
AUDIT SERVICES ANNUAL AUDIT PLAN 2008/09 – PROGRESS REPORT

Purpose of Report

1. To provide Members with a progress report against the 2008/09 Annual Audit Plan in accordance with Audit Services' role and terms of reference.

Information and Analysis

2. The Annual Audit Plan for 2008/09 was approved by the Audit Committee in March 2008 (Minute A40/March/08) and this report covers progress made during the first five months of the year i.e. to 31st August, 2008.
3. 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.
4. In order to portray progress three Appendices are attached: -
 - (a) **Appendix A** – summarises the outcome from Audit Assignments undertaken and outlines those in progress.
 - (b) **Appendix B** – details some of the more significant outputs from consultancy/corporate arrangements work/contingency activity carried out.
 - (c) **Appendix C** - states Audit Services' Performance Indicators and gives results or year-end projections
5. The results of audit assignments carried out to 31st August, 2008 are shown at **Appendix A**. Audit work was undertaken on the core financial system of corporate income that resulted in a substantial assurance opinion and three further primary schools are considered to have attained the Department for Children, Schools and Families (DCSF) Financial Management Standard.
6. In line with good practice, at an appropriate time, Audit Services follow up with Managers progress on implementation of recommendations agreed in audit reports. It is pleasing to report no matters of concern on this point both from an internal and external audit perspective.
7. The Section has worked on a number of consultancy projects identified in the original Audit Plan and with recognised flexibility some have been replaced by others at the request of individual Directors. Some of the more significant outputs from consultancy, corporate arrangements work and contingency activity carried out are identified in Appendix B. This

appendix reflects that the focus of much of the audit effort in this period has been on special investigation work.

8. In addition, work has continued to further implement/develop use of the new audit management software, MK Insight, to streamline the audit process.
9. The position is positive upon Key Performance Indicators (Appendix C) with operational targets likely to be achieved. Assessment work on the CPA Use of Resources Internal Control Environment KLOE is scheduled for Autumn 2008 by PwC.
10. The Unit has also responded to routine requests from Departments for advice and guidance upon operational matters.

Recommendations

11. It is recommended that the progress report against the 2008/09 Annual Audit Plan be noted.

Brian James
Head of Corporate Assurance

Background Papers

- (i) Audit Services' Role and Terms of Reference.
- (ii) Audit Assignment Executive Summaries.
- (iii) Audit Advice and Consultancy Sheets

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AUDIT SERVICES SECTION

SUMMARY OF AUDIT ASSIGNMENTS UNDERTAKEN FOR THE FIRST 5 MONTHS OF 2008/09

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
Corporate Services	Corporate Income System	Substantial		
Community Services	Arts Centre	Substantial		
	Arts Centre Catering	Substantial		
Children's Services	Primary Schools x3	Substantial Assurance & FMSiS pass		
Corporate Core	Local Area Agreement	N/A	Opinion not given as work non-standard appraisal. Expenditure for 2007/08 verified in accordance with grant terms and conditions to enable the Director of Corporate Services to certify the grant statement	
	Data Quality/Performance Indicators	N/A	Opinion not given as work non-standard appraisal. Efforts concentrated on assisting with delivery of the Council's Data Quality Strategy implementation plan and following up PwC's 2007 data quality review and spot checks report in preparation for the 2008 audit.	
	Mayors Charity Fund	N/A	Annual audit of accounts completed.	

ASSURANCE OPINIONS

<u>OPINION</u>	<u>DEFINTION</u>
Full Assurance	All controls in place and operating effectively – the system will achieve its objectives.
Substantial Assurance	The majority of controls in place and operating effectively although some control improvements required- the system should achieve its objectives.
Limited Assurance	Certain important controls inadequate or in place but operating ineffectively – there is a risk that the system may not achieve its objectives.
Minimal Assurance	The majority of controls weak , not present or failing – it is likely that the system will not achieve its objectives

SUMMARY OF AUDIT ASSIGNMENTS IN PROGRESS

Department	Audit Assignment	Stage of Audit
Corporate	Council Tax/NDR	Fieldwork commenced
	Creditors	Fieldwork ongoing
	Corporate Premises Risk and Facilities Management Database	Draft Report Stage
Community	Creditors	Fieldwork ongoing
	Independent Sector – Assessment and Payments	Field work commenced
	Learning Disability Day Service	Field work concluded
	Civic Theatre Box Office and Front of House	Fieldwork concluded
Core Corporate	Grants	Field work ongoing

Summary of the More Significant Outputs From Consultancy/Corporate Arrangements

Work/Contingency Activity Undertaken During the first 5 months of 2008/09

Department	Description	Output
Corporate Services	Darlington and Stockton Partnership	Work ongoing with colleagues in Stockton Internal Audit and the respective External Auditors, PwC and the District Audit Service, to further develop and help facilitate the approach to both the internal and external audit of the Partnership.
Community Services	Upgrade of Bankline	Implementation of the web based Bankline system completed.
	Artifax Leisure Facilities Management system	Initial scoping meetings held in respect of the introduction of the Artifax Events Management system
	Special Investigation	Investigation completed in respect of a significant cash discrepancy. At Crown Court, the defendant pleaded guilty to theft and was sentenced to twelve months imprisonment, suspended for two years
	Special Investigation	Providing assistance with an investigation being undertaken in respect of alleged misappropriation of Council stock. The investigation remains ongoing.
	Special Investigation	Providing assistance with an investigation being undertaken into an allegation of unauthorised payments being made to an employee. The investigation has been concluded with action being taken by management to strengthen appropriate internal control mechanisms.
Children's Services	Special Investigation	Providing assistance with an investigation into allegations of misuse of Council funds and assets.
Corporate Core	NFI 2008	Review of fair processing notice requirements carried out in accordance with the new Code of Data Matching Practice (July 2008), relevant application forms and internet updated. Liaison with Xentrall IT and department staff in preparation for data extract due October 2008.
	CPA 2008	Compilation and referencing of evidence base for Internal Control KLOE in preparation for the external Use of Resources Assessment by PwC.
	Annual Review of Internal Audit Effectiveness	Participated in the independent review of Internal Audit effectiveness required by the Accounts and Audit Regulations 2006. Outcome of the review, that concluded the Council has an effective system of Internal Audit, was reported to the Audit Committee in June 2008.

AUDIT SERVICES – KEY PERFORMANCE INDICATORS 2008/09

Indicator	Target for Year	Outcome/Year End Projection
1. The Council's Internal Control environment overall – as evaluated through CPA Use of Resources Key Lines of Enquiry (KLOE).	4/4	Assessment work scheduled for Autumn 2008
2. Elements of the Internal Control KLOE : <ul style="list-style-type: none"> The Council manages its significant business risks. The Council has arrangements in place to maintain a sound system of internal control. The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business. 	4/4 4/4 4/4	Assessment work scheduled for Autumn 2008
3. Days per auditor as per CIPFA Benchmarking Statistics for Unitary Authorities.	183 Top Quartile	On target to achieve
4. Cost per audit day as per CIPFA Benchmarking Statistics for Unitary Authorities	£284 Second bottom quartile	On target to achieve
5. Customer satisfaction rating received from client surveys following the completion of each audit assignment (where 1 = Very Poor to 5 = Very Good)	Average 4	On target to achieve
6. Maintain ISO 9001 : 2000 Quality Accreditation	Achieve	Achieved
7. % of planned pre determined audit assignments completed within the year relative the agreed audit plan	92%	92%
8. % of audit recommendations accepted by client, with a priority of high or medium priority	100%	100%
9. % of agreed audit assignments carried out within the year on core financial systems	100%	100%
10. % of audit assignments completed within 10% of the planned time allocated for each assignment	92%	92%
11. % of draft audit reports for each audit assignment completed within 7 working days of the exit meeting	100%	100%
12. % of final reports for each audit assignment issued within 3 working days of receipt of response to draft	100%	100%
13. % of agreed consultancy project work concluded to the satisfaction of the client manager	100%	100%
14. Maintain service costs within budget	Achieve	On target to achieve
15. % of workforce receiving PDRs	100%	100%
16. % of planned audit assignments where the client was given 5 working days notice of, or agreed a timescale for, the commencement of the audit	100%	100%