & Neighbourhood Services	2715	Housing Management	Complete	Substantial Assurance	1	4	0	0
Economic Growth & Neighbourhood Services	2716	Housing Rents	Complete	Full Assurance	1	1	0	0
Economic Growth & Neighbourhood Services	2717	Licensing	Complete	Substantial Assurance	1	4	0	0
Corporate	2718	Information Management	Complete	Substantial Assurance	0	0	0	0
Law & Governance	2719	Mayor's Charity Fund	Complete	0	0	0	0	0
Corporate	2720	Performance Management Framework	Complete	Substantial Assurance	0	0	0	0
Corporate	2721	Anti-Fraud Management	Complete	Full Assurance	0	0	0	0
Corporate	2722	Business Continuity & Emergency Planning	Complete	Substantial Assurance	2	2	0	0
Corporate	2723	Council Plans	Complete	Full Assurance	0	0	0	0
Corporate	2724	Financial Management	Complete	Full Assurance	0	0	0	0
Economic Growth & Neighbourhood Services	2725	Registration & Bereavement Services	Complete	Full Assurance	1	1	0	0
Children's and Adult Services	2726	Safeguarding Children	Under Review					
Corporate	2727	Scheme of Delegation	Cancelled					
Xentrall	2728	Software Controls	Complete	Full Assurance	0	0	0	0
SBC Only	2729	Stockton Collections	Complete	0	0	0	0	0
SBC Only	2730	Tees Valley Music Service	Complete	0	0	1	0	0
Economic Growth & Neighbourhood Services	2731	Traffic Management & Road Safety	Complete	Full Assurance	0	1	0	0
Children's and Adult Services	2732	Troubled Families Initiative	Complete	Full Assurance	0	0	0	0
Contingency	2733	Advice and Guidance	Complete	0	0	0	0	0
Contingency	2734	Audit Liaison and Planning	Complete	0	0	0	0	0
Contingency	2736	Continuous Monitoring	Complete	0	0	0	0	0

Contingency	2737	Grants Contingency 2019	Complete	Full Assurance	0	0	0	0
SBC Only	2738	SBC Schools - IR35 Self Assessment	Complete	0	0	0	0	0
Schools	2739	DBC Schools - IR35 Self Assessment	Complete	Substantial Assurance	0	0	0	0
< None >	2740	Schools - High Clarence Primary	Complete	0	0	0	0	0
SBC Only	2741	Globe Project Assurance	Complete	0	0	0	0	0
Contingency	2742	Risk Management	Complete	Substantial Assurance	0	0	0	0
Contingency	2743	Procurement/Contract Management	Complete	Substantial Assurance	0	0	0	0
Contingency	2744	ICT Individual Systems	Complete	0	0	0	0	0
< None >	2745	Schools - Harrowgate Hill Primary	Complete	Full Assurance	1	1	0	0
SBC Only	2746	SBC Library Lost Property	Complete	0	0	0	0	0

Trend Analysis



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