



DARLINGTON

Borough Council

Audit Committee Agenda

10.00 am

Wednesday, 26 April 2023

Council Chamber, Town Hall, Darlington. DL1 5QT

Members of the Public are welcome to attend this Meeting.

1. Introductions/Attendance at Meeting
2. Declarations of Interest
3. To approve the Minutes of the meeting of the Audit Committee on 25 January 2023
(Pages 3 - 6)
4. ICT Strategy - Implementation Programme - Six monthly update –
Report of the Assistant Director Xentrall Shared Services
(Pages 7 - 12)
5. Ethical Governance and Member Standards - Six monthly Update –
Report of the Assistant Director Law and Governance and Monitoring Officer
(Pages 13 - 22)
6. Information Governance Work Programme - Progress report - Six monthly –
Report of the Group Director of Operations
(Pages 23 - 30)
7. Interim Risk Management Update Report 2023/24 –
Report of the Chief Executive
(Pages 31 - 42)
8. Audit Services - External Quality Assessment - Peer Review –
Report of the Risk and Audit Manager
(Pages 43 - 60)

9. Audit Services Charter –
Report of the Risk and Audit Manager
(Pages 61 - 68)
10. Audit Services - Activity Report –
Report of the Audit and Risk Manager
(Pages 69 - 92)
11. Accounting Policies to be applied to the 2022/23 Financial Statements –
Report of the Group Director of Operations
(Pages 93 - 118)
12. 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
13. Questions



Luke Swinhoe
Assistant Director Law and Governance

Tuesday, 18 April 2023

Town Hall
Darlington.

Membership

Councillors Lee, Crudass, Baldwin, McEwan, Paley and Mrs H Scott

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

AUDIT COMMITTEE

Wednesday, 25 January 2023

PRESENT – Councillors Lee (Chair), Crudass, Baldwin, McEwan and Mrs H Scott

APOLOGIES – Councillor Paley

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), Allison Hill (Democratic Officer), Brett Nielsen (Assistant Director Resources) and Judith Murray (Finance Manager)

A22 DECLARATIONS OF INTEREST

There were no declarations of interest reported at the meeting.

A23 TO APPROVE THE MINUTES OF THE AUDIT COMMITTEE HELD ON 28 SEPTEMBER 2022

Submitted – The Minutes (previously circulated) of the Audit Committee held on 28 September 2022.

RESOLVED – That the Minutes of the Audit Committee held on 28 September 2022 be approved as a correct record.

A24 FINAL ACCOUNTS TIMETABLE FOR THE YEAR ENDED 31 MARCH 2023

The Group Director of Operations submitted a report (previously circulated) to provide Members with the Final Accounts Closedown Timetable for 2022/23.

It was reported that under the regulations it is the responsibility of the Group Director of Operations to sign and certify the unaudited Statement of Accounts (SoA) 2022/23 by no later than 31 May 2023 and it was also the responsibility of the Audit Committee to approve the audited set of accounts on or before 30 September 2023.

The final accounts timetable serves as a tool for monitoring progress against the target dates to ensure compliance with the statutory deadlines will aim to comply with the date of 31 May for the unaudited SoA so that there was less disruption to the normal work schedule of the Council.

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 2022/23 be noted.

A25 MID YEAR RISK MANAGEMENT UPDATE REPORT 2022/23

The Chief Executive submitted a report (previously circulated) to update 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 continues to be made within the Authority regarding the management of key strategic risks and with the work 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 management controls in place and working; and detailed progress made on improvement actions for those risks that had been identified as above the 'risk appetite line'. The submitted report also highlighted a number of new risks.

Following a review of the Council's Risk Management Strategy, the risks plotted on the matrices had now been categorised as Strategic Risks and linked to the relevant objective in the Council Plan, where appropriate; and the revised risk matrices were attached to the submitted report.

RESOLVED – That the Mid Year Risk Management report 2022/23 be noted.

A26 AUDIT SERVICES - ACTIVITY REPORT

The Audit and Risk Manager submitted a report (previously circulated) to provide Members with a progress report of activity and proposed activity for the next period.

The submitted report outlined progress to date on audit assignment work, consultancy/contingency activity and highlighted the change in approach from traditional audit assignments to individual control testing and reporting and the different approach in terms of reporting on activity to be developed further in the coming months; and the move away from annual audit planning to quarterly planning to enable the service to respond more effectively to the changing risk environment.

Also previously circulated was detailed feedback on the performance of the service and the position in relation to completion of audit work.

RESOLVED – That the activity and results be noted.

A27 PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY REPORT 2023/24

The Group Director of Operations submitted a report (previously circulated) for Members of this Audit Committee to review and scrutinise the Prudential Indicators and Limits for 2023/24 to 2025/26 relating to capital expenditure and Treasury Management activity; a policy statement relating to the Minimum Revenue Provision; the authorised limit; and the Treasury Management Strategy 2023/24, which includes the Annual Investment Strategy for 2023/24, prior to approval and adoption by Cabinet and Council.

The submitted report outlined the Council's Prudential Indicators for 2023/24- 2025/26 and set out the expected treasury operations for this period and it was reported that the

Council's capital 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 submitted report highlighted a third new prudential indicator for 2023/24, the Liability Benchmark (LB) which the Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum. The three main components to the LB being existing borrowing (loan debt outstanding); net loans requirement (Forecast Net Loans Debt); and Liability benchmark (or gross loans requirement).

The submitted report also included a mid-year Treasury Management progress report to update members on the capital position, amending prudential indicators as necessary, and whether the treasury function was meeting the strategy or whether any policies required revision.

It was reported that the Treasury Management Strategy for 2023/24 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; and these elements covered the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Ministry of Housing, Communities and Local Government (MHCLG) Minimum Revenue Provision (MRP) Guidance, the CIPFA Treasury Management Code and the MHCLG Investment Guidance.

It was also highlighted 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 was undertaken by a number of Members during two sessions held in September 2021 and further training will be arranged as required.

RESOLVED - That this Audit Committee is satisfied with the Prudential Indicators and Treasury Management Strategy for 2023/24 to 2025/26, the Minimum Revenue Provision statement, the Treasury Management Strategy 2023/24 to 2025/26 and the Annual Investment Strategy 2023/24, as presented in the submitted report, and that the report be forwarded to Cabinet for its onward referral to Council for consideration.

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**AUDIT COMMITTEE
26 APRIL 2023**

ICT STRATEGY – IMPLEMENTATION PROGRESS REPORT

SUMMARY REPORT

Purpose of the Report

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

Summary

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

Recommendation

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

Reasons

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

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

Background Papers

Darlington ICT Strategy 2022

Ian Miles – Extension 157012

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

MAIN REPORT

6. Progress on the three strategic themes of the ICT Strategy is described below.

ICT Governance and ICT Service Development

7. The Systems and Information Governance Group (which is the Chief Officers Board of Assistant Directors but chaired by the Group Director of Operations) undertakes an ICT Strategy monitoring role as well as overseeing and approving the ICT Work Plan, which covers all service based and corporate ICT projects. As well as this forum, updates on major ICT projects are also given to the Group Director of Operations and to the meetings of the Xentrall Executive Board on which she sits.
8. The ICT service is preparing for a full 3-year recertification in both Information Security Management and Quality Management Systems, and the latter will be to the new 27001:2022 standard. The ICT service has completed its annual submission for PSN (Public Services Network) certification and awaits the outcome which is due shortly. In addition, all fourteen control inspections undertaken by the Council's Internal Audit team over the last six months have been classified as "green" on a red/amber/green rating.
9. In terms of ICT service development and related to the two ISO certifications and internal audits, all ICT service improvement activities are identified in the ICT Service Improvement Programme, and this continues to be managed and monitored by the ICT Management Team, supported by the ICT Security & Process Excellence Officer. This group reviews the progress and priorities of this extensive and continual programme which is resourced through a combination of business-as-usual activities and planned projects within ICT. The majority of these activities relate to internal ICT procedures and standards which ultimately deliver improvements to the services ICT users receive.

ICT Strategic Architecture

10. ICT continue to ensure high levels of system availability, reliability, and security through the delivery of major project work. Notable deliverables include:
 - (a) Implementation of the Microsoft Azure Landing Zone. Creating a cloud-based architecture for the Council's network. This Zone forms the foundation for services and applications that ICT will deploy over the next few years in support of the Council's overarching digital transformation.
 - (b) Working with the National Grid and GCHQ to review and strengthen the resilience of the Council's power and communication infrastructure as part of "Project Yarrow" which relates to national power outages.
 - (c) Ensuring Council services are prepared for the 3G mobile telephony network switch off at the end of 2023. The Council has several active 3G connections supporting critical services such as Traffic Management which need to be switched over and tested well in advance of the deadline.
 - (d) Supporting the development of Blended Working with the deployment of the new telephony system; Teams Voice, to over 90% ICT users across the Council. Strengthening integration with the Microsoft Office Suite and presence tools to help assist with end-user productivity.

- (e) Following a supplier-related network outage last autumn, ICT have undertaken a review and redesign of the Councils resilient network links between the Darlington and Stockton data centres. This with the aim of further strengthening both Council's ability to withstand major network disruption and increasing network resilience. New links have been installed and will be made live during May.
- (f) Ensuring Council Services are prepared for Digital Switch over in 2025. A project that will see the UK move away from the old public analogue telephone network. This project involves the identification and transfer of the less obvious telephone lines which relate to building alarms, traffic management systems and emergency lift lines.
- (g) Review and renewal of the ICT Asset Disposal contract ensuring data is securely wiped from devices and all disposals adhere to the Waste, Electrical and Electronic regulations (WEEE) directive.

Council Service Development and Transformation

11. The service-based Information & Systems Strategies inform the ICT Work Plan, and this drives customer projects within the ICT service. As well as the management and monitoring of individual projects, the overall ICT Work Plan is monitored on a monthly cycle at the Systems and Information Governance Group (SIGG is described in paragraph 7 above). These ICT projects underpin many of the Council's business change activities. SIGG also reviews the Web Team Workplan and the Systems and Process Team Workplan and thereby has a whole view of ICT-related activities across the Council.
12. As well as some of the central ICT architecture projects listed above, a further eight service specific projects have been completed since the last progress report to this committee. These have included various system upgrades, plus:
 - (a) Capita ONE Hybrid Connectors - Supported the technical implementation of an online service to improve the ease with which statutory returns to Government are made from the Education Management System.
 - (b) Treasury Management PSLive Migration - Provided project management & technical support to move the treasury management system to a supplier hosted version of software to ensure it remains a supported asset.
13. As part of the Microsoft Office 365 roll-out and the features this brings, ICT have continued to work with a task group and different services across the Council to migrate their shared data to Teams. Services already migrated are able to work more collaboratively when developing and sharing documents. Services which have been migrated include; Democratic Services, HR and the Systems & Process Team. Work is ongoing to identify and plan the migration of further services.
14. Xentrall ICT have continued to support the Council in piloting and implementing the Blended Working programme, which has involved providing additional ICT equipment in the Town Hall as well as continuing to support the ICT equipment remote in officer's homes. As mentioned above, the migration to Teams Telephony is nearing completion and this simplifies the office suite of products in use across the Council.

Outcome of Consultation

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

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**AUDIT COMMITTEE
26 APRIL 2023**

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 September 2022.
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.

**Luke Swinhoe
Assistant Director, Law and Governance
Monitoring officer**

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 direct health and wellbeing impact
Carbon Impact and Climate Change	There is no 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 an executive report
Urgent Decision	This is not an executive report
Council Plan	There is no specific relevance to the strategy beyond a reflection on the Council's ethical governance arrangements
Efficiency	There is no direct 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

Committee on Standards in Public Life

7. 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.
8. In January 2023 the CSPL published a report entitled 'Leading in Practice'. Members will be aware that Leadership is one of the 7 Principles of Public life (also known as the Nolan Principles). The report examines the importance of leadership in shaping organisational culture and embedding high standards of conduct.
9. A copy of the report is available via the following link: [Leading in Practice – A review by the Committee on Standards in Public Life \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/114444/Leading_in_Practice_-_A_review_by_the_Committee_on_Standards_in_Public_Life.pdf)

New Independent Persons

10. As referenced in the last report to the Audit Committee, following a recruitment process, Beverley Boal and Julie Mathieson were recommended by the Recruitment Panel for appointment to the role of Independent Person. The Panel's recommendations were approved at the Council meeting on 29 September 2022. After an induction, facilitated by the Monitoring Officer, both Independent Persons have successfully taken up their roles and given their views on complaints referred to them about the conduct of members.

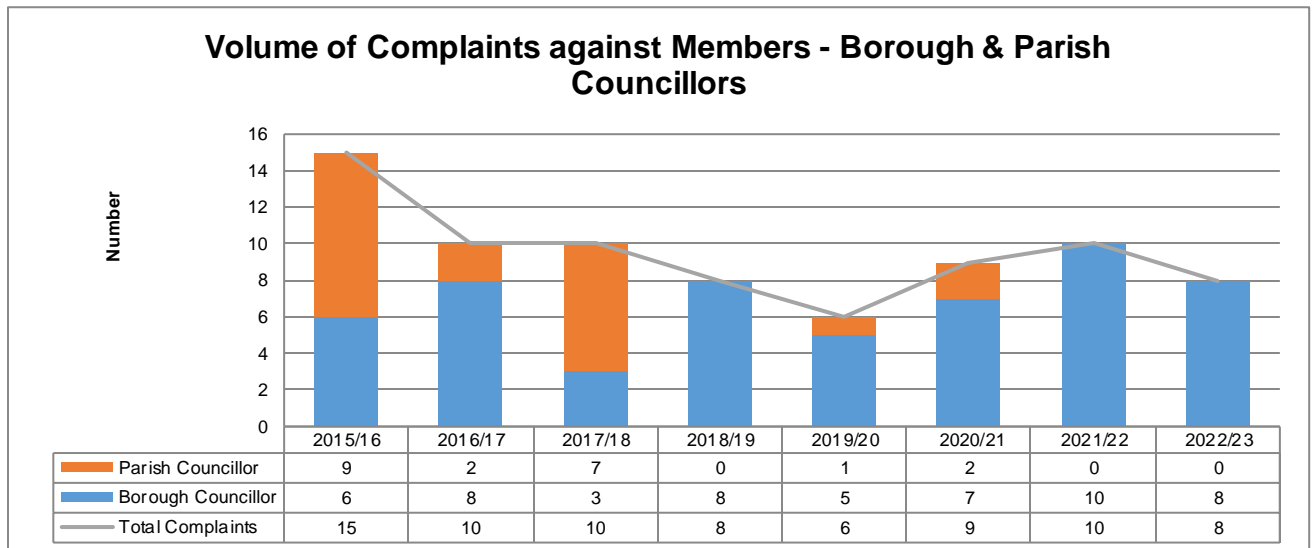
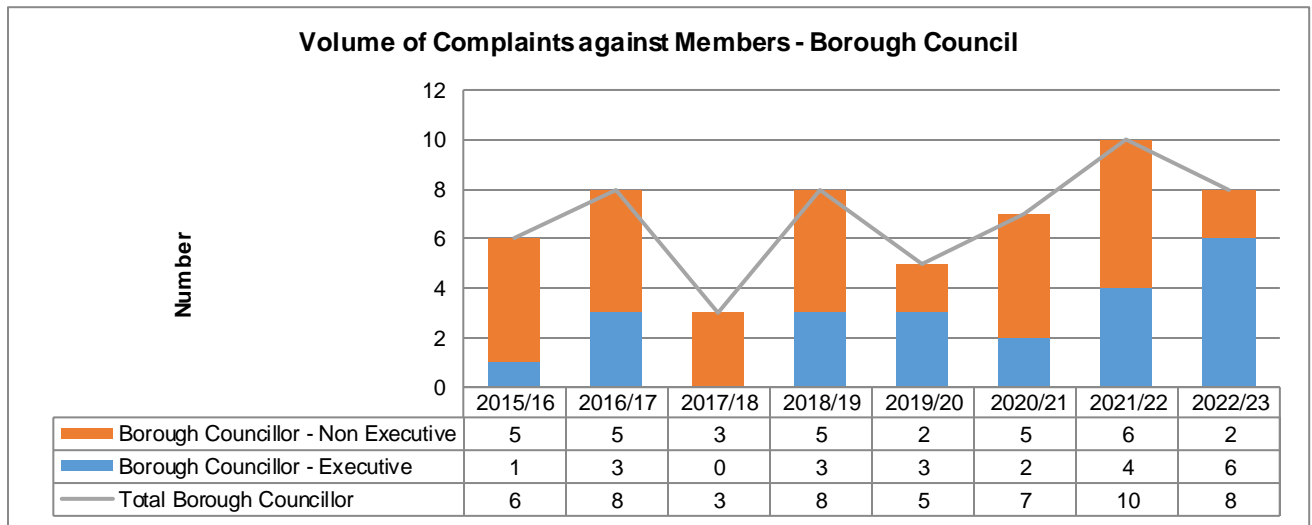
Post May elections - Members Induction and training

11. Local Government and Parish Council elections take place on 4 May 2023 which will result in a number of new councilors be taking up office for the first time. Briefings and training sessions have been arranged for both new and returning borough council members from May to September. Some events being in person and others hosted via TEAMS.
12. The topics covered include Members Corporate induction, Code of Conduct, Licensing, Planning, Council Decision making, Information Governance and GDPR, Scrutiny Committee, Safeguarding Children, Safeguarding Adults, Corporate Parenting, Prevent, Health and Safety, Climate Change, Economic Growth, Equality and Diversity, Comms and Social Media, Local Government Finance and Emergency Planning.
13. Separate sessions will be held on the Members Code of Conduct for Parish Council members.

Ethical Indicators

14. 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.
15. Member's observations about this information are invited.

Member Complaints

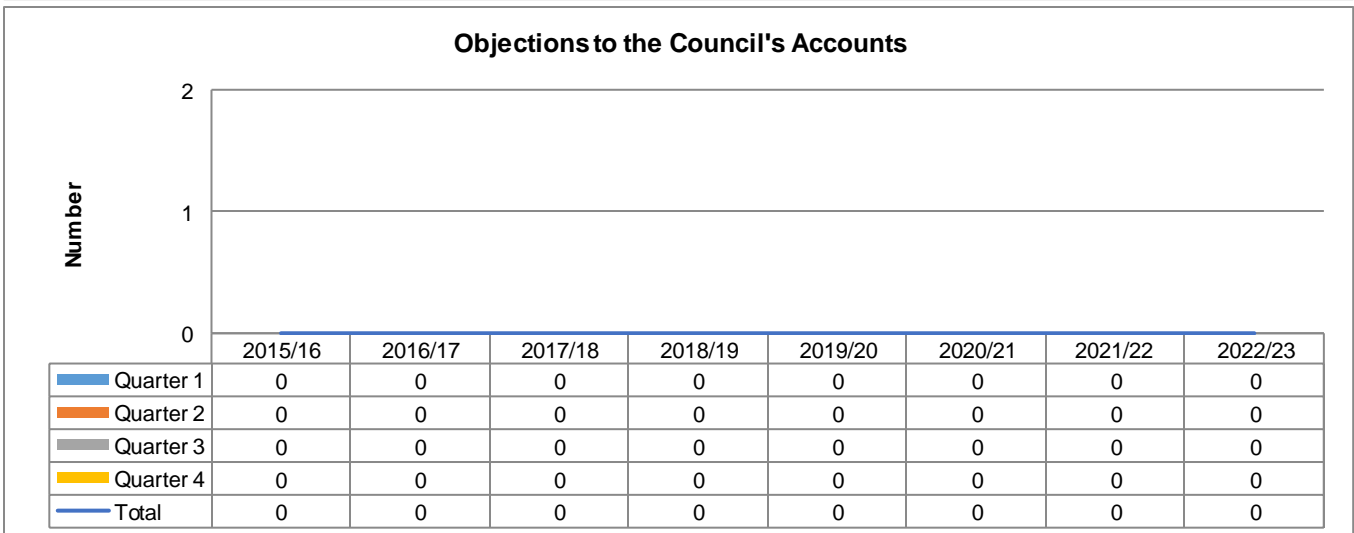
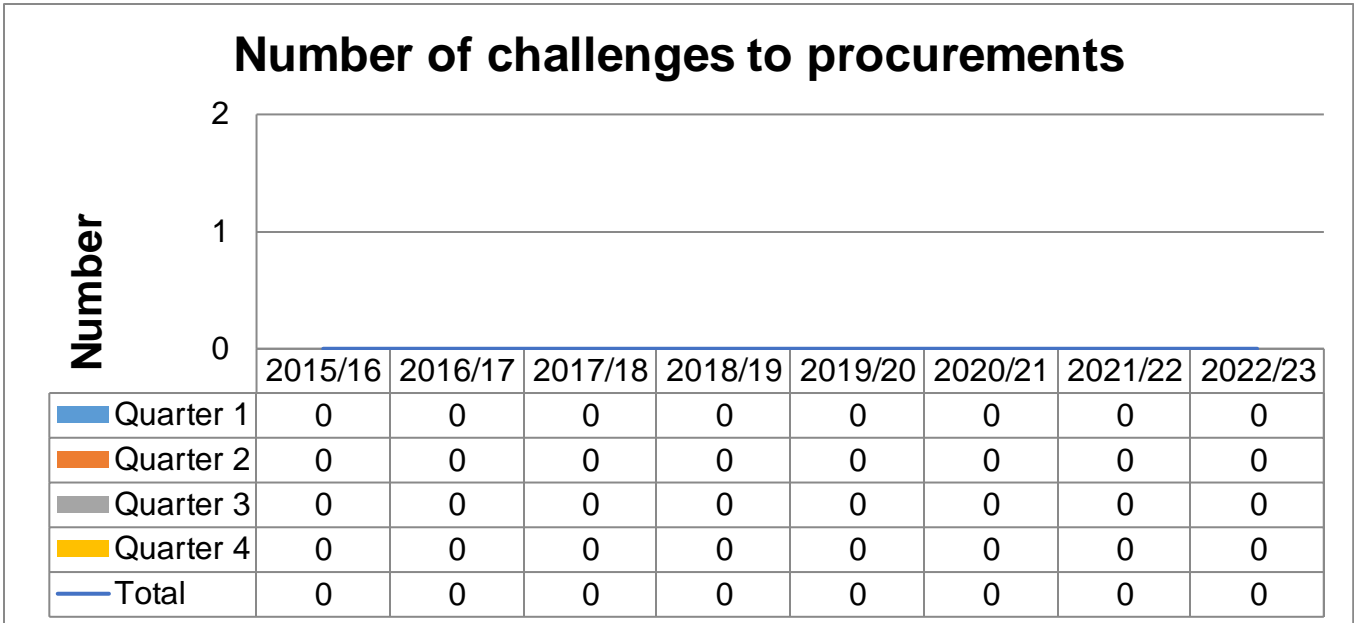
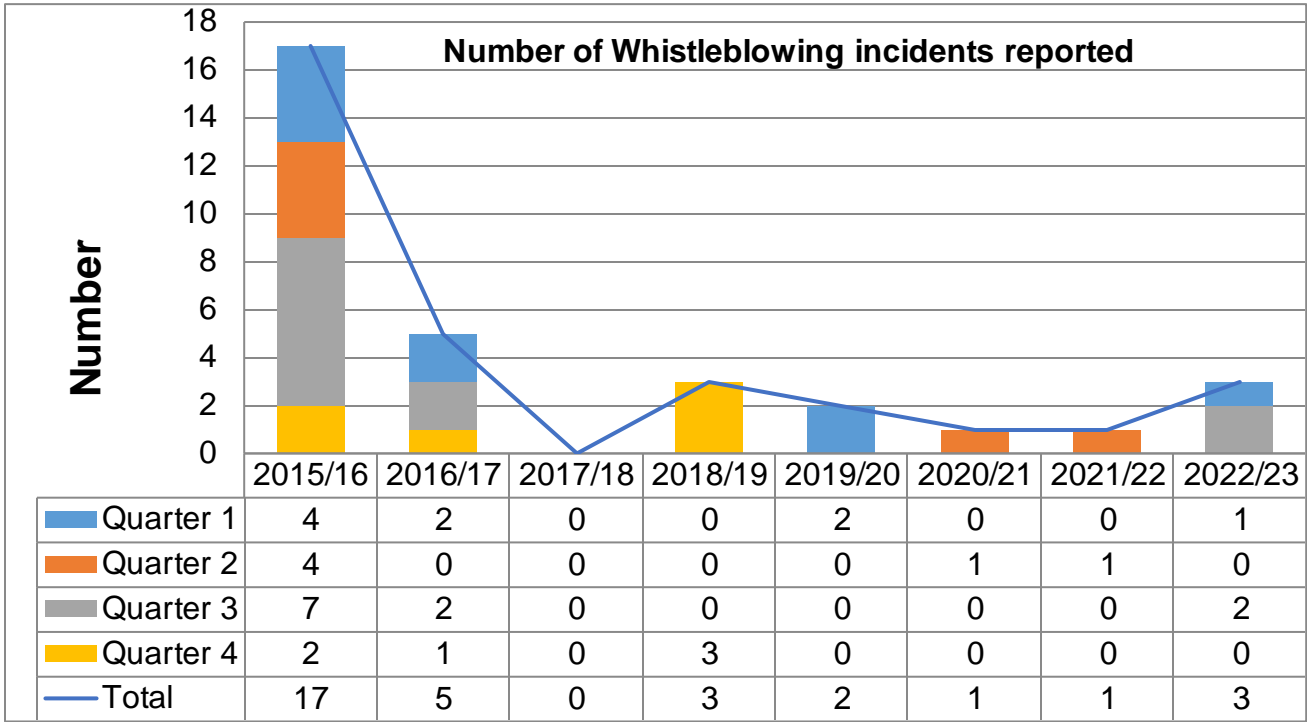


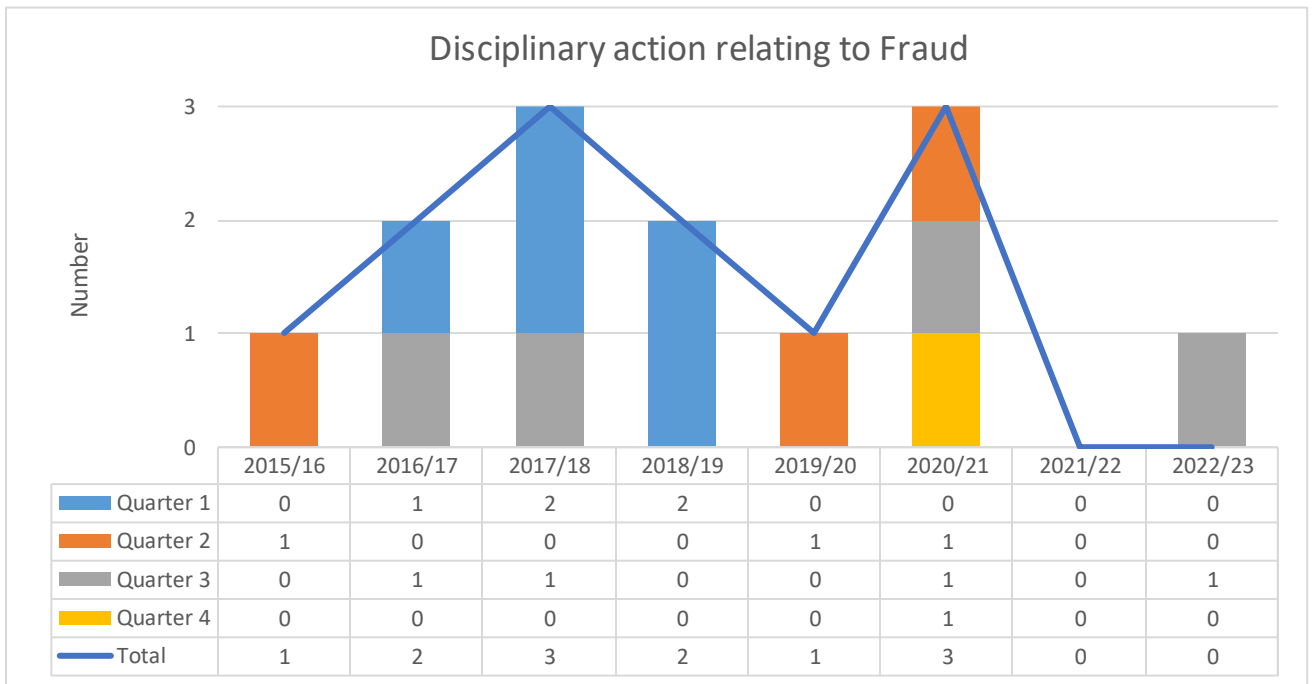
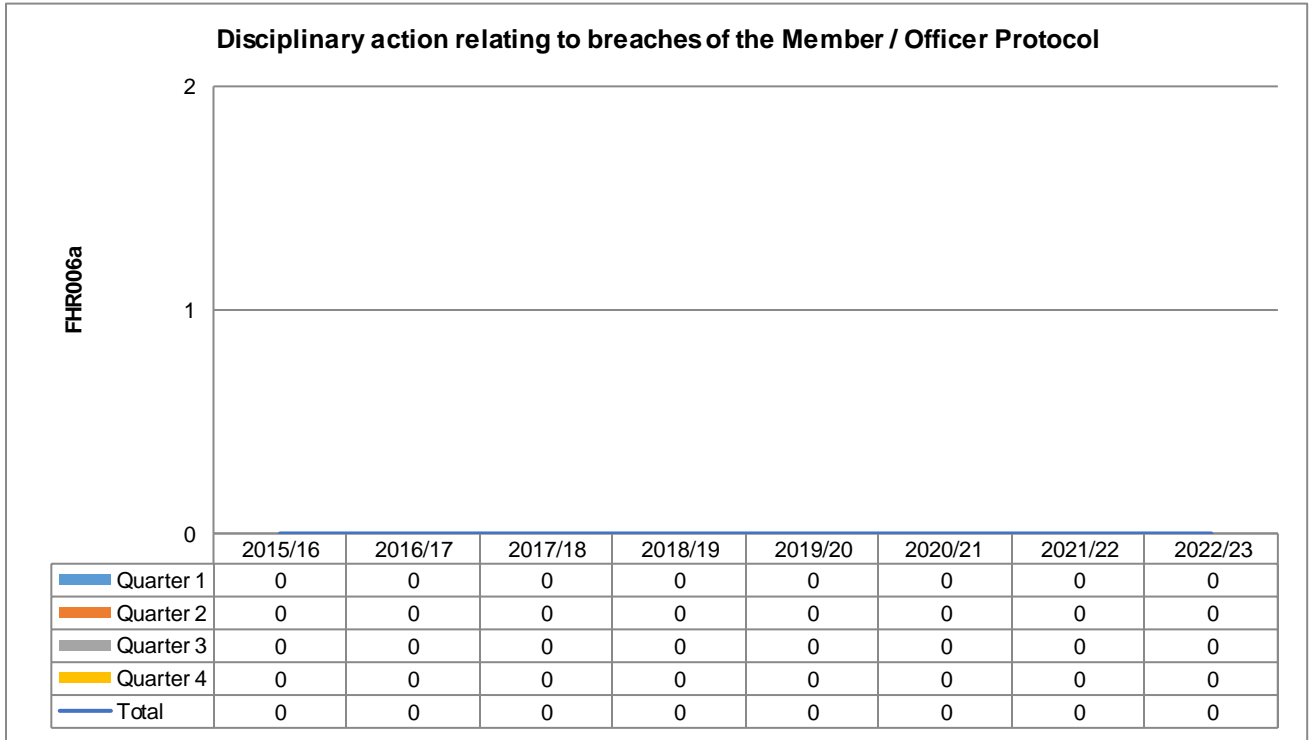
Comments

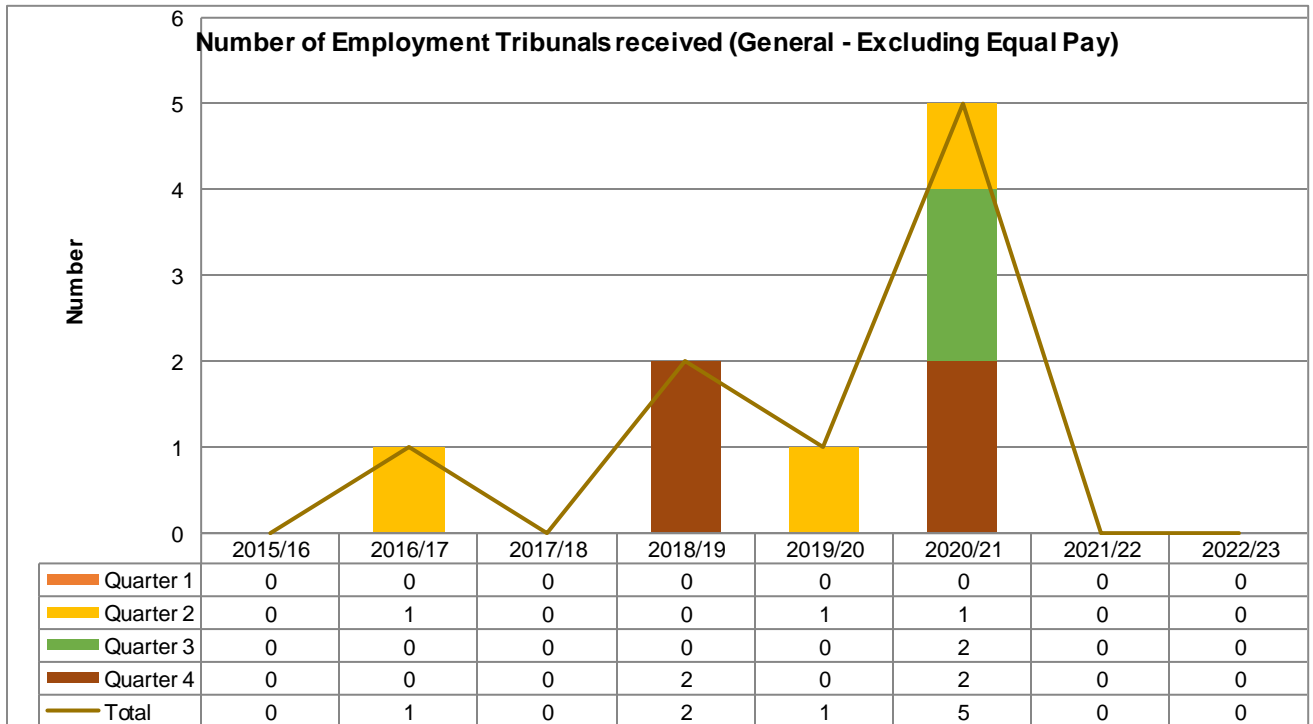
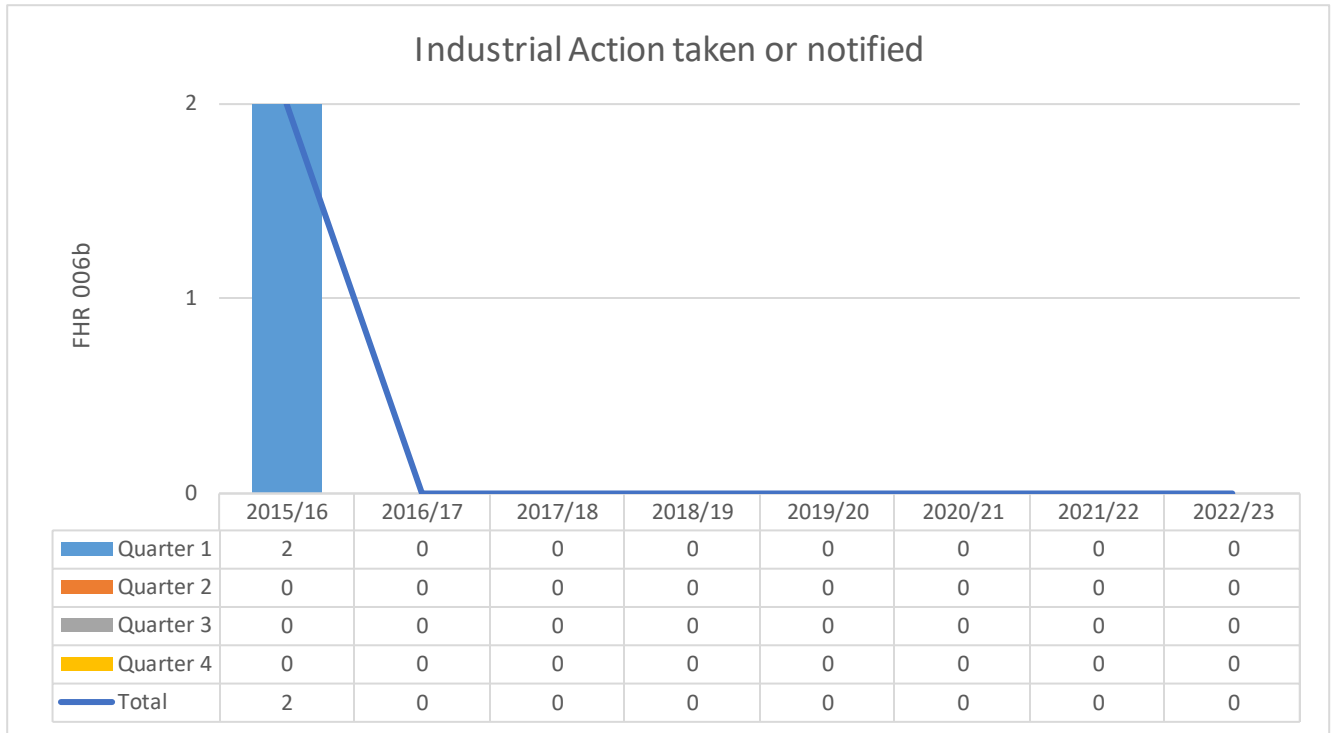
The average number of Member complaints per year from 2015/16 to 2022/23 was 9.5 per year.

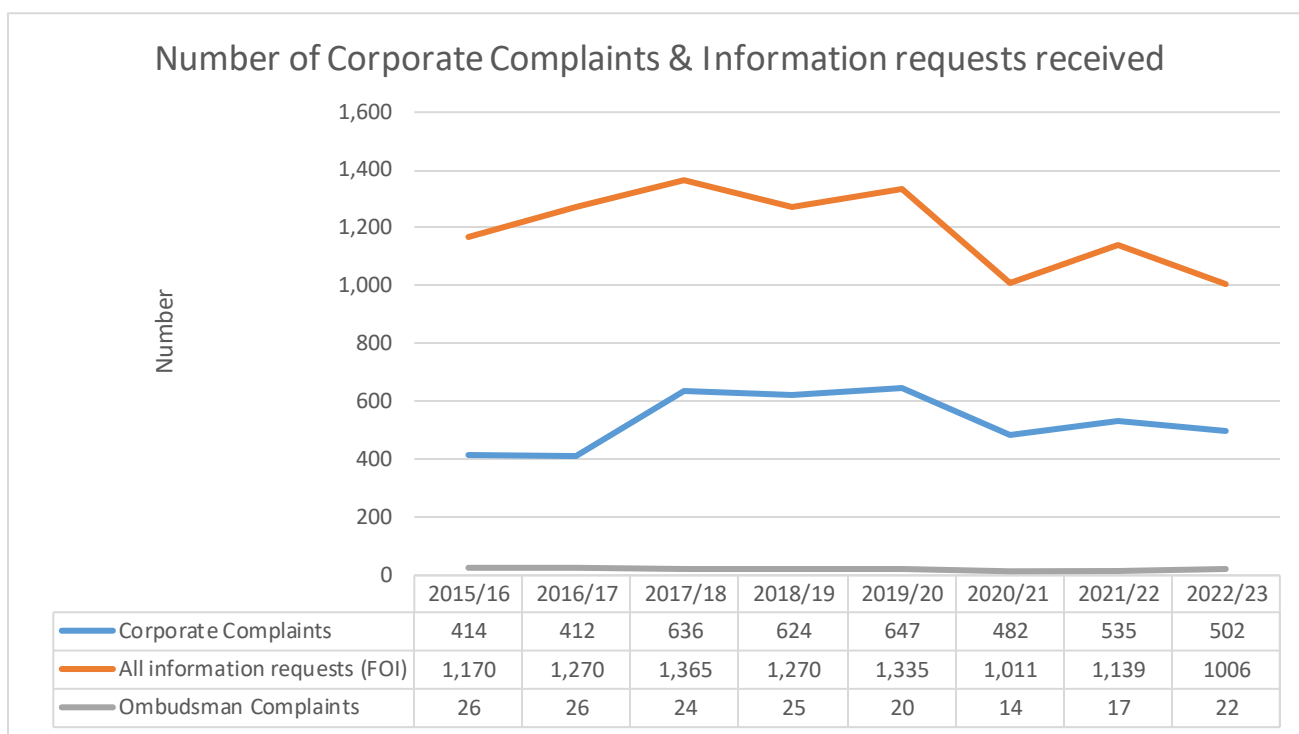
Due to low volumes, interpreting the information needs a degree of caution. It is also the case that there can be spikes in complaints caused by particular concerns (for instance a number of complaints about a particular problem, or a complainant making the same complaint against a number of Members) which can disproportionately affect the overall total.

Over the period 2015/16 to 2022/23 there have been 21 complaints made in respect of Parish Councillors and for the same period 55 complaints relating to Borough Councillors. The fact that there are more complaints in respect of Borough Council members is perhaps unsurprising given the volume and nature of decisions they are involved in making and the more prominent role that they play compared to Parish Councillors.







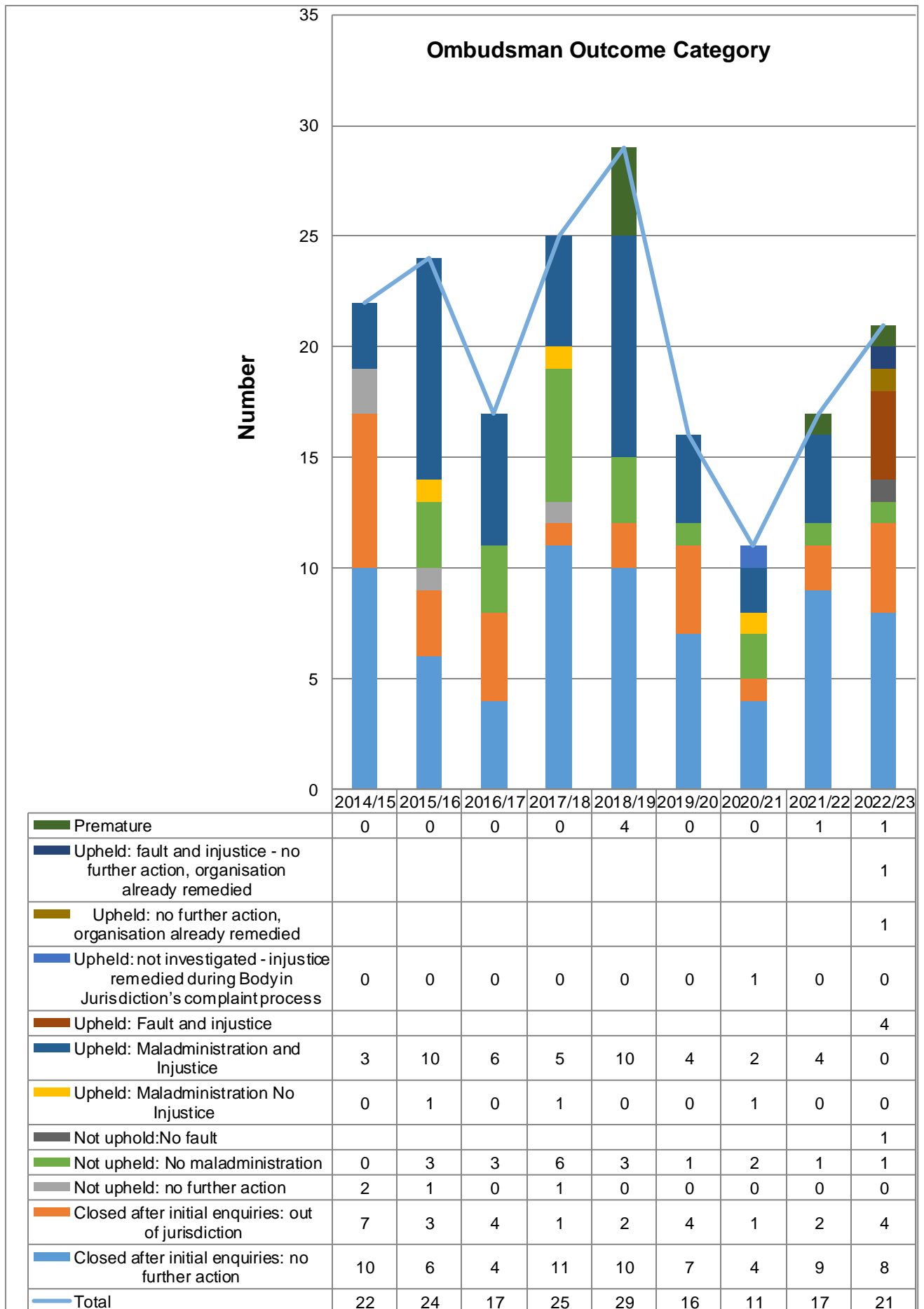


Comments

2020/21 - The Council received 482 corporate complaints, a decrease from 647 in 2019/20. The Council also saw a decrease in complaints across its other complaints procedures during this period. This coupled with the Local Government and Social Care Ombudsman’s decision to cease its investigations during the early stages of the pandemic have likely been a contributing factor in the continued decrease in the number of Ombudsman complaints received.

2021/22 – The Council received 535 corporate complaints, an increase of 48 from the previous year. The Council also saw an increase in complaints across its other complaints procedures, following the reduction seen during the early stages of the pandemic.

2022/23 – The Council received 502 corporate complaints, a decrease from 535 in 2021/22.



* *The Local Government and Social Care Ombudsman (LGSCO) has recently updated the decision outcomes they use. As a result, it is not possible to make a direct comparison with previous years. However, the new decisions in bold/italics in the table below are broadly comparable to those previous decisions in italics above.*

	2021/22	2022/23
Closed after initial enquiries: no further action	9	8
Closed after initial enquiries: out of jurisdiction	1	4
Not upheld: no further action	0	0
<i>Not upheld: No maladministration</i>	1	1
<i>Not upheld: No fault</i>	<i>N/A</i>	<i>1</i>
<i>Upheld: Maladministration and Injustice</i>	4	0
<i>Upheld: Fault and Injustice</i>	<i>N/A</i>	<i>4</i>
Upheld: Maladministration No Injustice	0	0
Upheld: not investigated - injustice remedied during Body in Jurisdiction's complaint process	0	0
<i>Upheld: no further action, organisation already remedied</i>	0	1
<i>Upheld: fault and injustice – no further action, organisation already remedied</i>	<i>N/A</i>	<i>1</i>
Premature	1	1
Total	17	21

AUDIT COMMITTEE

26 April 2023

INFORMATION GOVERNANCE PROGRAMME PROGRESS REPORT

SUMMARY REPORT

Purpose of the Report

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

Summary

2. The ongoing delivery of our information governance programme continues to provide the assurance required to reduce our information risks to an acceptable level.
3. Ongoing work includes:
 - (a) The Microsoft Office 365 Programme.
 - (b) ICT work plan.
 - (c) Web Team work plan.
 - (d) Systems and Process Team work plan.
 - (e) Information Governance Team Work Plan.
 - (f) Work to achieve our target for the completion of on-line mandatory information governance training courses.
4. The area of highest priority in the information governance programme is:
 - (a) The Microsoft Office 365 Programme.

Recommendation

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

Reasons

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

Elizabeth Davison
Group Director of Operations

Lee Downey, Complaints & Information Governance Manager: Extension 5451

Background Papers

S17 Crime and Disorder	This report is for information to members and requires no decision. Therefore there are no issues in relation to Crime and Disorder.
Health and Well Being	This report is for information to members and requires no decision. Therefore there are no issues in relation to Health and Well Being.
Carbon Impact and Climate Change	This report is for information to members and requires no decision. Therefore there are no issues in relation to Carbon Impact and Climate Change.
Diversity	This report is for information to members and requires no decision. Therefore there are no issues in relation to Diversity.
Wards Affected	This report affects all wards equally.
Groups Affected	This report is for information to members and requires no decision. Therefore there is no impact on any particular group.
Budget and Policy Framework	This report does not recommend any changes to the Budget or Policy Framework
Key Decision	This is not a key decision.
Urgent Decision	This is not an Urgent Decision.
Council Plan	There is no specific relevance to the strategy beyond a reflection on the Council's governance arrangements.
Efficiency	Implementation of effective information governance systems and procedures has a positive impact on efficiency.
Impact on Looked After Children and Care Leavers	There is no specific impact on Looked After Children and Care Leavers.

MAIN REPORT

Background

7. Delivery of our information governance programme has provided the assurance required to reduce our information risks to an acceptable level. While that is the case it must be recognised that the data processing activities of the Council continually evolve and must be kept under review. The processes implemented by the Council include review mechanisms to ensure this takes place.

The Microsoft Office 365 Programme

8. The Microsoft Office 365 Programme Team is comprised of the Systems Strategy and Development Manager, the Complaints and Information Governance Manager, the ICT Solutions Architects and the ICT Security and Assurance Team Leader and the End User Engagement Team and reports to SIGG. The Council has appointed a number of 365 Champions that will help and support staff through this transition to Microsoft 365.
9. Following the Council embracing the use of Microsoft (MS) Teams to enable employees to work effectively from home during the early stages of the pandemic, the Programme is now seeing more services within the Council being migrated to a MS Teams structure. This will build on the success of the work to date and enable officers to access all of the functionality available within MS Teams. Again this will make it easier for officers to share and collaborate on documents and improve productivity. A number of services are now fully operational through a MS Teams interface having had all files migrated into a MS Teams structure.
10. In addition to the services now using MS Teams as their primary working area, there are a number of Functional and Project Teams being used to conduct business across the Local Authority, including with partners. Since the last report to Audit Committee the following service area/teams have or are about to migrate to MS Teams, Young People's Engagement & Justice Service and Communications and Marketing.
11. SIGG has also approved the migration to Teams telephony, to replace Cisco Jabber ensuring a unified approach to communications across the Council. As of 27 March, 798 users were setup with Teams Telephony. The following services are yet to migrate:
 - Services - Library and Museum
 - Services - Healthy Darlington
 - Services - Hippodrome
 - Services - Leisure
 - All - Directors and PAs
 - Operations - Housing and Customer Services

We are at a variety of stages with these batches of users. Those services which need to retain physical handsets will receive them in the coming weeks. Customer services will be migrated last, following further testing on the interface between Netcall and Team Telephony.

ICT work plan

12. SIGG also oversees the Council's ICT work programme, a summary of which is contained in the ICT Strategy - Implementation Progress report to Audit Committee.

Web Team work plan

13. The Safeguarding Partnership website has been upgraded from Umbraco 7 to 10 which includes migrating from .Net Framework to .Net Core. This was done as a proof of concept before the full-scale migration/rebuild of darlington.gov.uk took place. This site is now in UAT with the service area.
14. Several new filtering features have been added to the Hippodrome website as well as the introduction of several new components from the box office API, including memberships which allow the Hippodrome to take registrations and payments for memberships over the website.
15. Work continues on migrating darlington.gov.uk to a modern (supported) version of Umbraco and .Net, this project is expected to run until early autumn and will take the most the team's capacity during this period.
16. The Enjoy Darlington website has been upgraded to the latest v8 version of Umbraco and several new features have been added as well as it being given a fresh layout. This is now with the service area for UAT.
17. A short project is currently underway to apply updates to Data Engine ready for 2023 Q1 reporting. This should also help it become a reliable data source for Power BI and the Trustmark app.

Systems and Process Team work plan

18. The Systems and Process Team are the custodians of the large corporate applications that administer the Council's business across Social Care, Education, Customer Services, all online payments, Waste Management, Building Services, Street Cleansing, Planning, Anti-Social Behaviour, Building Control, Trading Standards and Licensing. The work plan covers all major upgrades to these systems (including the intensive testing regime needed to support this).
19. The team are working in Adult Social Care to align the Transformation Team programme with the system programme a new program of works will be drawn up. The major change which was due in Adult Social Care was the introduction of the Care Cap, this has since been delayed for 2 years and is due to happen October 2025. Children's Social Care work continues on several change requests but with a particular focus on Fostering and Kinship Care. September 2022 saw the change programme for the systems in Children's Social Care start to be developed with the first modules going live in August 2023. The Education System is now part of a much wider programme that will see it wholly replaced in 2024.
20. Work continues to integrate the corporate payment engine into applications that take customer payments. This is especially relevant in services that work with IDOX (the application that deals with planning, licencing and building control). As we continue to develop this payment engine and its integration, we strengthen our Payment Card Industry compliance.
21. The development of the customer strategy is supported by the Verint work programme (Verint is the Councils CRM System) where forms are developed to allow a seamless digital interaction for the customer and a safe and secure payment option. Additional Services have recently come on

board with an online form offering which includes Highways and Street Scene and we continue to work with those that want to offer an online form option.

Information Governance Team Work Plan

22. The Council's Complaints and Information Governance Team/The Data Protection Officer continues to provide advice to officers on a range of data protection and information rights matters and ensure information rights requests are handled in accordance with UK General Data Protection Regulations (GDPR); The Data Protection Act 2018; The Freedom of Information Act 2000; and The Environmental Information Regulations 2014.
23. Since the last report to Audit Committee the team has advised on over 10 contracts, 11 data protection impact assessments (DPIAs) and 21 data sharing agreements.

Training and awareness

24. The revised table in Appendix 1 shows the position on 11 April 2023 with regard to the completion of the mandatory on-line information governance courses for IT and where applicable, non-IT users. Completion rates of over 95% remains the Council's target and represents an acceptable level of take up which must be achieved.
25. The Employee's Guide to Information Security module was updated in March 2021, when a two year renewal period was added. The expiry of the two year renewal period in March 2023, is reflected in the completion rates reported in Appendix 1. The position as at 12 December 2022 has been added to the table for reference. Overall the completion rate currently stands at 73%. This course is not applicable to non-IT users.
26. In relation to the Social Media Module, IT users in both Operations Group and People Group have met the 95% completion rate target. The Council is slightly below its 95% completion rate target for all IT users in relation to this module at 94%. For non-IT users, completion rates have increased from 57% to 69% since the last report. The overall completion rate is 88%, an increase from 85% at the time of the last report to Audit Committee.
27. In relation to the Data Protection Act (DPA) 2018 course, the expiration of the two year mandatory time limit for revisiting the course previously impacted on the completion rates, however, progress continues to be made in achieving the 95% completion rate target. Completion rates are at 86% for IT users, down from 88% at the time of the last report. However, completion rates are up to 57% for non-IT users, from 48% at the time of the last report. The overall completion rate is 79%, an increase from 78% at the time of the last report to Audit Committee.
28. While the expiry of the two year renewal periods has resulted in a reduction in completion rates in some areas, overall the additional functionality added to Academy10 i.e. the dashboard, notifications for outstanding modules and reminder emails are still having a positive impact on IT users completion rates. With regards to completion rates for non-IT users, since the last report simplified tool box talk style modules have been implemented for Social Media and Data Protection. These modules have been designed for Managers to be able to deliver the sessions faster, while still imparting all of the key information with reinforced learning at the end of the sessions. It is hoped these interventions will help improve numbers by the time of the next report. Building Services have recently moved to Academy10 and the Hippodrome are also looking to do so.

Conclusion

29. The Council's information governance programme continues to address emerging issues, support compliance with data protection legislation and manage the Council's information risks to an acceptable level.

Outcome of Consultation

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

11/04/2023	% Completion Rate			
	Employees Guide to Information Security - Position as at 12/12/2022	Employees Guide to Information Security - position as at 11/04/2023	Social Media Version 3 - New in 2020	Data Protection 2018
People Group Total	95	73	95	85
Adult Social Care AC10	95	73	98	83
Adults Social Care Hard Copy	N/A	N/A	67	67
Adult Social Care Total	95	71	96	82
Children's Services Total	93	82	94	83
Commissioning, Performance & Transformation	98	55	99	90
Educational Services AC10	98	70	99	94
Educational Services Hard Copy	N/A	N/A	83	84
Educational Services Total	98	70	92	90
Public Health	95	76	100	81
Services Group Total	94	66	75	64
Community Services AC10	92	61	79	71
Community Services Hard Copy	N/A	N/A	67	46
Community Services Total	92	61	73	59
Highways & Capital Projects AC10	100	87	100	99
Highways & Capital Projects Hard Copy	N/A	N/A	67	79
Highways & Capital Projects Total	100	87	85	89
Operations Group Total	99	80	99	97
Housing & Revenues	100	89	99	98
Law & Governance AC10	100	74	100	95
Law & Governance Hard Copy	N/A	N/A	100	100
Law & Governance Total	100	74	100	96
Resources	98	59	98	94
Strategy Performance & Communications	100	83	100	97
Chief Executives & Economic Growth Total	92	71	94	90
Darlington Partnership	100	100	100	100
Economic Growth	91	69	93	88
Council Total	96	73	88	79
Academy 10 Total	96	73	94	86
Hard Copy Total	N/A	N/A	69	57

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**AUDIT COMMITTEE
26 April 2023**

INTERIM RISK MANAGEMENT UPDATE REPORT 2023/24

SUMMARY REPORT

Purpose of the Report

1. To update Members on the progress made in managing the risks identified as above the risk appetite line, in the Mid-Year Risk Management Update Report to Audit Committee 2022/23.

Summary

2. Positive progress continues to be made within the Authority regarding the management of those key strategic risks identified as above the risk appetite line.

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.

**Ian Williams
Chief Executive**

Background Papers

- (i) Council's Risk Management Strategy
- (ii) Corporate and Group Risk Registers
- (iii) Mid-Year Risk Management Update Report to Audit Committee 2022/23

Lee Downey5451

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
Council Plan	Maintaining an appropriate oversight of risk will help contribute to the delivery of the Council Plan Objectives
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 set out in the Council plan, are identified together with the officer responsible for managing that risk. These risks are plotted on to a standard likelihood and impact matrix. There is also 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., they are priorities for improvement that have an appropriate improvement action plan.
7. Following a review of the Council's Risk Management Strategy, the risks plotted on the matrices are now categorised as Strategic Risks and linked to the relevant objective in the Council Plan, where appropriate. This is to ensure there is a greater focus on managing the risks to the Council delivering the objectives set out in the Council Plan and to ensure more effective management of inter-departmental risks. The revised risk matrices are attached at **Appendices A and B**.
8. All risks are continually managed during the year by Corporate and Departmental Management Teams including any emerging risks identified. In addition, Assistant Directors/Heads of Service 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.
9. 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) **Strategic Risks** (Appendix B) – nine risks have been identified as above the risk appetite line.
 - i. **(SR15) Inability to cope with significant increase in homelessness cases following the impact of COVID**

Additional funding has been provided by the Department for Levelling Up, Housing and Communities (DLUHC) for homeless services. More accommodation and support has been commissioned to cope with increased demand and additional staff have been recruited to the Housing Options Team.

However, demand for emergency accommodation has remained high with the shortage of appropriate move on accommodation exacerbating the issue.

ii. (SR16) Inability to contain placement costs for children looked after

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 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.

iii. (SR18) Inability to recruit and retain sufficient qualified suitably experienced social workers and reablement staff in Adult Services impacts on cost and quality of service

Adult Services intend to undertake a timely national recruitment campaign to recruit to recently vacated posts, with agency cover to be arranged as required. The recruitment campaign has been ongoing for the last year with success internally with retention rates improving and vacancies decreased from 25% to 14%. However, it remains a focus for Adult Social Care as there continue to be significant staff shortages within the care sector. There will be continued campaigns over the next 12 months to encourage recruitment and retention.

iv. (SR20) Increased demand for Adult Services impacts negatively on plans for budget efficiencies

There is increasing demand for adult social care and support specifically domiciliary care, aides, adaptations and support for people with significant learning disabilities. People are living with multiple conditions and disabilities and require intensive support to remain at home and as independent as possible. Covid has also had a significant impact on people's wellbeing and support needs. Adult Social Care will continue with the Transformation Programme and ensure that all assessments are strength based and outcome focussed with the support of the local community. Performance, practice and quality will be continuously monitored and reviewed to ensure we reduce, delay and prevent people from requiring care and support prematurely. Funding streams and grants from the Department of Health and Social Care (DHSC) will support the demand management and provide some temporary cost mitigation. However, with the introduction of the Integrated Care Systems there is further dialogue required to understand the resources available to support post covid recovery.

The increased demands in adult social care have resulted in waiting lists for reviews and assessments. These are mitigated by a risk management matrix to prioritise people with high needs or significant carer issues. With support from the DHSC social discharge fund we have increased workforce capacity through agency, additional hours and fixed term contracts to manage demand however this is currently short-term funding.

v. (SR21) Increased demand for Children’s services impacts negatively on budget

Work is ongoing within the Transformation Programme to safely reduce the level of risk in children’s services. Input to this work has been enhanced with colleagues from Leeds City Council under the DfE sponsored Strengthening Families Programme. The ethos of the work is continuing despite the programme formally ceasing.

vi. (SR27) Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures

Services are in place to screen contacts and referrals, and to respond should concerns be identified. Pathways for intervention are both internal and multi-agency, and the Council ensures that its own staff understand and apply them robustly.

vii. (SR34) Budget & resource implications arising from the ability to progress and complete schemes/projects in the event of further construction inflation, material supply and resource demands

Within the construction industry there continues to be issues with rises in material prices and high demand for trades and resource to deliver projects of all sizes. These issues are across all sectors, both private and public. Projects developed prior to these issues materialising may not have built in contingencies into the budget or programme to absorb this. Therefore, this will require Programmes & Projects to be reviewed on an individual basis for affordability and deliverability as costs and programmes are finalised. Future project budgets will have inflation allowance built in linked to the proposed start and finish dates. It is anticipated that as inflation reduces so too will the level of risk.

viii. (SR39) The Council is unable to deliver housing targets detailed in the Local Plan as a result of the designation of nutrient neutrality catchment area.

Nutrient Neutrality remains a risk for the Council in regards to meeting its housing targets. The impact is yet to be fully realised as it only affects new applications. The Council has been working closely with Natural England who published a mitigation strategy/actions for developers in March 2023, to help ensure future building programmes meet the obligations of Nutrient Neutrality.

ix. (SR44) April 2023 will see the implementation of the CQC inspection framework for Adult Social Care. The significant demands on adult social care, the pressures following covid and the workforce recruitment and retention issues may impact on the ratings resulting in a “requiring improvement” outcome.

Adult Services have an implementation plan in place, containing identified actions to complete including, user feedback and engagement, evidence of quality of practice and outcomes and strategic leadership and engagement.

Conclusion

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

Outcome of Consultation

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

COUNCIL PLAN OBJECTIVES

Council Plan Objective	Strategic Risk(s) relevant to delivery of Council Plan Objective
CP1 - Growing Darlington's economy	SR34, SR39
CP2 - Maximise the potential of our young people	SR21
CP3 - Supporting the most vulnerable in the borough	SR15, SR16, SR18, SR20, SR21, SR27, SR44
CP4 - Working with communities to maximise their potential	
<i>CP5 - A dedicated workforce who are proud to serve the borough and an accessible, effective and engaged council*</i>	

**While not a Council Plan objective the objectives are supported by...*

RISK MATRIX

STRATEGIC RISK REGISTER

LIKELIHOOD	A Very High				
	B High			SR21, SR18	
	C Significant			SR15, SR16, SR20, SR34, SR39, SR44	
	D Low				SR27
	E Very Low				
	F Almost Impossible				
		IV Negligible	III Marginal	II Critical	I Catastrophic
IMPACT					

STRATEGIC RISK REGISTER

Risk No. & relevant Council Plan objective(s)	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
SR15 (CP3)	Inability to cope with significant increase in homelessness cases following the impact of COVID.	Anthony Sandys	None at C/II		See main body of report at paragraph 9 (a) i
SR16 (CP3)	Inability to contain placement costs for children looked after due to lack of sufficient in house placements	Chris Bell	None at C/II		See main body of report at paragraph 9 (a) ii
SR18 (CP3)	Inability to recruit and retain sufficient qualified suitably experienced social workers and reablement staff in Adult Services impacts on cost and quality of service	Joss Harbron	None at B/II		See main body of report at paragraph 9 (a) iii
SR20 (CP3)	Increased demand for Adult Services impacts negatively on plans for budget efficiencies	Joss Harbron	None at C/II		See main body of report at paragraph 9 (a) iv
SR21 (CP2, CP3)	Increased demand for Children's Services impacts negatively on budget	Chris Bell	None at B/II		See main body of report at paragraph 9 (a) v

<p>SR27 (CP3)</p>	<p>Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures</p>	<p>Chris Bell</p>	<p>None at D/I</p>		<p>See main body of report at paragraph 9 (a) vi</p>
<p>SR34 (CP1)</p>	<p>Budget & resource implications arising from the ability to progress and complete schemes/projects in the event of further construction inflation, material supply and resource demands</p>	<p>Ant Hewitt</p>	<p>None to C/II</p>		<p>See main body of report at paragraph 11 (a) vii</p>
<p>SR39 (CP1)</p>	<p>The Council is unable to deliver housing targets detailed in the Local Plan as a result of the designation of nutrient neutrality catchment area</p>	<p>Mark Ladyman</p>	<p>None at C/II</p>		<p>See main body of report at paragraph 9 (a) viii</p>

SR44 (CP3)	April 2023 will see the implementation of the CQC inspection framework for Adult Social Care. The significant demands on adult social care, the pressures following covid and the workforce recruitment and retention issues may impact on the ratings resulting in a “requiring improvement” outcome.	Joss Harbron	None at C/II		See main body of report at paragraph 9 (a) ix
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AUDIT COMMITTEE
26 APRIL 2023

AUDIT SERVICES – EXTERNAL QUALITY ASSESSMENT PEER REVIEW

SUMMARY REPORT**Purpose of the Report**

1. The purpose of this report is to advise Members of the results of the External Quality Assessment Peer Review of the Internal Audit Service.

Information and Analysis

1. The Internal Audit Service is required to comply with the International Standards for Internal Audit. The Chartered Institute of Public Finance and Accountancy (CIPFA) have produced an application note for public sector internal audit teams. A key component of the standards is for Internal Audit teams to validate their compliance with the standards externally at least once every 5 years.
2. CIPFA were commissioned to undertake an external assessment of the service. The review was completed during December 2022 on the basis of a validation of our own self-assessment. There were a number of components to the assessment:
 - Review of the Audit Manual
 - Interviews with Audit Staff
 - Interviews with Senior Managers/Members
 - Satisfaction Survey
 - Review of other documentation including committee reports
3. We have now received the final version of their report and this is attached at Appendix A. The results of the exercise have confirmed that the service is fully compliant with all aspects of the standards. There are 4 areas where advice has been given to improve the service further, 3 of which relate to introducing wording to reports/documents to further strengthen these and the final advisory relates to an acknowledgement of wider sector issues relating to the recruitment of staff.
4. We have also received some very positive feedback around our approach to delivering the service, specifically the strong links with risk, the clarity of our reporting and our use of dashboards to provide managers with live data on the results of audit work. It was recognised we are a forward-thinking service that is well positioned to drive change and improvement across the authority. There is likely to be a request to showcase our approach at a future CIPFA Better Governance Forum event.

Recommendation

2. It is recommended that :-

- a. That the Audit Committee notes the outcome of the review (**Appendix A**).

Reason

3. 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

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.
Council Plan	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.

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

Stockton Borough Council &
Darlington Borough Council's
Shared Internal Audit Service

Final Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

Quality Assessment: Diana Melville, FCPFA

14th February 2023

Stockton Borough Council & Darlington Borough Council's Shared Internal Audit Service

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1. Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five-year period. The Service's last EQA was undertaken in May 2018 where the Service was deemed to be conforming to the standards.

2. Background

- 2.1 The Shared Internal Audit Service provide the internal audit services to Stockton Borough Council and Darlington Borough Council and are based at either the Civic Centre in Stockton or the one in Darlington, although the team are all mainly working remotely. The Chief Audit Executive for both Councils is the Audit and Risk Manager.
- 2.2 The Service is made up of eight posts in the Internal Audit team. They are a well-qualified and experienced Shared Service with all the team members either holding or working towards obtaining relevant professional or academic qualifications.
- 2.3 From an operational perspective, the Shared Service reports directly to the Corporate Leadership Teams at the respective Councils and the Audit Committees at both Authorities. These two bodies fulfil the roles of 'senior management' and 'the board' for each authority, as defined by the Public Sector Internal Audit Standards. Regular reports on the respective audit plans, progress on delivering the plans and the annual opinions and outturns, are made to the Corporate Leadership Teams and the Audit Committees for the respective Councils.
- 2.4 The Shared Internal Audit Service has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment that they have commissioned, the previous one being in 2018.
- 2.5 Internal Audit has an audit manual that provides the auditors with a comprehensive guide to all aspects of performing an internal audit or consultancy assignment. Standard templates are used for all engagement working papers and testing schedules. All these documents are held in the Service's audit management application, MK Insight (MKI).
- 2.6 Supervision of the engagements takes place at every stage of the process and is recorded in MK Insight.
- 2.7 There is a quality assurance process in place that includes internal and external quality assessments of the Service, reviews of live engagements and secondary reviews of a sample of completed engagements, etc., and these all feed into the Shared Service's Quality Assurance and Improvement Programme (QAIP).

3. Validation Process

- 3.1 This validation of the Service's self-assessment comprised a combination of a review of the evidence provided by the Shared Service; a review of a sample of completed internal audits for both Councils, chosen by the assessor; a survey that was sent to and completed by a range of stakeholders; and interviews with key stakeholders at both Councils, using MS Teams. The interviews focussed on determining the strengths and weaknesses of Internal Audit and assessed the Service against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.

- 3.2 The Shared Service provided a comprehensive range of documents that they used as evidence to support their self-assessment, and these were available for examination prior to and during this validation review. These documents included the:
- self-assessment against the standards;
 - quality assurance and improvement plan (QAIP);
 - evidence file to support the self-assessment;
 - the audit charters;
 - the annual reports and opinions;
 - the audit plans and strategies;
 - audit procedures manual;
 - a range of documents and records relating to the team members;
 - progress and other reports to the Audit Committees.

All the above documents were examined during this EQA.

- 3.3 The main phase of the validation process was carried out during the week commencing the 12th of December 2022 and involved a review of a sample of audit files for both Stockton and Darlington Borough Councils, and interviews with key stakeholders from the Councils. Overall, the feedback from the interviewees was positive with clients valuing the professional and objective way the Shared Internal Audit Service delivered their services.
- 3.4 A survey was sent to a range of other key stakeholders and the results analysed during the review. Details of the survey findings have been provided to the Audit and Risk Manager and a brief summary has been included in this report.
- 3.5 The assessor reviewed examples of completed audits, to confirm his understanding of the audit process used at the Councils and how Internal Audit has applied the PSIAS and LGAN in practice.

4. Opinion

It is our opinion that the self-assessment for the Shared Internal Audit Service for Stockton Borough Council and Darlington Borough Council is accurate and as such we conclude that the Shared Internal Audit Service **GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.**

- 4.1 The table below shows the Shared Internal Audit Service for Stockton Borough Council and Darlington Borough Council's level of conformance to the individual standards assessed during this external quality assessment:

Standard / Area Assessed	Level of Conformance
Mission Statement	Generally Conforms
Core principles	Generally Conforms

Standard / Area Assessed	Level of Conformance
Code of ethics	Generally Conforms
Attribute standard 1000 – Purpose, Authority and Responsibility	Generally Conforms
Attribute standard 1100 – Independence and Objectivity	Generally Conforms
Attribute standard 1200 – Proficiency and Due Professional Care	Generally Conforms
Attribute standard 1300 – Quality Assurance and Improvement Programmes	Generally Conforms
Performance standard 2000 – Managing the Internal Audit Activity	Generally Conforms
Performance standard 2100 – Nature of Work	Generally Conforms
Performance standard 2200 – Engagement Planning	Generally Conforms
Performance standard 2300 – Performing the Engagement	Generally Conforms
Performance standard 2400 – Communicating Results	Generally Conforms
Performance standard 2500 – Monitoring Progress	Generally Conforms
Performance standard 2600 – Communicating the Acceptance of Risk	Generally Conforms

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charter.

5.2 Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate an internal audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.

The clear indication from this EQA is that the Core Principles are embedded in the Shared Services procedures and working methodologies and that they are a very

competent, experienced, and professional service that conforms to all ten elements of the Core Principles.

5.3 **Code of Ethics**

The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that the Shared Internal Audit Service conforms to the Code of Ethics, and this is embedded in their procedures and audit methodologies. The code of ethics is part of their overarching culture and underpins the way the Service operates.

5.4 **Attribute Standard 1000 – Purpose, Authority and Responsibility**

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

There are audit charters in place for both Stockton and Darlington Borough Councils and these are reviewed on an annual basis. We reviewed these documents and found them to be comprehensive and well written documents. As our assessment confirms that the Shared Service is conforming to the PSIAS and the LGAN, it is recognised as good practice to include a statement to this effect in the respective annual reports. Apart from the advisory point referred to above, we are satisfied that the Shared Internal Audit Service conforms to attribute standard 1000 and the LGAN.

5.5 **Attribute Standard 1100 – Independence and Objectivity**

Standard 1100 states that the internal audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is an integral part of the Service's culture. The Service reports in its own name at both Authorities and directly to senior management and the Audit Committees at the respective authorities. All employees sign a declaration of interest each year and declare any potential impairment to independence or objectivity for each audit they undertake. There is scope however to strengthen this process by adding the Seven Principals of Public Life as one of the categories to the declaration form that the staff sign.

We have reviewed the Shared Service's audit manual, procedures, and their standard documentation; their quality assurance and improvement plan; and a sample of completed audit files for both Authorities. We have also reviewed the Shared Service's reporting lines and their positioning within the two organisations. The Audit and Risk Manager has other roles and responsibilities to Internal Audit at Stockton Borough Council that may be subjected to periodic internal audit. These are referred to in the audit charter and the annual report, and there are methodologies in place to avoid any potential conflicts of interest. Whilst there are mechanisms in place to avoid any potential impairments to the independence and objectivity of the Shared Service, it is recognised as good practice to include a statement confirming that there have not been

any impairments during the year just ended in the respective annual reports. Notwithstanding the two advisory points referred to above, we are satisfied that the Shared Internal Audit Service conforms with attribute standard 1100 and the LGAN.

5.6 Attribute Standard 1200 – Proficiency and Due Professional Care

Attribute standard 1200 requires the Shared Service's engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

It is evident from this EQA that the Shared Internal Audit Service has a professional and experienced workforce with all members of the team either holding or working towards relevant professional and academic qualifications.

The Shared Service is fortunate in having a qualified specialist IT auditor amongst the team, although all members of the Shared Service can perform basic, high-level IT audits. The Service also places reliance on the work of other sources of assurance for both Council's IT systems and their governance, such as the annual PSN accreditations and routine penetration testing organised by the respective IT Services. The Shared Service uses IDEA, Excel, and Power BI, for data analytics, and makes use of the data analytics tools embedded in the respective Council's IT systems.

It is evident from this review that the Shared Service's employees are experienced and well qualified and perform their duties with due professional care. However, we have noted that some of the Shared Audit team have been in internal audit for many years and are approaching an age where they could consider taking early retirement. If this was to happen in the foreseeable future, it may have a detrimental impact on the effectiveness of the Shared Service as finding suitably experienced and qualified replacements in the current economic climate will be very difficult. We therefore suggest that the Audit and Risk Manager looks at all the options available to him and puts together a succession planning strategy for the Shared Service. Apart from the advisory suggestion above, we are satisfied that the Shared Internal Audit Service complies with attribute standard 1200 and the LGAN.

5.7 Attribute Standard 1300 – Quality Assurance and Improvement Programmes

This standard requires the head of audit to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

The Shared Internal Audit Service has developed an effective quality assurance process that ensures engagements are performed to a high standard and feeds into their quality assurance and improvement programme. Supervision of audit engagements is carried out during the audit and prior to release of the findings to the audit dashboard. Evidence of the supervision process is recorded in their MKI audit management application. We have examined the supporting evidence provided by the Shared Service during this EQA and are satisfied that they conform to attribute standard 1300 and the LGAN.

5.8 Performance Standard 2000 – Managing the Internal Audit Activity

The remit of this standard is wide and requires the Audit and Risk Manager to manage the internal audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when internal audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Audit and Risk Manager must produce an audit plan and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Audit and Risk Committee for their review and approval. The Audit and Risk Manager must ensure that Internal Audit's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Audit and Risk Manager to establish policies and procedures to guide the internal audit activity, and to share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Audit and Risk Manager to report periodically to senior management and the Audit and Risk Committee on internal audits activities, purpose, authority, responsibility, and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit panels.

The Shared Internal Audit Service has a range of procedures in place, including an audit manual, procedure notes, and supervision processes that meet the requirements of the PSIAS.

The Service have developed comprehensive planning processes that take into consideration the known risks and objectives and the deliverables set out in the respective Council corporate plans; their risk management and governance frameworks; any relevant and reliable sources of assurance that are available; key issues identified by the various service managers at each Authority; the Service's own risk and audit needs assessments; and any emerging risks identified through horizon scanning and networking with other organisations. This information feeds into the audit universe of key controls for each Authority. The Service produces a risk-based audit plan for each Authority that aims to test the design and effectiveness of these key controls, and objectively provide them with relevant assurance on their governance (including ethics related controls), risk management and control frameworks. The audit plans are reviewed and approved by senior management and the Audit Committees of the respective Authorities.

Details of the completed control reviews are quickly reported to senior management via a digital dashboard (using MS Power BI) that all Directors and senior managers have access to. The dashboard provides brief details of the risk and control issues found, and the actions required to mitigate any control weaknesses. Managers are then required to update the dashboard with details of the progress being made to address the issues raised by Internal Audit. The director's dashboard also shows the planned reviews for their operational areas, and the performance of the Shared Internal Audit Service in delivering the audit plan. This method of reporting Internal Audit's activity works well for the two Authorities and is well liked by management. It is a cost-effective way of quickly communicating the results of audits. Regular updates on the progress being made on delivering the audit plans and the performance of the Shared Internal Audit Service, are reported to the respective senior management teams and Audit Committees at each Authority. Annual reports and opinions are also issued at the end of the year and presented to the respective Audit Committees.

The clear indication from this EQA is that the Shared Internal Audit Service is effectively managed and conforms to standard 2000 and the LGAN.

5.9 Performance Standard 2100 – Nature of Work

Standard 2100 covers the way the internal audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by the Shared Internal Audit Service and is embedded in their working methodologies and their MKI audit management system. During this EQA, we reviewed a sample of control audits and examined them to see if they conformed to

standard 2100, the LGAN and the Shared Service's own methodologies. We found that all the evidence that we examined complied with all three elements.

The clear indication from this EQA is that the Shared Internal Audit Service conforms to performance standard 2100 and the LGAN.

5.10 **Performance Standard 2200 – Engagement Planning**

Performance standard 2200 requires internal auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.

As mentioned above, the Shared Internal Audit Service has an audit manual and procedure notes, supervision, and quality assurance processes in place that cover engagement planning and meets the requirements of the PSIAS. We found that all the evidence that we examined during this EQA conformed to standard 2200, the LGAN, and the Service's own audit procedures, and therefore we conclude that the Shared Internal Audit Service conforms to performance standard 2200 and the LGAN.

5.11 **Performance Standard 2300 – Performing the Engagement**

Performance standard 2300 seeks to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.

As mentioned above, the Shared Internal Audit Service has an audit manual and procedure notes, supervision and quality assurance processes in place that meet the requirements of the standards. During this EQA, we reviewed the evidence provided in support of the Service's self-assessment to see if they conformed to the standards, and the Shared Service's own working methodologies. We found that all the evidence conformed to the standards and, overall, the Shared Service's own procedures and audit methodologies. We therefore conclude that the Shared Internal Audit Service conforms to performance standard 2300 and the LGAN.

5.12 **Performance Standard 2400 – Communicating Results**

This standard requires internal auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit panels and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing".

The audit manual, procedure notes, supervision and quality assurance processes cover the communication of results and meet the requirements of the PSIAS. Details of the completed control reviews are quickly reported to senior management via a digital dashboard that they all have access to. The dashboard provides brief details of the risk and control issues found, and the actions required to mitigate any control weaknesses. This method of reporting Internal Audit's activity works well for the two Authorities and is well liked by management. It is a cost-effective way of quickly communicating the results of audits. During the EQA we reviewed the evidence provided in support of the Shared Service's self-assessment and the dashboard reports for a small sample of control audits to see if they conformed to the standards. We found that all the evidence conformed to the standards and Shared Service's own procedures and methodologies.

We also reviewed the progress and annual reports to the respective Audit Committees and found that overall, these also conformed to the standards and the Shared Internal Audit Services own internal procedures.

We therefore conclude that the Shared Internal Audit Service conforms to performance standard 2400 and the LGAN.

5.13 **Performance Standard 2500 – Monitoring Progress**

There is a comprehensive follow-up process in place at both Authorities, the objective of which is to monitor the client's progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the respective Audit Committees. From this EQA, it is evident that the Shared Internal Audit Service conforms to performance standard 2500 and the LGAN.

5.14 **Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the Audit and Risk Manager has concluded that management at either Authority has accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any examples during the review. From this EQA, it is evident that the Shared Internal Audit Service conforms to performance standard 2600 and the LGAN.

6. **Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note**

6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

7. **Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note**

7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

8. **Survey results**

8.1 Overall, the results of the survey of key stakeholders from the Shared Internal Audit Services clients were positive with respondents valuing the services provided by them. The overall number of negative responses were very low with most respondents either agreeing or partially agreeing with the survey statement. The detailed findings from the survey have been shared with the Audit and Risk Manager to enable him to explore some of the responses in more depth, if he wishes, to understand if there are any underlying issues that may need to be addressed. A brief summary of the survey results is included in this report at page 13.

9. Issues for management action

Issues for management action	Priority
As our assessment confirms that the Shared Service is conforming to the PSIAS and the LGAN, it is recognised as good practice to include a statement to this effect in the respective annual reports.	Advisory
Consider adding the Seven Principals of Public Life as one of the categories to the declaration form that the Internal Audit team members sign.	Advisory
It is recognised as good practice to include a statement in the respective annual reports confirming that there have not been any impairments to the independence or objectivity to the Shared Service during the year just ended.	Advisory
Some of the Shared Audit team have been working in Internal Audit for many years and are approaching an age where they could consider taking early retirement. If this was to happen, it may have a detrimental impact on the effectiveness of the Shared Service, as finding suitably experienced and qualified replacements in the current economic climate will be very difficult. We therefore suggest that the Audit and Risk Manager looks at all of the options available to him to maintain the effectiveness of the Shared Service and puts together a succession planning strategy for the Shared Service.	Advisory

10. Definitions

Level of Conformity	Description
Generally Conforms	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board.

Action Priorities	Criteria
High priority	The internal audit service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
Medium priority	The internal audit service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within six months.
Low priority	The internal audit service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

The co-operation of the Audit and Risk Manager, and the Shared Service Team in providing the information requested for the EQA, is greatly appreciated. Our thanks also go to the chairs of the Audit Committees and the key stakeholders from both Council that made themselves available for interview during the EQAs and/or completed questionnaires.

Ray Gard, CPFA, FCCA, FCIIA, DMS

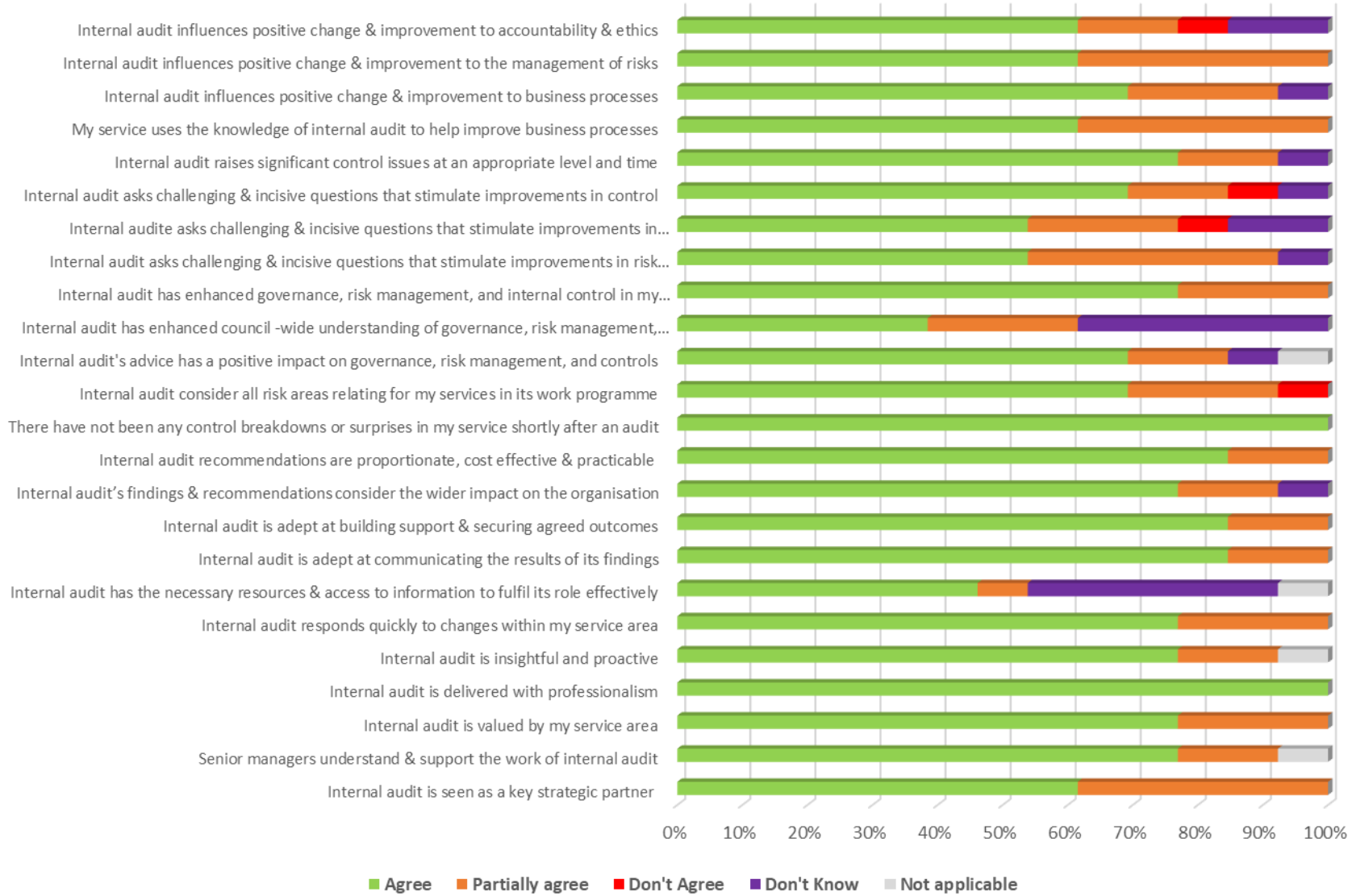
31st January 2023

11. Disclaimer

This report has been prepared by CIPFA at the request of the Shared Internal Audit Service for Stockton Borough Council and Darlington Borough Council, the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of the Shared Internal Audit Service for Stockton Borough Council and Darlington Borough Council, including the senior management and boards of both Council's, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Survey Results



AUDIT COMMITTEE 26 APRIL 2023

AUDIT SERVICES – AUDIT CHARTER

SUMMARY REPORT

Purpose of the Report

1. To present Audit Services' Audit Charter for 2023-24.

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. 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. It was felt no changes were needed for 2023/2024.
5. 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.

Recommendation

6. It is recommended that :-

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

Reason

7. 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.
Council Plan	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

8. 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.
9. 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.
10. 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

11. 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.
12. The revised charter attached sets out the approach for the period 2023-2024 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
13. 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

14. 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. Further develop reports.

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) is in place and reported to each committee meeting.

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AUDIT COMMITTEE
26 April 2023

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 and that the planned work is agreed.

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.
Council Plan	Maintaining an appropriate oversight of risk & controls will help contribute to the delivery of the Council Plan Objectives
Efficiency	There is no specific efficiency impact.

MAIN REPORT

Information and Analysis

5. 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.
6. Appendix 1 provides members with detailed feedback on the performance of the service and the position in relation to completion of audit work.
7. The first section of the report is to provide members with feedback on the management of the risks on the corporate risk register. This has been updated to reflect changes to the corporate risk register. There are 3 risks where we feel current controls need to be improved, SR22, SR25 & SR42. By strengthening the controls in these areas the overall risk should reduce. There are controls showing as above the line on the risk register, audit testing provides assurance that these are being managed as well as possible and the issues are largely outside of the council's control.
8. The next section breaks down audit results against a set of key governance processes. As with the previous section where no assurance level is given testing is yet to be undertaken. No area is scoring below 70% which is the benchmark for substantial assurance.

9. The next section looks at service area and provides feedback on the work undertaken in the previous quarter and a summary of the work planned to be undertaken. The majority of testing undertaken has been classified as Green. 10 controls have been marked as Red, they generally relate to a specific issue, completion of the mandatory information governance training. The remaining 2 controls identified as Red relate to a strategic plan for the Safeguarding Adults Board and Public Health Research Assessment. These areas have been marked as Red for some time now.
10. The penultimate section is progress against our balanced scorecard. The key measures in this section are adequate resources and portfolio coverage. In terms of adequate resources we aim to have 15 days capacity spare to deal with any issues that may arise, for the next quarter there is a small deficit on available resources, this is as a result of the service carrying a vacancy at present. Portfolio coverage identifies the number of controls that should be tested in the period, we were on target for the previous period.
11. The final section of the report is a full list of controls to be examined in the next period in priority order.
12. Staffing, we are currently carrying a vacancy. We will not be filling the post immediately and will be taking the opportunity to review how the section is structured before undertaking a recruitment exercise. The review is now out for consultation with an anticipated implementation date of 1 June 2023, at this point we will be in a position to recruit to any vacant posts.

Outcome of Consultation

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

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Risk Summary

Where possible audit testing is linked directly to risks on the risk register, below is a summary of current assurance levels based on work completed to date.

ID	Risk	Assurance
SR1	Implementation of recommendations from the Capital Process Review is needed to improve effective capital project management	
SR10	Planning Performance at risk of Standards Authority intervention	100%
SR11	VAT partial exemption breach due to exempt VAT being close to the 5% limit	
SR12	Fraud in general	100%
SR13	Instability within financial markets adversely impacts on finance costs and investments	100%
SR14	Financial pressures to the General Fund as a result of increased levels of unemployment and increased Council Tax Support claims	
SR15	Inability to cope with significant increase in homelessness cases following the impact of COVID.	100%
SR16	Inability to contain placement costs for children looked after due to lack of sufficient in house placements	100%
SR17	Inability to recruit and retain sufficient qualified suitably experienced social workers in Children's Services impacts on cost and quality of service	100%
SR18	Inability to recruit and retain sufficient qualified suitably experienced social workers and reablement staff in Adult Services impacts on cost and quality of service	100%
SR19	Failure to identify vulnerable schools and broker appropriate support to address needs	100%
SR20	Increased demand for Adult Services impacts negatively on plans for budget efficiencies	100%
SR21	Increased demand for Children's Services impacts negatively on budget	100%
SR22	Market (Domiciliary Care Residential Care providers) failure following the Care Act/Living Wage	68%
SR23	Market (Domiciliary Care Residential Care providers) for Vulnerable Families with Children (including SEND) experiences provider failure	100%
SR25	The Deprivation of Liberty Safeguards Threshold changes significantly increases the amount of people deprived of their liberty resulting in potential for increased legal challenge	64%
SR26	Failure to respond appropriately to safeguard vulnerable adults, in line with national legislation and safeguarding adults procedures	100%
SR27	Failure to respond appropriately to safeguard vulnerable children, in line with national legislation and safeguarding children, thresholds and procedures.	100%
SR28	Working with other local commissioners to ensure their understanding of their responsibilities within the Childhood pathway.	100%
SR29	Risk of unsuccessful mobilisation of new service - Support, Recovery and Treatment In Darlington through Empowerment (STRIDE).	100%
SR3	Business Continuity Plans not in place or tested for key critical services	93%
SR33	Impact of national cost of living crisis on customers and audiences for Leisure and Cultural facilities	
SR34	Budget & resource implications arising from the ability to progress and complete schemes/projects in the event of further construction inflation, material supply and resource demands	100%
SR35	Potential impact on public transport networks if commercial services do not recover or continue to receive support from Government and routes are withdrawn	100%
SR36	Failure to meet the Council's commitment to becoming Carbon neutral by 2050	
SR37	Failure to operate an effective Channel Panel	
SR38	Reputational and regulatory risk if reinspection not successful	
SR39	The Council is unable to deliver housing targets detailed in the Local Plan as a result of the designation of nutrient neutrality catchment area	
SR40	Managing the impact of severe weather events	
SR41	Staffing risk – failure to recruit to vacant posts	
SR42	Risk of enforcement action from the ICO	62%
SR43	Risk of new dangerous variant or a significant wave of COVID-19 impact on the Council's ability to provide services as a result of a new dangerous variant or a significant wave of COVID-19 or the activation of UKHSA Contingency plan	
SR44	April 2023 will see the implementation of the CQC inspection framework for Adult Social Care. Due to the significant demands on adult social care, the pressures following covid, and the workforce recruitment and retention crisis will impact on the ratings- resulting in an "requiring improvement" outcome.	
SR7	Financial implications of Maintaining and conserving key capital assets within the borough	75%
SR8	Investment in regeneration projects is not delivered	100%

Theme	Assurance	Audit Findings (By Impact)					
			VL	L	M	H	VH
1. Accuracy of Decision Making	78%	R	0	0	0	0	0
		A	0	2	1	0	1
		G	1	22	21	13	4
2. Monitoring of Decisions	90%	R	0	0	0	0	0
		A	0	2	2	1	0
		G	0	7	10	3	1
3. Information Governance	83%	R	0	0	1	0	0
		A	0	4	1	0	0
		G	1	21	20	5	2
4. Finance	95%	R	0	0	0	0	0
		A	0	1	1	0	0
		G	1	5	13	5	3
5. HR - Payments	100%	R	0	0	0	0	0
		A	0	0	1	0	0
		G	0	2	0	1	0
6. HR - Health & Safety	100%	R	0	0	0	0	0
		A	0	0	1	1	0
		G	0	1	3	0	0
7. HR - Management	86%	R	0	1	0	0	0
		A	0	0	0	0	2
		G	1	8	1	0	0
8. Recruitment	100%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	0	2	1	0	0
9. HR - Training/Qualifications/Clearances	85%	R	0	0	10	0	0
		A	0	1	3	0	0
		G	0	8	10	3	0
10. Accuracy of Payments	89%	R	0	2	0	0	0
		A	0	2	0	0	0
		G	3	10	3	1	1
11. Income - Charging	81%	R	0	0	0	0	0
		A	0	2	0	0	0
		G	0	5	0	2	0
12. Income - Payments	94%	R	0	0	0	0	0
		A	0	1	0	0	0
		G	1	7	2	1	0
13. Cash Handling	100%	R	0	0	0	0	0
		A	0	1	0	0	0
		G	0	2	0	0	0
14. Procurement/Sourcing	100%	R	0	0	0	0	0
		A	0	0	2	0	0
		G	0	8	5	2	1
15. Physical Assets/Locations	89%	R	0	0	0	0	0
		A	0	3	2	1	0
		G	0	11	11	3	0
16. Fraud	100%	R	0	0	0	0	0
		A	0	4	0	0	0
		G	0	7	0	0	0
17. Business Continuity	93%	R	0	0	0	0	0
		A	0	2	1	0	0
		G	0	1	6	6	0
18. Procedures	98%	R	0	0	0	0	0
		A	0	0	0	0	0
		G	0	6	5	3	1
19. Performance Management	91%	R	0	0	0	0	0
		A	0	3	0	1	0
		G	0	8	9	7	4
20. ICT Infrastructure	90%	R	0	0	0	0	0
		A	0	0	0	0	2
		G	1	4	6	3	0
21. Handling of Requests/Incident Response	100%	R	0	0	0	0	0
		A	0	1	1	0	0
		G	3	3	4	2	0

This section of the report presents the current overall results by Service area.

		VL	L	M	H	VH
Finance	R	0	0	0	0	0
	A	0	0	0	0	0
	G	0	0	0	0	0
HR	R	0	0	0	0	0
	A	0	0	0	0	0
	G	0	0	0	0	0
Health & Safety	R	0	0	0	0	0
	A	0	0	0	0	0
	G	0	0	0	0	0
Strategy, Performance & Communications	R	0	0	1	0	0
	A	0	1	0	0	0
	G	3	5	1	0	1
Children's Services	R	0	0	1	0	0
	A	0	2	3	1	2
	G	0	9	17	17	6
Adults	R	0	0	1	0	1
	A	0	1	2	1	2
	G	0	5	9	10	4
Education	R	0	0	1	0	0
	A	0	2	0	0	0
	G	0	9	10	2	1
Public Health	R	0	0	1	1	0
	A	0	0	0	1	0
	G	0	0	0	3	0
Legal	R	0	0	0	0	0
	A	0	0	0	0	0
	G	0	0	0	0	0
Democratic Services & Registrars	R	0	0	0	0	0
	A	0	0	0	0	0
	G	0	0	0	0	0
Information Governance	R	0	0	0	0	0
	A	0	0	0	0	0
	G	0	0	0	0	0
Xentrall	R	0	0	0	0	0
	A	0	1	1	1	0
	G	1	30	25	9	0
Housing & Building Services	R	0	0	0	0	0
	A	0	0	0	0	0
	G	0	0	0	0	0
Community Services	R	0	1	1	0	0
	A	0	9	2	0	0
	G	3	28	16	0	0
Economic Growth	R	0	0	1	0	0
	A	0	3	2	0	0
	G	0	7	10	6	0
Transport & Capital Projects	R	0	0	1	0	0
	A	0	1	2	0	0
	G	0	4	9	3	0

Detailed Analysis of Output and Planning by Service

This section of the report will present detail of work undertaken and work planned by Service area.

	Results				Planned Work		
	January 2023	to	March 2023		April 2023	to	June 2023
	Number	R	A	G	No	Time	Monitoring
Finance	0	0	0	0	0	0	0
HR	0	0	0	0	0	0	0
Health & Safety	0	0	0	0	0	0	0
Strategy, Performance & Communications	2	1	0	1	0	0	0.4
Children's Services	11	1	0	10	24	29	2.3
Adults	8	2	2	4	9	8.5	1.6
Education	6	1	0	5	9	8.25	0.9
Public Health	3	2	0	1	1	1	0.4
Legal	0	0	0	0	0	0	0
Democratic Services & Registrars	0	0	0	0	0	0	0
Information Governance	0	0	0	0	0	0	0
Xentrall	11	0	1	10	9	10.75	2.2
Housing & Building Services	0	0	0	0	0	0	0
Community Services	11	1	4	5	23	16.5	2.7
Economic Growth	7	1	2	4	6	2.5	1.2
Transport & Capital Projects	5	1	0	4	8	7.75	1
Totals	64	10	9	44	89	84.25	12.7

Quality, Assurance & Improvement Process

Period	January 2023	to	March 2023
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Stewardship (Coverage)			Stakeholders		
Measure	Target	Performance	Measure	Target	Performance
Adequate Resources	15	13.45	Reports Issued	Qtrly	*
Portfolio Coverage	82	87	Fraud Strategy Review	31/03/2021	*
Presentation of Annual Report (Annual)	June	*	Client Satisfaction	TBC	*
Presentation of Activity Report	Qtrly	*	Recommendation Implementation	TBC	*

Process			People		
Measure	Target	Performance	Measure	Target	Performance
Self assessment against standards (Annual)	March	*	Productivity	75%	80.4%
External Assessment (Every 5 Years)	31/03/2023	*	Training (Per Financial Year)	20	9.3
Staff Meetings Held	7	12	Code of Conduct (Annual)	100%	*
Up to Date Audit Manual	31/03/2021	*	Appraisals (Annual)	100%	*

* - to be reported as part of the annual report.

Full Plan

ID	Control	Frequency
105	Update and report the strategic corporate risk register.	3
380	The Supporting Families programme is managed effectively.	3
661	Youth Employment Initiative financial claims are submitted in an accurate and timely manner.	3
33	Education, Health & Care Plans are completed appropriately and in a timely fashion	6
35	Section 17 payments made in respect of children are appropriately managed.	6
36	Children's cases are reviewed to ensure the type of placement remains suitable with family reunification considered.	6
42	Sufficient school places are available to meet demand.	6
44	Children's Assessment procedures are comprehensive and up to date	6
49	Children's cases are appropriately supervised with regular discussion and appropriate recording.	6
54	Systems are updated with the relevant referral information.	6
55	Accurate and timely assessment of children's referrals is undertaken.	6
78	Focussed financial support to commercial ventures	6
88	An approved Council Plan is in place which sets out the priorities of the council.	6
112	Process council tax support claims.	6
113	Process housing benefit claims	6
119	Client risk assessments are undertaken and appropriate arrangements in place for the provision of Community (SBC) and Passenger (DBC) Transport (social care and education) service usage.	6
120	Costs and demand for Community (SBC) and Passenger Transport (DBC) services are monitored to ensure the best use of resources is applied.	6
165	Adult Services have a service strategy in place and delivery is being monitored.	6
172	An up to date strategic plan is in place for the Safeguarding Adults Board.	6
174	Adult Social Care cases are allocated appropriately considering caseloads and qualification requirements.	6
176	An appropriate ICT system(s) is in place to manage and safeguard adult social care information held.	6
179	Appropriate service provision has been sourced to meet an Adult Social Care users individual needs, in accordance with Contract Procedure Rules.	6
182	Where the Authority has Deputyship/Appointeeship, appropriate authorisation/legal documentation is in place	6
250	There is a system of performance management in place for adult social care.	6
283	Disposals of ICT equipment are undertaken in an appropriate manner in line with an adequate and appropriate official disposal policy.	6
465	Public health research and local needs assessment.	6
476	Accurate and up to date MTFP projections for future years	6
478	An appropriate ICT system(s) is in place to manage and safeguard children's social care/education information held.	6
535	Children have been matched with appropriate adopters	6
573	Where there is a shortfall in specialist housing facilities managed by the authority to meet demand, external provision is effectively sourced.	6
577	The correct charges are raised for Housing Rents.	6
716	Bridges quality and compliance systems are operating effectively	6
820	There is a system of performance management in place for children's social care.	6
22	Adequate and effective after school, day care and residential short breaks provision is available for children with a care plan.	12
23	Assessment and appointment of suitable in-house foster carers.	12
24	Appropriate arrangements are in place to assess the suitability of adopters.	12
26	Attainment in schools is appropriately monitored.	12
28	In-house carers within children's residential settings receive appropriate training.	12

32	Education, Health & Care Plans are appropriately monitored	12
45	Staff assessing children's cases have the relevant qualifications and clearances.	12
46	Business continuity arrangements are in place to continue to deal with children's referrals.	12
48	Hard-copy Children's case files are appropriately managed and safeguarded.	12
64	Clear acquisition, disposal and revaluation process for land and buildings.	12
68	Clear budget process and timetable is in place which could be followed by team members as and when required.	12
72	Treasury Management Strategy and its implementation in relation to investments meets the Prudential Code and Treasury Management Code of Practice.	12
76	Ensure accurate monitoring of capital programme and schemes	12
79	Maintain formula and support for funding schools and high needs.	12
81	Operate clear arrangements for billing and collection of council tax and business rates	12
86	Undertake forward planning and projections of external factors in respect of income and expenditure and feed into MTFP.	12
96	Prepare annual governance statement	12
97	Prepare statement of accounts	12
104	Monitor and support quality of adult care provision.	12
114	Vehicles used in the provision of Community (SBC) and Passenger (DBC) Transport services are suitable and meet requirements for servicing and road worthiness.	12
132	Free school meals are provided to eligible pupils.	12
146	Bridge Inspections are undertaken in accordance with an appropriate specified programme.	12
158	Disabled Facilities Grants/Helping Hands recipients meet grant eligibility criteria, payments and contributions are correct.	12
163	Business continuity arrangements are in place in order to continue to receive adult referrals and undertake assessments.	12
168	Referral and Assessment Procedures (Adults) are comprehensive and up to date.	12
169	Appropriate financial monitoring is in place in respect of the Better Care Fund (BCF).	12
171	Non-financial targets as set out in the Better Care Fund (BCF) plan are being met.	12
173	Monitoring of care provider service delivery supports safeguarding activities and outcomes.	12
175	Adult Social Care referrals and assessments are processed in an accurate and timely manner, with decision making and actions fully documented.	12
178	Staff working in settings for adults are suitably qualified and receive appropriate training.	12
181	Appropriate monitoring of residential placement transfers is in place to ensure it continues to meet the needs of the individual.	12
184	Accurate charges for contributions to care costs are made to service users.	12
214	Procurement by Legal Services is in line with contract procedure rules and value for money principles.	12
218	Posts requiring a DBS check are identified and requirements are in line with legislation.	12
228	Venues for events are appropriate.	12
249	Timely and accurate financial assessments are undertaken for service users wishing to take up a service.	12
251	Sufficient health & safety measures/risk assessments are in place/undertaken at individual adults establishments.	12
252	Arrangements are in place to ensure Day Services, Residential and Supported Living service provision continues if there was a loss of staff or premises.	12
255	Care packages are receiving appropriate approval, and include all relevant information.	12
256	Formal signed agreements in place between LA/ICB in accordance with relevant guidance.	12
257	Appropriate arrangements are in place to continue managing clients finances in the event of disruption.	12
260	Food & Hygiene premises rating system is updated regularly and published.	12
272	Breaches of planning control are investigated and enforcement action initiated as necessary.	12
285	Progress towards the ICT strategy goals is monitored and reported on.	12
289	Appropriate disaster recovery plans and procedures are in place to support recovery from a partial or total loss of significant ICT systems/servers.	12

290	Where applicable, appropriate internal disaster recovery arrangements (including backup, replication and snapshot facilities) are in place to cover significant ICT system/servers.	12
295	Appropriate formal documented ICT project management standards/policies have been established.	12
299	Adequate controls are in place to ensure data in the cloud is adequately protected.	12
302	Anti-virus controls are in place for relevant elements of the ICT infrastructure including servers and individual machines.	12
303	An appropriate infrastructure is in place to facilitate the organisation's firewalls.	12
304	Appropriate periodic IT Health checks (or other equivalent exercises) are undertaken in order to identify and categorise significant security issues/vulnerabilities. Work is then undertaken to remediate these issues/vulnerabilities where appropriate.	12
306	Adequate and appropriate patching of host and guest operating systems is undertaken.	12
309	Adequate and appropriate change controls are in place.	12
313	The Resourcelink payroll system calculates all payments correctly.	12
348	DBS check renewals are undertaken for Adults and Health staff	12
355	Up to date and accessible procedures available to support the management of children's case files.	12
356	Address patterns of absence and promote regular attendance at school.	12
359	Training, support and development is in place for foster carers/special guardians.	12
361	Training, support and development is in place for adoptive parents and families.	12
363	The adoption process is adequately documented to ensure a suitable, safe placement is found within an adequate time period in the absence of key personnel.	12
365	Management and oversight of youth offending cases improve outcomes for young people involved in criminal justice system or at risk of becoming involved.	12
367	The Council has a strategy in place to deliver public health services to the community.	12
371	Information held about children, young people and their families is appropriate/up to date and sharing is in line with GDPR and IARs.	12
378	Pupil premium funding is used effectively.	12
392	Compliance with Department for Transport (DfT) funding terms and conditions for grant payments received.	12
396	Accurate and timely returns are provided to support New Homes Bonus.	12
397	Economic Growth Strategy and Economic Growth Plan is monitored and milestones achieved.	12
399	Support is provided to new and existing businesses.	12
405	Effective management of grants received to support jobs and growth.	12
408	Monitor re-offending rates and target resources towards young people at risk of re-offending.	12
416	Trading standards investigations are recorded accurately either as a result of a programmed inspection or in response to a complaint and the results circulated as necessary including general guidance as necessary.	12
464	Effective commissioning and procurement of public health services and programmes.	12
466	Delivery of the Health and Wellbeing Strategy.	12
471	Achievement of completion rate targets for mandatory on-line information governance training.	12
479	Up to date and accessible procedures available to support the management of Adult Social Care users files.	12
484	Suitability of approved in-house foster carers is monitored.	12
499	Continued eligibility for a free school meal is monitored and appeals are handled appropriately.	12
523	Where financial assistance has been provided to businesses these are being monitored for compliance.	12
536	Breakdowns in placements are handled effectively.	12
539	Monitoring is undertaken of care packages for continued suitability.	12
662	Sufficient performance monitoring is in place to ensure the aims and objectives of the Youth Employment Initiative programme are being successfully achieved.	12
740	Staff within Transport and Capital projects have completed mandatory information governance training.	12
741	Staff within Public Health have completed mandatory information governance training.	12
742	Staff within Children's Services have completed mandatory information governance training.	12
743	Staff within Adults Service have completed mandatory information governance training.	12

744	Staff within Education services have completed mandatory information governance training.	12
745	Staff within Economic Growth have completed mandatory information governance training.	12
747	Staff within Strategy, performance and communications have completed mandatory information governance training.	12
749	Staff within Law & Governance have completed mandatory information governance training.	12
794	Food & Hygiene premises rating system programme of inspections is effectively managed.	12
795	Staff within Community Services have completed mandatory information governance training.	12
812	Staff within Commissioning, performance and transformation have completed mandatory information governance training.	12
819	Compliance with Department for Transport (DfT) incentive funding terms and conditions for grant payments received.	12
20	Policies and procedures are in place to ensure a child in care's life story is documented.	18
21	A robust training and support regime is in place for new teachers.	18
25	Arrangements are in place to manage the breakdown of a placement	18
29	Hard copy information held in Children's Residential Homes is appropriately safeguarded.	18
34	Health & safety of children's placements is monitored	18
38	Plans are in place to manage the loss of a school and provide continuity of education.	18
39	School governors receive an appropriate level of support and training	18
40	School places have been allocated in accordance with admissions policies.	18
53	Procedures for managing referrals (Children's) and undertaking initial assessments are comprehensive and up to date.	18
56	Agreements for early years provision are in place and being complied with and monitoring visits are being undertaken.	18
59	Allocation of school budgets in line with funding formula.	18
67	School investment plan in place to ensure appropriate number and quality of places available.	18
69	Clear contract procedure rules.	18
75	Ensure accurate in-year financial monitoring	18
77	Financial appraisal completed as part of business case/options appraisal	18
89	Development of an appropriate risk assessed H&S audit programme.	18
91	Delivery of an effective Internal Audit Service in compliance with Accounts & Audit Regulations.	18
93	Requests for information are handled in line with requirements of the Freedom of Information Act.	18
107	Ensure specifications are clear and include all requirements for safe care	18
109	Crisis and emergency/settlement support.	18
115	Appropriate risk assessments are undertaken within the Passenger Transport service, and measures are in place to ensure the health and safety of Council employees.	18
116	Council employed drivers and passenger assistants hold the necessary clearances, licences, qualifications and training.	18
117	Contractors and sub-contractors involved in the provision of passenger transport hold the necessary clearances, licences, qualifications and insurance.	18
130	Catering and cleaning staff have been subject to appropriate disclosure checks.	18
134	Arrangements are in place for inspection and maintenance of security and surveillance equipment.	18
135	Civic enforcement decisions are consistent, fair, proportionate and necessary; in line with legislation.	18
138	Community engagement and communication to highlight and reduce environmental crime.	18
139	Ensure the health and safety of enforcement officers.	18
141	Sensitive personal information in relation to Telecare (SBC) and Lifeline (DBC) clients is managed in line with GDPR requirements.	18
142	Lifeline (DBC) and OneCall (SBC) staff hold appropriate qualifications and DBS clearances, and receive regular training.	18
147	Highway inspections are undertaken in accordance with an appropriate specified programme.	18

148	Street Lighting inspections and associated electrical testing are undertaken in accordance with an appropriate specified programme and relevant legislation/guidance.	18
150	Car Parking Strategy in place which is up to date and considers resident, disabled and general parking requirements.	18
151	Road closures are undertaken following appropriate consultation and required notifications are completed within relevant timescales.	18
152	The authority is committed to reducing it's carbon footprint and supporting residents and businesses to reduce theirs.	18
153	The highways network resilience to extreme events such as weather has been fully established and plans are in place to manage this.	18
157	The authority has an adequate, appropriate and up to date Homeless Reduction and Prevention Strategy in place.	18
159	HMO properties are licensed.	18
162	The authority has an adequate, appropriate and up-to-date Local Plan in place.	18
177	Adult Social Care staff are aware of Health & Safety requirements and have received appropriate H & S training.	18
183	Where legal charges have been placed on a service user's property, appropriate deferred payment/legal documentation is in place	18
188	A current Carers Strategy is in place.	18
189	Professionals are appropriately trained and qualified to undertake BIA/DoLS assessments.	18
190	Professionals employed to undertake DOLS assessments are procured and employed via correct processes.	18
193	Payments made to providers of employee benefit schemes are accurate.	18
194	Corporate initiatives are in place to help prevent sickness absence.	18
195	Procurement of contracts in place for provision of employee therapy is undertaken in line with contract procedure rules and appropriate monitoring undertaken.	18
200	The Council maintains an accurate and up to date land charges register.	18
206	Communication activities are aligned with corporate priorities and are delivered consistently and effectively.	18
216	Land charge related searches are completed effectively and within a reasonable timescale.	18
220	Appropriate checks have been undertaken prior to placing someone on the Employee Protection Register.	18
221	Information security and sharing protocols in relation to occupational health and employee therapy provision is in line with data protection legislation.	18
223	Effective procurement/commissioning of training and development providers ensures value for money and compliance with contract procedure rules.	18
227	Arts Council funding is used appropriately and conditions complied with.	18
232	Learning and Skills Tutors are suitably qualified, trained and have necessary clearances.	18
234	Library stock is adequately recorded, managed and its condition is 'fit for purpose'.	18
235	Adequate emergency response plans are in place for events and venues.	18
236	Arts and museum assets are adequately safeguarded and insured.	18
245	Maintain an accurate and up to date electoral register, which conforms to Electoral Commission requirements.	18
261	Adequate performance information is maintained and is appropriately utilised within the Highways Department.	18
263	Appropriate measures are in place to identify, record and investigate significant flooding incidents.	18
264	The authority has an adequate, appropriate and up to date Highway Infrastructure Asset Management Strategy (HIAMS) in place.	18
265	Street works are licensed, inspected and where applicable, appropriate charges are issued and collected for overruns/fines.	18
270	Building control decisions are appropriately authorised and made in line with Building Regulations.	18
271	Residential delegated planning applications are considered and determined in line with the local development plan, national planning framework, gives consideration to the provision of green spaces and is dealt with within the appropriate timescale.	18
274	Section 106 agreements utilised effectively and obligations are complied with.	18
279	High level Active Directory administration privileges/credentials are only assigned to appropriate individuals.	18
284	An appropriate current documented and approved ICT strategy is in place.	18

286	ICT equipment located in computer facilities is adequately and appropriately protected from significant environmental threats.	18
292	Use of email facilities by users is adequately controlled.	18
296	Appropriate formal agreements are in place with any external parties involved in the management and operation of the networks.	18
297	Network infrastructure/equipment is appropriately managed and protected.	18
298	Adequate and appropriate arrangements are in place in respect of business continuity and disaster recovery for the network infrastructure (including backup arrangements and arrangements to ensure network resilience).	18
300	Appropriate security/usage policies for users are in place to provide important guidance to users of the ICT facilities.	18
301	Users of ICT facilities are appropriately controlled.	18
307	Appropriate access controls are in place to secure the virtualised environment.	18
308	An appropriate inventory of all significant ICT equipment is maintained. Including servers, PCs, laptops, tablets, etc.	18
310	HMRC reporting requirements are being complied with.	18
311	Information on payslips meets statutory requirements and is correct.	18
320	Information held in systems relating to HR are accurate and up to date.	18
325	Invoice certification procedures should confirm that: goods and services have been received; prices have been checked; discounts have been taken and the invoice has not been paid before.	18
326	All invoices/requisitions are expenditure coded.	18
329	The authority complies with HMRC CIS scheme.	18
330	Invoices give details of what the debts relate to, the goods and services provided and dates of provision, and are coded to the correct service.	18
332	Arrears recovery procedures are clearly defined and implemented in all cases. Reminder and recovery action periods are suitable for the types of debtor involved. Like debtors are treated equally.	18
334	A master record of periodical income records the amount and due dates of all sums which become due under the terms of leases, rents, licences, and wayleaves etc., amendments may be made to the master record by nominated officers only (on standard forms controlled by the Finance department) and certified by authorised officers.	18
338	Pension deductions are taken each month from employee's pay at the appropriate rate.	18
341	The total contributions collected from both the employee and the employer are paid to the relevant pension fund in full.	18
346	The authority exercises powers to ensure safe, high quality standards in the private housing sector.	18
349	Safeguarding and child protection policies are in place, schools have an appointed designated safeguarding lead and arrangements are in place for appropriate training of staff.	18
351	Monitoring of Children's safeguarding partnership arrangements ensure effective multi agency working.	18
353	Suitability of emergency unregulated/unregistered placements.	18
358	Pathway plans support care leavers in managing the transition from school to higher education, training or employment.	18
364	Effective recruitment and retention of foster carers meets demand for places, including ongoing campaigns promoting the role.	18
368	Ensure the delivery of advice, support and refuge accommodation for victims of domestic abuse.	18
370	Commercial delegated planning applications are considered and determined in line with the local development plan, national planning framework, gives consideration to the provision of green spaces and are dealt with in accordance of the appropriate timescale.	18
381	Prioritised support and provision to tackle fuel poverty and deliver the Affordable Warmth Strategy.	18
382	Monitor delivery of community partnership objectives and key priorities.	18
383	Strategic plans and framework are in place to tackle poverty.	18
390	Commitment to road safety and reducing road casualties.	18
393	Appropriate and timely response to a homelessness Duty to Refer request.	18
402	Tackling town centre property vacancies.	18
403	Promotion of the borough and town centres as a great place to invest, trade and visit.	18
412	An accurate and complete register of licences issued is maintained.	18

413	Licence applications are subject to appropriate review and approval, evidence of background and eligibility.	18
415	A programme of trading standards inspections and sample tests has been identified using a risk assessment process.	18
417	Compliance with licence conditions is monitored and appropriate sanctions taken when necessary.	18
423	Appropriate and up to date emergency plans are in place to guide a coordinated response to a major incident.	18
428	Provide effective short-term support to individuals following a discharge from hospital or to prevent hospital admission.	18
449	Cemeteries and memorials are well maintained and health and safety risks managed.	18
450	Crematorium inspection and monitoring to reduce the impact of emissions.	18
455	Inspection and maintenance of Council owned play facilities and skate parks.	18
457	There is a register of land owned and a sustainable grounds maintenance/landscaping programme in place.	18
467	A Gypsy Traveller Accommodation Assessment (GTAA) is undertaken to identify pitch requirements.	18
470	Compliance with the Health and Social Care Information Centre (HSCIC) Information Governance Toolkit (now called NHS data security and protection toolkit)	18
472	A central record of Information Asset Registers is maintained and checked for completeness.	18
473	There is a corporate arrangement in place for the secure destruction of paper records.	18
474	Appropriate email encryption is in place for sharing sensitive information.	18
477	Information asset registers are in place for each service and are being complied with.	18
485	In-house foster carer details are accurately recorded and updated.	18
486	Information relating to adopters is accurately recorded and up to date.	18
487	Adopter suitability appeals are appropriately managed.	18
488	School admissions appeals are appropriately managed.	18
491	There is a system of performance management in place to establish the effectiveness of HR policies, procedures and initiatives.	18
494	Leisure provision requirements are understood and effectively sourced.	18
503	The programme of trading standards inspections and sample testing is being monitored for completion.	18
510	Monitoring is undertaken to ensure compliance with planning decisions and appeals are handled appropriately.	18
511	Inspections of building work are undertaken to ensure compliance.	18
513	Building control decisions are accurately recorded.	18
526	Changes in circumstances for council tax support and housing benefit claimants are processed appropriately.	18
527	Records relating to Council Tax Support and Housing Benefits are accurate and up to date.	18
531	Exclusions/Pupils at risk of exclusion are reviewed and action taken to address issues.	18
532	Pathway plans are reviewed.	18
533	Pathway plans are accurate and up to date on the system.	18
534	Any payments agreed as part of the Pathway Plan have been paid correctly.	18
537	Accurate and up to date information is recorded for adoption cases.	18
538	Monitoring of Adult's safeguarding partnership arrangements ensure effective multi agency working.	18
548	Payments made for discretionary housing payments are accurate.	18
552	Plans are in place to continue to deliver housing/council tax support during an emergency.	18
557	The community engagement and heritage crime grant funding received is appropriately dealt with.	18
574	Effective management of external payments and expenses associated with independent DoLS assessors.	18
663	Effective sourcing of child placements.	18
676	COVID Testing in Schools & Colleges	18
746	Staff within Resources have completed mandatory information governance training.	18
748	Staff within Housing and Revenue services have completed mandatory information governance training.	18
751	Robust authorisation processes are in place for the payment of creditors.	18
796	Staff are aware of the confidential reporting/whistleblowing policy and nominated officers have received appropriate training.	18

797	Records and confidentiality in relation to confidential/whistleblowing reports are maintained.	18
798	Investigations into confidential/whistleblowing reports are appropriate, acknowledged within timescales, and in line with Public Interest Disclosure Act.	18
811	Staff within Darlington Partnership have completed mandatory information governance training.	18
30	Cash in Children's Services is appropriately safeguarded and reconciled.	24
58	Cash in Children's Centres is appropriately safeguarded.	24
60	Headcount is being undertaken accurately and steps taken to verify figures for early years contracts.	24
62	Payments made to early years providers are accurate	24
63	Annual maintenance plans are in place for all Council owned operating premises.	24
66	Debt Management of commercial properties is effective.	24
70	Clear fraud prevention and detection arrangements	24
73	Delivery of contract management plans.	24
83	Operate Stockton Collections arrangements and bad debt arrangements in compliance with relevant legislation.	24
87	Co-ordinate complaints process.	24
90	Deliver health & safety training programme and provide advice and guidance materials.	24
92	Implement the counter fraud strategy	24
94	Prepare and submit accurate financial returns by deadlines - RA/RO/Capital	24
103	Undertake health & safety investigations.	24
118	Transport provision is in line with client eligibility criteria.	24
121	Procurement of transport routes, goods and services ensures compliance with value for money principles and contract procedure rules.	24
122	Secure and effective arrangements for the collection, recording and recovery of income in respect of Community (SBC) and Passenger Transport (DBC).	24
123	Payments made to Community (SBC) and Passenger (DBC) transport staff are appropriate, accurate and authorised.	24
124	Strategies are in place to monitor and manage the demand for school meals in the short, medium and long term.	24
125	Charges for internal and external catering and cleaning provision are raised accurately and promptly, and income due has been received.	24
126	Assets and equipment owned by the catering and cleaning service are effectively maintained.	24
127	Protect the health and safety of catering and cleaning staff, service users and the public.	24
128	Operational procedures are in place and available to catering and cleaning staff.	24
129	Payments for cleaning supplies are accurate and in accordance with the contract.	24
133	Charges for internal and external security and surveillance services are raised accurately and promptly, and all income due has been received.	24
137	Accurate charging and effective income management in relation to civic enforcement activity.	24
140	Invoices and recharges in relation to Lifeline (DBC) and OneCall (SBC) services are raised promptly and accurately and income due is received.	24
144	Appropriate measures are in place within the vehicle workshop environment to ensure the health and safety of council employees and the public.	24
145	Public Rights of Way Improvement Plan (RoWIP) is in place and progress against this monitored.	24
154	Appropriate controls and systems are in place to administer parking permits/waivers and the Blue Badge scheme.	24
155	The authority has undertaken appropriate consultation and produced an adequate, appropriate and up to date Local Transport Plan.	24
160	The authority has an adequate, appropriate and up to date Empty Homes Strategy in place.	24
166	Staff involved in adult referrals and assessments appropriately qualified and have appropriate clearances.	24
180	Adequate security measures are in place at each Day Service, Residential and Supported Living establishment to protect clients, guests and residents property and other assets.	24
186	The range of physical disability & sensory impairment equipment available is sufficient to meet service user need	24
191	Environmental Health cases are appropriately allocated to officers.	24
192	Environmental Health income is managed appropriately and all income due to the service is collected.	24

197	External communication and engagement contracts are procured in line with contract procedure rules, accounting instructions and value for money principles.	24
203	Website and Intranet content is relevant and up to date.	24
204	Effective internal communication and engagement with employees is achieved.	24
205	There is an appropriate documented HR, Legal and Communications business continuity plan in place that will enable service delivery in the event of short, medium and long term disruption.	24
207	The Council maintains positive and effective media relations.	24
210	Accurate and up to date records are maintained for all legal services provided.	24
212	Accurate and timely fee recovery for internal and external legal services provided.	24
215	Accurate charging is made in accordance with approved scale of land charges and fees.	24
219	Information stored on the employee protection register is accurate, up to date and used appropriately.	24
222	Appropriate employee benefit schemes are in place.	24
224	Managers and staff are aware of their responsibilities in relation to personal development and training.	24
226	Successful delivery of a varied arts and events programme.	24
229	Ticket sales and admission charges for events are recorded and income received in full.	24
230	Procurement of events performers and suppliers is in line with contract procedure rules.	24
231	Payments to events performers and suppliers and performance are effectively managed	24
233	Library income is securely held and effectively managed.	24
238	Learning and Skills course fees are set appropriately and income taken is held securely and adequately accounted for.	24
239	Staff and premises are available to enable delivery of adult education courses and qualifications by Learning & Skills to be maintained, in the event of unforeseen circumstances.	24
240	The range and quality of Learning & Skills provision meets local and national requirements.	24
241	Adult Learners and Apprentices details are accurate, up to date and safeguarded.	24
242	Members induction and training sufficiently meets requirements.	24
243	Sufficient and trained staff are available to support Elections held.	24
244	Maintain an up to date and accurate register of officers and Members business interests.	24
246	Maintain an accurate and up to date gifts and hospitality register.	24
247	Officers and Members and aware of appropriate conduct in relation to gifts and hospitality.	24
248	Council meeting agendas and supporting documentation are available to support decision making.	24
258	Environmental Health officers have the appropriate qualifications and undertake the required training.	24
259	Records relating to Environmental Health cases are appropriately recorded and managed.	24
266	Appropriate controls and systems are in place to ensure all car parking income is accounted for in the authority's accounts.	24
267	PCN/FPN appeals are correctly and fairly processed.	24
280	Generic/built in Active Directory accounts are appropriately controlled.	24
281	The Active Directory domain structure is appropriate and supports good practice.	24
282	An appropriate staffing structure is in place for ICT.	24
287	An adequate and appropriate software asset and license register/inventory is maintained.	24
288	Sufficient appropriate policing/auditing of software installation/use and licensing compliance is undertaken.	24
293	Remote access to facilities is adequately controlled.	24
305	Significant changes to the virtualised infrastructure are adequately managed. Allocation of resources in the virtualised environment is adequately and appropriately controlled.	24
312	The organisation's establishment is authorised by the managing body.	24
314	All overtime payments are supported by appropriate paperwork and details are promptly and accurately entered onto the system	24
315	All variable payments other than overtime (control covered elsewhere) are supported by appropriate paperwork and details are promptly and accurately entered onto the system.	24
316	All fixed salary payments comply with policies and are supported by appropriate paperwork and details are promptly and accurately entered into the system.	24

317	All deductions other than pension deduction (control covered elsewhere) are supported by appropriate paperwork and details are promptly and accurately entered onto the system.	24
318	Standing data and payroll related financial information is updated in a timely manner and recorded accurately within Business World On!	24
319	Standard payroll exception reports are produced for subsequent investigation and clearance.	24
321	Staff fit notes and self-certification forms covering the entire period of sickness absence are promptly received, accurately recorded and stored appropriately.	24
324	Creditors procedure manuals are held and all staff are aware of these manuals.	24
328	Secure procedures operate for immediate payments.	24
333	Standing orders/financial regulations require the reasons for all sundry debtor write-offs exceeding £x to be reported to committee. Write-offs below this amount may be authorised by a nominated officer when all recovery procedures have been unsuccessful.	24
335	A record is kept of all accounts which are not dispatched at the time the accounts are raised. This record indicates why this action was taken, and where appropriate, records the agreement of the budget holder.	24
336	Regular reconciliation exercises are performed between the debtors (accounts receivable) balances and the main accounting (general ledger) system records.	24
337	Amendments and credits can only occur with the authorisation of the responsible officer for the cost centre whose account was originally credited in error.	24
339	The employer makes the correct % contribution payment to the relevant pension fund on behalf of each employee within that scheme.	24
340	Early retirement is only granted to an employee in accordance with Council policies and that associated calculations made based on this are accurate.	24
342	Payments are made to waste contractors accurately.	24
343	The appointment process is fair, robust and managed effectively.	24
344	All new employees have been appropriately vetted before being employed.	24
345	All newly appointed employees are subject to an appropriate induction.	24
347	Specialist housing facilities managed by the authority meet demand, provide good quality accommodation and comply with the needs of vulnerable residents.	24
350	Procedures ensure that staff are aware of the process for making a referral to children's social care.	24
354	Information published by maintained schools is in compliance with regulations.	24
357	Effective oversight of education provided to children in the home/hospital or other setting outside school.	24
360	Payments to carers are accurate, appropriate and timely.	24
362	Financial support provided to adoptive families is paid accurately and timely.	24
366	Implementation of action plans that promote access to targeted resources, increase access to education, training and employment.	24
374	Effective management of payments and expenses associated with child contact visits.	24
375	Continuity of care workers for children and their families is a priority.	24
377	Effective resource management in schools to provide value for money and maximise outcomes for pupils.	24
379	Corporate privacy notices in place.	24
384	Delivery of Stockton Business Improvement District partnership objectives and key priorities.	24
385	Effective administration and management of Community Centres.	24
386	Effective administration and management of Children's Centres.	24
387	Effective community engagement and consultation.	24
389	Delivery of an effective careers advice and guidance service.	24
398	Local economic assessment provides an economic baseline to inform decision making.	24
400	Effective administration and management of start up business space.	24
404	Promotion of apprenticeship opportunities.	24
407	Monitor trends in crime and anti-social behaviour and respond to emerging issues.	24
409	Effective management and delivery of CCTV strategy.	24
411	An appropriate licence fee is established.	24
420	Response to requests for removal of needles and syringes within set timescales	24

430	Effective performance management systems are in place to monitor levels of take up of leisure and culture activities with remedial action taken as necessary.	24
431	Provide a broad selection of accessible leisure and outdoor activities, representing value for money to the public.	24
432	On-site concessions are managed and procured appropriately.	24
435	Kerbside collection routes provide an efficient and complete service.	24
438	Waste and recycling targets are achieved.	24
439	Effective management of trade waste contracts and collection of income.	24
440	Effective procurement of waste and recycling contracts.	24
441	Contingency plans are in place for the collection and disposal of waste.	24
443	Registration of births, deaths, marriages and civil partnerships is in line with statutory timescales.	24
444	Demand for burial space is monitored and plans are in place to meet current and future requirements.	24
445	Statutory records in relation to registrations and burials are accurate and complete.	24
446	Compliance with General Register Officer (GRO) statistical reporting requirements.	24
448	Crematorium operational controls are effective and comply with Cremation Regulations.	24
451	Maintain a schedule of cremator inspection and maintenance.	24
452	Parks and green spaces are identified, mapped and promoted.	24
454	Health and safety standards are maintained within our parks and green spaces.	24
456	Management of allotment sites, waiting lists and rental income.	24
459	Staff utilising grounds maintenance equipment are appropriately trained and qualified.	24
460	Security and crime prevention measures are in place in relation to parks and green spaces.	24
461	Provision of green spaces is a consideration for new housing developments, regeneration schemes etc.	24
463	National Fraud Initiative (NFI) matches in relation to COVID related business grants are promptly reviewed and investigations undertaken as necessary.	24
469	Monitoring and evaluation of social media content.	24
475	Records relating to housing and housing related developments are accurate, up to date and appropriately safeguarded.	24
480	Employee hard copy files are adequately safeguarded.	24
481	Up to date HR policies and procedures.	24
482	Effective working relationships with staff forums and other employee groups such as unions.	24
483	Payments made to external providers of day care, after school and residential short breaks for young people with complex and additional needs are accurate and timely.	24
489	School admissions records are accurate and up-to-date.	24
490	There is a process in place for managing appeals and monitoring continued placement on the employee protection register.	24
492	Payments made to external training providers are accurate.	24
495	Income/payments relating to on-site concessions are accurate.	24
496	Charges for security and surveillance have been set appropriately.	24
497	Civic enforcement actions are appropriately and accurately recorded.	24
498	Appeals against civic enforcement actions are managed appropriately.	24
500	Information held about pupils in receipt of a free school meal is accurate and update and managed appropriately.	24
501	Payments for catering supplies are accurate and in accordance with the contract.	24
502	Payments to Community (SBC) and Passenger (DBC) transport providers are accurate.	24
504	Payments are made to waste contractors accurately.	24
509	Systems are in place to report/identify potential planning breaches.	24
512	There is an appropriate system in place to manage building control appeals.	24
515	Fees for building control applications have been set appropriately.	24
516	The correct fee is received for planning applications/requests.	24
517	Fees for planning applications received have been set correctly.	24

518	Payment of disabled facilities/helping hand grants are accurate.	24
519	The outcome of the disabled facility/helping hand grant application has been appropriately recorded.	24
520	Monitoring of disabled facility/helping hand grant work is appropriate.	24
521	The disabled facilities/helping hand grant budget is appropriately monitored.	24
522	Financial assistance to businesses decisions are accurately recorded.	24
525	H&S audit work is recorded appropriately.	24
528	Decisions to award discounts for Council Tax or Rate Relief for NNDR are appropriate	24
529	Council Tax/NNDR information is accurate and up to date.	24
530	Discounts/Rate Relief is monitored for continued eligibility and there is an appropriate appeals process in place.	24
540	Monitor and review use of personal budgets.	24
541	The decisions to allow a personal budget are appropriate.	24
542	Financial assessments are reviewed and updated for changes in circumstances.	24
544	Payment of personal budgets is accurate and timely.	24
545	There is an effective appeals process for transport eligibility decisions.	24
546	Community (SBC) and Passenger (DBC) Transport information is up to date and accurate.	24
547	The correct fee is received for licenses.	24
549	Feedback on cases of identified fraud are acted upon appropriately.	24
550	Council Tax support/housing benefit overpayments are managed effectively.	24
551	Discretionary housing payments are made in accordance with the scheme.	24
553	Adequate procedures exist to deliver Council Tax/Benefits/Business Rate services.	24
554	Decisions to write-off outstanding council tax and NNDR debts are appropriate and have been appropriately approved.	24
555	Decisions to write-off outstanding housing debts is appropriate and all steps taken to recover the amount.	24
556	Sundry debts are only written-off when all steps have been taken to recover the amounts and are appropriately authorised.	24
571	An economic growth strategy has been prepared and approved and includes a plan for achievement of its objectives.	24
572	The decision to provide additional support to adoptive families is appropriate.	24
575	There is an effective financial process in place which ensures that all refunds, exchanges, and account credits are accounted for and appropriately authorised at the Hippodrome.	24
576	Regular bank reconciliations are undertaken and are up to date with minimal amounts in suspense.	24
578	Results of the National Fraud (NFI) Exercise, identifying instances where VAT may have been overpaid, are reviewed and outcomes recorded.	24
580	The emergency active travel grant funding received is appropriately dealt with.	24
582	All newly appointed employees have completed an appropriate probation.	24
660	The procurement of Building Cleaning supplies is in line with Contract Procedure Rules.	24
680	National Fraud Initiative (NFI) matches in relation to Blue Badge permits are promptly reviewed and investigations undertaken as necessary.	24
681	National Fraud Initiative (NFI) matches in relation to Concessionary Travel passes are promptly reviewed and investigations undertaken as necessary.	24
682	National Fraud Initiative (NFI) matches in relation to resident parking permits are promptly reviewed and investigations undertaken as necessary.	24
683	National Fraud Initiative (NFI) matches in relation to trade creditors are promptly reviewed and investigations undertaken as necessary.	24
684	National Fraud Initiative (NFI) matches in relation to Council Tax Reduction Scheme are promptly reviewed and investigations undertaken as necessary.	24
685	National Fraud Initiative (NFI) matches in relation to Housing Benefits Claimants are promptly reviewed and investigations undertaken as necessary.	24
686	National Fraud Initiative (NFI) matches in relation to Housing tenants, waiting lists and RTB are promptly reviewed and investigations undertaken as necessary.	24

687	National Fraud Initiative (NFI) matches in relation to Council Tax Single Person Discount are promptly reviewed and investigations undertaken as necessary.	24
688	National Fraud Initiative (NFI) matches in relation to procurement are promptly reviewed and investigations undertaken as necessary.	24
689	National Fraud Initiative (NFI) matches in relation to payroll are promptly reviewed and investigations undertaken as necessary.	24
738	Ticket sales and admission charges for museums are recorded and income received in full.	24
750	Regular reconciliation exercises are performed between the creditors (accounts payable) balances and the main accounting (general ledger) system records.	24
752	The purpose and scope of CCTV coverage in the admin buildings has been appropriately documented and a Privacy Impact Assessment undertaken.	24
753	The purpose and scope of CCTV coverage at the depot has been appropriately documented and a Privacy Impact Assessment undertaken.	24
754	The purpose and scope of CCTV coverage of playgrounds has been appropriately documented and a Privacy Impact Assessment undertaken.	24
755	The purpose and scope of CCTV coverage used by street scene/refuse has been appropriately documented and a Privacy Impact Assessment undertaken.	24
756	The purpose and scope of body worn CCTV has been appropriately documented and a Privacy Impact Assessment undertaken.	24
757	The purpose and scope of CCTV coverage in the town centres has been appropriately documented and a Privacy Impact Assessment undertaken.	24
758	The purpose and scope of CCTV coverage in the hippodrome has been appropriately documented and a Privacy Impact Assessment undertaken.	24
759	The purpose and scope of CCTV coverage in the Dolphin Centre has been appropriately documented and a Privacy Impact Assessment undertaken.	24
760	The purpose and scope of CCTV coverage at the museum has been appropriately documented and a Privacy Impact Assessment undertaken.	24
799	Confidential reporting/whistleblowing Policy is regularly reviewed and up to date.	24
800	The Local Transport Funding received is appropriately dealt with.	24
824	DoLS assessment outcomes are recorded on a client's electronic record.	24
825	There are appropriate system/controls in place to facilitate monitoring and validation of employee expenses in relation to car mileage/parking claims.	24
74	Delivery of tender management plan	48
80	Operate clear and robust insurance claim management and processing uninsured loss recovery.	48
100	Six monthly performance report to CMT	48
110	Early help and support provided by welfare support service	48
131	Planning and provision of school meals promotes healthy, nutritious eating in compliance with the School Food Standards.	48
196	Payments made to external employee therapy providers are accurate.	48
208	Communication and marketing budgets are effectively monitored and controlled.	48
209	Staffing requirements and associated costs are understood and effectively managed in relation to communication and media related activities.	48
211	Payments made by legal services to external providers or claimants are accurate and timely.	48
237	Payments to external leisure providers are effectively managed.	48
253	Finance and assets located at stand alone facilities for adults are adequately managed.	48
276	Landlord Accreditation Scheme membership is subject to an effective review and renewal process.	48
277	The Travellers Site is secure and maintained effectively.	48
278	Financial assistance provided to businesses is subject to appropriate appraisal and approval.	48
291	An appropriate infrastructure is in place to facilitate Internet usage for the organisation.	48
322	Approved absence has been granted in-line with policy and promptly recorded and correctly authorised.	48
406	Appropriate allocation of town centre market pitches.	48
410	Delivery of Safer Stockton Partnership objectives and key priorities.	48

419	Prompt removal of graffiti from public land and street furniture.	48
425	Provision of a confidential animal collection and rehoming service.	48
426	Prompt and effective response to reports of stray or abandoned animals.	48
427	Receipt of appropriate fees prior to release of lost animals to their owner.	48
434	Safeguarding of assets and equipment used in the delivery of arts and events.	48
436	Facilities are in place for the public to report litter, fly-tipping or missed kerb side collections.	48
447	Registrars and bereavement services income is received and recorded.	48
493	Payments to external communication and engagement providers are accurate and timely.	48
505	Allocation of Market pitches is monitored and feedback sought.	48
506	Details about market traders are accurate and up to date.	48
507	Permits/Waivers and Blue Badges are monitored for continued eligibility and an appeal process is in place.	48
508	Information relating to parking permits/waivers and Blue Badges is appropriately stored and kept up to date.	48
514	An appropriate fee has been received for building control applications.	48
559	COVID related business grants have been appropriately managed with eligibility confirmed.	48
565	Staff within Finance, Development & Regeneration have completed mandatory information governance training.	48
659	The procurement of Catering Supplies is in line with Contract Procedure Rules.	48
690	Children's services effectively engage with the tender management delivery plan.	48
692	Adults and Health effectively engage with the tender management delivery plan.	48
704	Adults and Health effectively engage with the contract management delivery plan.	48
739	Treasury Management Strategy and its implementation in relation to borrowing meets the Prudential Code and Treasury Management Code of Practice.	48
823	Accurate and timely fees received in relation to temporary traffic restrictions/road closures.	48

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**AUDIT COMMITTEE
26 APRIL 2023**

ACCOUNTING POLICIES TO BE APPLIED TO THE 2022/23 FINANCIAL STATEMENTS

SUMMARY REPORT

Purpose of the Report

1. To update Members on the accounting policies to be applied in the preparation of the 2022/23 Statement of Accounts (SoA).

Summary

2. This report confirms that the majority of the Accounting Policies used in the preparation of the 2021/22 Statement of Accounts remain appropriate subject to one significant change regarding accounting for Infrastructure Assets and the extension of the statutory override on IFRS9.

Recommendation

3. The Committee reviews the accounting policies and approves their use in the preparation of the 2022/23 financial statements.

Reasons

4. The recommendations are supported to provide the Audit Committee with evidence to reflect on progress in delivery of the 2022/23 Statement of Accounts.

**Elizabeth Davison
Group Director of Operations**

Background Papers

Code of Practice on Local Authority Accounting In the UK 2022/23

Peter Carrick: Extension 5401

S17 Crime and Disorder	There is no specific crime and disorder impact.
Health and Well Being	There is no specific health and well being impact.
Carbon Impact	Some of the initiatives contained within ICT Strategy will help contribute towards the carbon reduction commitments.
Diversity	There is no specific diversity impact.
Wards Affected	All wards are affected equally.
Groups Affected	All groups are affected equally.
Budget and Policy Framework	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.
Council Plan	This report has no particular implications for the Council Plan.
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.

MAIN REPORT

5. The Accounts and Audit Regulations 2015 and the Local Government Act 2003 require that the Statement of Accounts is produced in accordance with proper accounting practices.
6. One of the responsibilities of the Audit Committee is:
7. *'To review the annual statement of accounts prior to approval. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council'.*
8. Accounting policies are defined in the CIPFA Code of Practice for Local Authority Accounting in the UK 2022/23 as the 'specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements'.
9. The majority of the proposed accounting policies are in line with those used in the preparation of the 2021/22 accounts, however there is one significant change regarding the accounting policy for Infrastructure Assets and there is also the extension of the statutory override on IFRS9.
10. In accordance with the provisions of the Local Authorities (Capital Finance and Accounting) (Amendment) Regulations 2022 the Authority has determined the carrying value of any Infrastructure Asset components replaced during the accounting period to be nil. This statutory override is in place until 31st March 2025 to allow CIPFA and CIPFA LASAAC to consider the difficulties and possible solutions to accounting for Infrastructure Assets.

11. Although work is ongoing to establish the effect of IFRS 9 on the Council's accounts there is a statutory override introduced by the Government that enables the Council to take advantage of it in its treatment of its property funds. This statutory override was due to end in March 2023 but had now been extended for a further 2 years up to 31st March 2025.
12. The full list of accounting policies the Council proposes to disclose in its Statement of Accounts notes are detailed in **Appendix 1**.

Appendix 1

Statement of Accounting Policies

a) General principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. The principal accounting policies have been applied consistently throughout the year.

These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b) Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance is written down and a charge made to revenue for the income that might not be collected. The Council has adopted a de minimis level of £500 for year-end accruals which means that they are not included in the accounting statements.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

The only exceptions to these principles where costs are not apportioned between years are:

- housing rents are shown in whole weeks
- quarterly accounts e.g. electricity are reflected on the basis of four payments per year.

This policy is consistently applied each year and does not materially affect the accounts.

c) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions, including on-call accounts and deposits with Money Market Funds, repayable without penalty on notice of not more than 24 hours held to meet short-term cash commitments. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

d) Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

e) Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off, and
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the general fund balance (Minimum Revenue Provision), by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

f) Council tax and non-domestic rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for council tax and NDR

The council tax and NDR income included in the comprehensive income and expenditure statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's general fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the general fund is taken to the collection fund adjustment account and included as a reconciling item in the movement in reserves statement.

The balance sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

g) Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi time or time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the relevant service line or, where applicable, to a corporate service line at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund to be charged with the amount payable by the Council to the pension fund or

pensioner in the year, not the amount calculated according to the relevant accounting standards although it is the Council's policy not to award any such enhancements.

Post-employment benefits

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pension Scheme, administered by NHS Pensions
- The Local Government Pensions Scheme, administered by Durham County Council.

The schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees of the Council.

However, the arrangements for the teachers' and the NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the balance sheet. The Peoples Services line in the comprehensive income and expenditure statement is charged with the employer's contributions payable to Teachers' Pensions in the year as is the employer's contributions payable to the NHS Pension scheme in the year.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Durham County Council pension fund attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Durham County Council pension fund attributable to the Council are included in the balance sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the comprehensive income and expenditure statement to the services for which the employees worked;
 - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement.
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising
 - the return on plan assets - excluding amounts included in net interest on the net defined liability (asset) charged to the pensions reserve as other comprehensive income and expenditure.
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the pensions reserve as other comprehensive income and expenditure.
 - Contributions paid to the Durham County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve

thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

h) Events after the reporting period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the statement of accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period - the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

i) Financial instruments

Financial liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the comprehensive income and expenditure statement is the amount payable for

the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the comprehensive income and expenditure statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the comprehensive income and expenditure statement, regulations allow the impact on the general fund balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the comprehensive income and expenditure statement to the net charge required against the general fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves statement.

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

- amortised cost,
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the

comprehensive income and expenditure statement is the amount receivable for the year in the loan agreement.

The Council has the facility to make loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the comprehensive income and expenditure statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement at a marginally higher effective rate of interest than the rate receivable from the recipients of the loans, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the comprehensive income and expenditure statement to the net gain required against the general fund balance is managed by a transfer to or from the financial instrument adjustment account in the movement in reserves statement.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the financing and investment income and expenditure line of the comprehensive income and expenditure statement.

Expected credit loss model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council has a portfolio of a number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in

other comprehensive income.

Financial assets measured at fair value through profit and loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair Value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

Fair value measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs - inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs - unobservable inputs for the asset.

Any gains or losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

An equity instrument can be elected into a FVOCI treatment rather than a FVPL treatment if it is not held for trading. The Council has reviewed its assets that would be measured at FVPL on the basis of the business model and has elected to classify instruments as either FVPL or FVOCI on an instrument by instrument basis based on the assessed benefit to the Council from the chosen classification.

As far as Durham Tees Valley Airport shares are concerned the Council has elected to treat them as an equity instrument which is not held for trading and therefore will be utilising the FVOCI treatment.

Instruments entered into before 1st April 2006

The Council has a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that it is shown in contingent liabilities (note 27).

j) Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the comprehensive income and expenditure statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant Income and expenditure (non-ringfenced revenue grants and all capital grants) in the comprehensive income and expenditure statement.

Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance in the movement in reserves statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

k) Heritage Assets

A heritage asset is defined as an asset with 'historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture'.

Heritage assets are accounted for in accordance with the Council's accounting policies on property, plant and equipment except 'where it is not practical to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, heritage assets

shall be measured at historic cost.' Valuations may also be made by any method that is appropriate and relevant.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. If any heritage assets are disposed of then the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

l) Interests in companies and other entities

The Code of Practice on Local Authority Accounting 2022/23 requires local authorities to produce group accounts to reflect significant activities provided to council taxpayers by other organisations in which an authority has an interest. The Council has interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interest in companies and other entities are recorded as financial assets at cost, less any provision for losses.

m) Inventories and long-term contracts

Inventories are included in the balance sheet at the lower of cost and net realisable value, with the exception of stores held at Allington Way Depot, which are valued at last price paid. This is a departure from the Code of Practice but the effect of the different treatment is not material. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works.

Long-term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

n) Investment properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

o) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent upon the use of specific assets.

The Council as lessee

Finance leases

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability; and
- a finance charge (debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the comprehensive income and expenditure statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

The Council as lessor

Finance leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the comprehensive income and expenditure statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement).

The gain credited to the comprehensive income and expenditure statement on disposal is not permitted by statute to increase the general fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the general fund balance to the capital receipts reserve in the movement in reserves statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the general fund balance to the deferred capital receipts reserve in the movement in reserves statement. When the future rentals are received, the

element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the comprehensive income and expenditure statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

p) Overheads and support services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

q) Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rentals to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Capital expenditure under £5,000 is classified as de-minimis and is charged to the comprehensive income and expenditure statement. The de-minimis expenditure is financed using existing capital resources or by borrowing, this is posted out of the general fund balance to the capital adjustment account in the movement in reserves statement so there is no impact on the levels of council tax.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but that does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income line of the comprehensive income and expenditure statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance to the capital adjustment account in the movement in reserves statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction - depreciated historical cost;
- dwellings - current value, determined using the basis of existing use value for social housing (EUV - SH);
- school buildings - current value, but because of their specialised nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- surplus assets - the current value measurement basis is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

For infrastructure assets, the Authority has determined the carrying value of any components replaced during the accounting period to be nil, in accordance with the provisions of the Local Authorities (Capital Finance and Accounting) (Amendment) Regulations 2022. Further detail regarding the accounting arrangements for infrastructure assets is provided at Note 16 Property, Plant and Equipment.

Where there is no market-based evidence of current value because of the specialised nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the comprehensive income and expenditure statement.

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down

against that balance (up to the amount of the accumulated gains);

- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the comprehensive income and expenditure statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer;
- infrastructure - straight-line allocation over 30 years.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Assets valued higher than £1m that are made up from different components and whose cost is significant in relation to the total cost of the item are depreciated on a component by component basis. The components used are host (structure), externals, services and roof. Once separated, depreciation is charged across each components useful life as appropriate.

Revaluations gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the general fund.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the

lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the comprehensive income & expenditure statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the comprehensive income and expenditure statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the Government. The balance of receipts remains within the capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the general fund balance in the movement in reserves statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

r) Private finance initiative (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the assets used under the contract on its balance sheet as part of property, plant and equipment (unless the PFI scheme is a school that has subsequently transferred to Academy status and then it will be removed from the Council's balance sheet).

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the balance sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into three elements:

- fair value of the services received during the year - debited to the relevant service in the comprehensive income and expenditure statement,
- finance cost - an interest charge of 4.77% on the outstanding balance sheet liability, debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement,
- payment towards liability - applied to write down the balance sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

s) Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the comprehensive income and expenditure statement when the Council has an obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in note 27 to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential although at present the Council doesn't have any contingent assets.

t) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the general fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on provision of services in the comprehensive income and expenditure statement. The reserve is then transferred back into the general fund balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

u) Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the comprehensive income and expenditure statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the movement in reserves statement from the general

fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

v) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue & Customs (HMRC). VAT receivable is excluded from income.

If the Council was unable to recover exempt input tax it would be included as an expense in the comprehensive income and expenditure statement.

w) Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority.

The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

x) Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in highest or best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability.

y) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the comprehensive income and expenditure statement or in the notes to the financial statements, depending on how significant the items are to an understanding of the Council's financial performance.

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