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**AUDIT SERVICES' ANNUAL REPORT 2011/12**

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**Purpose of Report**

1. To provide the Committee with Audit Services' Annual Report for 2011/12 in accordance with its role and terms of reference.

**Information and Analysis**

2. The Annual Audit Plan for 2011/12 was approved by this Committee in April 2011 (Minute No. A45/April/11) and Audit Services' Annual Report against this plan is attached at **Appendix A.**
3. The Annual Report should be considered in the context of fulfilling the function to monitor the adequacy and effectiveness of the Council's internal control environment and the Internal Audit service provided.
4. The report details the internal audit service provided; operational performance achieved; audit assignment, consultancy/corporate arrangements work and contingency activity undertaken; outcomes against key performance indicator targets; and looks forward to the next financial year.
5. The outcomes from the audit assignments undertaken, together with the positive responses from management to accept and implement required improvements to control systems, complemented by consultancy work carried out to advise and assist management to establish appropriate controls at source, demonstrate that the Council continues to operate within a control environment that is generally sound.
6. This positive position upon the Council's internal control environment will be reflected in the Council's Annual Governance Statement which will accompany the Statement of Accounts for 2011/12.

**Recommendations**

7. It is recommended that Audit Services' Annual Report for 2011/12 be noted.

**Reasons**

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

**Brian James**  
**Head of Corporate Assurance**

**Background Papers**

- 1 Audit Services' Role and Terms of Reference
- 2 Audit Assignment Executive Summaries
- 3 Annual Audit Letter 2010/11
- 4 CIPFA Audit Benchmarking Statistics for Unitary Authorities

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EAC

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

**AUDIT SERVICES  
ANNUAL REPORT  
2011/12**

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## **1. Introduction**

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- 1.1 Audit Services comprises an establishment of 4.3 full time equivalent staff and operates in accordance with professional standards.
- 1.2 The aim of the Section is to provide an independent and objective service that wherever possible adds value to the business of clients by being responsive to their needs, constructive in approach, appraisal and recommendations, whilst satisfying statutory responsibilities.
- 1.3 The position on performance targets and objectives set for the year upon service standards, staffing and customer/service quality was positive and this solid base of internal audit service delivery is a major benefit to the Council with the increased importance of the corporate governance agenda.
- 1.4 The remainder of this report chronicles in more detail operational performance during the year.

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## 2. Service Provided

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- 2.1 The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs”. The Accounts and Audit (England) Regulations 2011 (SI 2011/817), regulation 6, specifically requires that a “relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”. The Director of Resources has been delegated with this requirement by the Council and the Audit Services Section carry out the internal audit role.
- 2.2 The guidance accompanying the legislation states that proper internal control practice for internal audit are those contained within the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 2.3 The system of internal control is the broad framework of assurance established to satisfy the Council that the risks to achieving its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation. This assurance framework is documented at **Appendix 1**.
- 2.4 Although internal audit has a statutory basis and therefore, has a major corporate inspection and monitoring role, it is operated as a service to management and provides assurance and consultancy upon all aspects of management and administration. Audit Services has limited resources and consequently its workforce is deployed in accordance with an audit strategy having regard to relative risks and levels of assurance required, translated into an agreed annual plan.
- 2.5 Service level agreements are in place across the client base that include details upon audit assignments, consultancy tasks, charges, working protocols, response times and client responsibilities.

### 3. Operational Performance

- 3.1 A summary of the year in person days is outlined in the following table, which analyses chargeable time, by category, as well as non chargeable and non productive time

<b>Summary of 2011/12 Year In Person Days</b>				
	<b>Annual Plan</b>	<b>Actual Allocation</b>	<b>Variance</b>	
			+	-
<b>Chargeable Time</b>				
• Audit Assignments	520	421		99
• Advice and Consultancy	100	115	15	
• Corporate Arrangements	100	123	23	
• Contingency Allocation	80	172	92	
<b>SUB TOTAL</b>	<b>800</b>	<b>831</b>	<b>130</b>	<b>99</b>
<b>Non Chargeable Time</b>				
• Training, ISO Administration, Supervision and Management etc.	81	88	7	
<b>Non Productive Time</b>				
• Annual Leave, Bank Holidays, Sickness etc.	266	228		38
<b>TOTAL</b>	<b>1147</b>	<b>1147</b>	<b>137</b>	<b>137</b>

- 3.2 Actual chargeable time in total during the year was slightly higher than that planned. The increase of 31 person days resulted from an employee returning to work sooner than anticipated from maternity leave and this also reflects in the decrease in non productive time.
- 3.3 Variations to the audit assignment element of the plan were discussed at the Audit Committee during the year and the range of activity undertaken on consultancy work and contingency tasks were agreed with Directors.



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#### **4. Review of Audit Assignment Work**

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- 4.1 Planned audit assignments for the year totalled 48 of which 43 were completed i.e. 90%. These audits spanned all Groups of the Council and details of the assignments undertaken, together with the audit opinion and relevant commentary where the assurance opinion was less than substantial, is shown at **Appendix 2**.
- 4.2 Audit work was undertaken on the core financial systems of corporate income, creditors, payroll, council tax/NDR, housing rents and housing benefits. All resulted in substantial assurance opinions with the exception of credit and debit card processing within Corporate Income, Council Tax/NDR, Place Group Creditors and the use of Purchasing Cards where limited assurance opinions were given. Management responded positively to the audit findings and as regards:
- Credit and Debit Card Processing – progress continues to be made in achieving compliance with the voluntary PCI Standard.
  - Council Tax/NDR – improvements agreed to the control processes in respect of empty properties, single person discount and credit balances.
  - Place Group Creditors – improvements agreed to the authorisation process.
  - Purchasing Cards – a corporate policy governing their use is now in place and procedural documentation has been updated.
- 4.3 Other instances of less than substantial assurance were more service/establishment based and again, in all cases, management have responded positively to the audit reviews. In respect of:
- Registrars - improvements implemented in the control of income.
  - Estates – improvements agreed on the consistency of procedures operated including the need for documented management/audit trails.
  - Sub Contract Tendering Arrangements – improvements agreed to the procedures used for the selection of firms to tender.
  - Civic Theatre Front of House – improvements implemented in the management of till processes and stock/income reconciliations reintroduced.
  - Stressholme Club House – improvements implemented in the management of stock/consumption discrepancies and till processes.
  - Eastbourne Sports Complex – improvements agreed to control processes on income, pricing and outstanding debts.
  - Head of Steam – improvements agreed in the cataloguing of the collection and the control of items for sale.
- 4.4 As regards audit assignments in general, in line with good practice, at an appropriate time Audit Services follow up with Managers progress upon the implementation of recommendations agreed in audit reports. As part of this follow up process, any significant recommendations remaining outstanding are reported quarterly to the Audit Committee. It is pleasing to report generally no matters of concern on this point.
- 4.5 The overall outcomes from the audit assignments undertaken, together with the positive responses from management to accept and implement required improvements to internal control systems, demonstrate that the Council continues to operate within a control environment that is generally sound.

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## 5. Review of Outputs from Consultancy and Corporate Arrangements Work/Contingency Activity

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- 5.1 The Section worked upon a number of corporate arrangements and consultancy projects identified in the original Audit Plan but with recognised flexibility some were replaced by others at the request of Directors or given up to contingency activity with their agreement. A summary of the more significant outputs from this work is given at **Appendix 3**.
- 5.2 The work undertaken included governance matters; systems improvement support through contributing to the transformation projects on for example the Sales Ledger and Procure to Pay; and carrying out investigations into irregularities following which appropriate action was taken by management on findings.
- 5.3 In addition to the outputs stated in **Appendix 3**, the Section responded to numerous and wide ranging requests from Groups, including schools, for advice and assistance upon all aspects of the Council's internal control framework.
- 5.4 Generally, the aim of the consultancy work is to complement the audit review process by advising and assisting management to implement, at source, appropriate internal controls within systems. This approach is seen as an effective way to help underpin the sound nature of the Council's control environment.

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## **6. Annual Governance Statement**

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- 6.1 In accordance with statutory requirements the Council must publish an Annual Governance Statement to accompany the Statement of Accounts for 2011/12.
- 6.2 Audit Services' contribution to this statement will be positive since, as a result of the range of audit work undertaken, it is concluded that overall the Council continues to operate within a control environment that is generally sound.
- 6.3 This conclusion is consistent with the outcomes from the broader assurance framework documented at **Appendix 1**.

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## 7. Performance Indicators

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- 7.1 A summary of outcomes against targets and objectives for the year covering service standard, customer satisfaction and service quality and staffing is included at **Appendix 4**. The position shown is positive.
- 7.2 Audit Services maintained accreditation under the ISO 9001:2008 Quality Standard for all aspects of business following external scrutiny by the accreditation body. The system itself reflects Audit Services' proactive approach to involving clients in the audit process with the belief that by working in partnership the more both parties will benefit. Indeed, the results from client satisfaction surveys undertaken following each audit assignment remain impressive and demonstrate the high regard clients have for the service provided.
- 7.3 Productive days per auditor were top quartile as measured by the CIPFA Benchmarking Statistics for Unitary Authorities and costs per audit day were within the second lowest quartile. All other operational targets were achieved with the exception of completed audit assignments relative to the agreed Audit Plan where an outturn of 90% was attained against a target of 92%, explained by certain schools scheduled for audit converting to academy status and time required for special investigation cases; and audit assignments completed within 10% of the planned time allocated where an outturn of 88% was attained against a target of 92%, explained by additional work required on particular audits that resulted in limited assurance opinions.

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## **8. The Future**

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The aim of Audit Services for the year ahead is to continue to deliver an efficient and effective service as the council continues to respond to the challenge of significant reductions in funding levels with delivery of its New Business Model, approved by Cabinet in November 2009.

System of Internal Control

The Framework of Assurance established to satisfy the Council that the risks to achieving its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation

Risk	Assurance Provider	Sources of Assurance	Links to Internal Audit Work Plan	Reporting to Members
Internal Control environment inadequate/ineffective.	Internal Audit	Internal Audit Strategy. Internal Audit's Role and Terms of Reference. Risk based Annual Internal Audit Plan. Internal Audit Reports/opinions and outcomes from consultancy work undertaken.	Internal Audit Strategy. Internal Audit's Role and Terms of Reference. Risk based Annual Internal Audit Plan. Internal Audit reports/opinions and outcomes from consultancy work undertaken.	Internal Audit's Strategy, Role and Terms of reference and Annual Audit Plan approved by the Audit Committee. Quarterly/Annual Reports to the Audit Committee on progress/outcomes against the Annual Audit Plan. Annual Report includes an overall opinion on the Council's control environment.
The financial position of the Council not presented fairly in the Financial Statements; the Annual Governance Statement not presented in accordance with relevant requirements; and proper arrangements are not in place to secure economy, efficiency and effectiveness in the use of resources.	External Audit	Risk based External Audit Plan. External Audit Reports/opinions.	Internal Audit's Annual Audit Plan discussed with External Audit to facilitate External audit planning and minimise the duplication of audit effort wherever possible.	External Audit Plan and External Audit Reports, including the Annual Audit Letter, considered by the Audit Committee. Annual Audit Letter considered by Cabinet.

Inadequate provision of services to the people of Darlington.	External Inspection Agencies	External Inspection Agencies' reports.	External Inspection reports reflected upon in the Internal Audit planning process.	External Inspection reports considered by Cabinet.
Business risk processes inadequate/ineffective.	Risk Management and Insurance Section	Risk Management Strategy Corporate/Group Risk Registers. Corporate Risk Management Group and Sub-Group Agendas and Minutes. Officer/Member Training.	Annual Audit Plan developed with reference to Corporate/Group Risk Registers. Risk Management function subject to periodic Internal Audit review as part of the cyclical audit process.	Risk Management Strategy endorsed by the Audit Committee and approved by Cabinet. Six-monthly/Annual Reports to the Audit Committee on the outcomes from the Council's risk management processes.
Fraud and corruption arrangements inadequate/ineffective.	Internal Audit and Benefits Enquiry Unit.	Anti-Fraud and Corruption Strategy, Policy, Fraud Response Plan, Anti-Money Laundering Policy and Anti-Bribery Policy and Procedures. Housing Benefit/Council Tax Anti-Fraud Strategy, Policy and Sanctions Policy. Confidential Reporting Policy. Internal Audit reviews of arrangements. Outcomes from bi-annual National Fraud Initiative exercises co-ordinated by the Audit Commission. Internal Audit/Benefits Enquiry Unit case files.	Anti-Fraud and Corruption arrangements, including National Fraud Initiative exercises, administered by Internal Audit. The potential for a service to be susceptible to fraud reflected within Internal Audit's risk assessment model that underpins the annual audit planning process. Internal Audit review of Housing Benefits conducted on an annual basis.	Fraud related Policies and Strategies approved by the Audit Committee/Council. Confidential Reporting Policy approved by Council. Annual Reports to the Audit Committee on the outcomes from the Council's anti-fraud and corruption arrangements.
Information governance arrangements inadequate/ineffective.	Information Security Section within Xentrall, Legal Services and External Audit.	Corporate Information Governance Policy, Information Governance Strategy, Information Security Policy and associated delivery framework. COB Agendas/Minutes. Officer/Member Training. Data Quality reflected upon by External Audit in their VFM assessment.	Information Governance/Sensitivity of data is reflected within Internal Audit's risk assessment that underpins the annual audit planning process. Information Governance subject to periodic Internal Audit review as part of the cyclical audit process.	Corporate Information Governance Policy, Information Governance Strategy and Information Security Policy approved by Cabinet. Six-monthly reports to the Audit Committee on progress with implementation of the Policies. External Audit VFM assessment considered by the

				Audit Committee and Cabinet.
Internal control environment of relevant areas of Xentrall inadequate/ineffective.	Stockton BC Internal Audit	Risk based Annual Internal Audit Plan. Internal Audit reports/opinions and outcomes from consultancy work undertaken.	Joint working protocol agreed between the Internal Audit Services of Stockton and Darlington to cover Xentrall audits. Copies of all relevant Stockton BC Internal Audit Reports on Xentrall forwarded to Darlington Internal Audit for information.	Stockton BC's Annual Audit Plan related to Xentrall considered by the Audit Committee. Quarterly Reports to the Audit Committee on progress/outcomes against the Annual Audit Plan.
Local Code of Corporate Governance not implemented.	Corporate Group responsible for drafting the Annual Governance Statement.	Local Code of Corporate Governance Local Code individual key documents/functions matrices, completed by relevant Lead Officers, posted on the intranet covering awareness, monitoring and review. Six Monthly update reports to the Audit Committee in respect of the application of Corporate Governance within the Authority.	Internal Audit direct effort annually to validate evidence quoted in the individual key documents/functions matrices posted on the intranet.	Local Code endorsed by the Audit Committee and approved by Council. Six-monthly reports to the Audit Committee on progress with implementation of the Code.
Grant processes inadequate.	External Audit	External Audit Report on audited Grant Claims and Returns.	Grant process arrangements subject to annual review by Internal audit.	External Audit Report on Grant Claims and Returns considered by the Audit Committee.
Health and Safety practices and processes inadequate/ineffective.	Health and Safety Unit	Corporate Health and Safety Policy Risk Assessments Reportable Accident Statistics Outcomes from audits undertaken by the Health and Safety Unit. Officer/Member Training.	Health and Safety function subject to periodic Internal Audit review as part of the cyclical audit process.	Corporate Health and Safety Policy approved by Cabinet. Council's performance on health and safety reported annually to Resources Scrutiny and Audit Committee.
Property management arrangements inadequate.	Corporate Premises Risk Group	Corporate Premises Database System and supporting documentation.	Corporate Premises Database System subject to periodic Internal audit review as part of the cyclical audit process.	Property management arrangements included in Council Risk Registers and, as such, included within member



				reporting arrangements for business risk processes.
Management control in respect of operational aspects of the business inadequate.	Managers/Schools Assurance Statements.	Annual signed Statements from Assistant Directors and schools.	Arrangements administered and outputs scrutinised by Internal Audit.	Annual report to the Audit Committee on the outcomes from the Assurance Statement process.
Capital Project management arrangements inadequate/ineffective.	Asset Management and Capital Programme Review Board	Asset Management and Capital Programme Review Board Agendas/Minutes and supporting information.	Project Office function subject to periodic Internal Audit review as part of the cyclical audit process.	Project Position Statement reported regularly to Cabinet.
Partnership governance arrangements inadequate.	Partnership Lead Officers	Annual Partnership Toolkit Questionnaires completed by relevant Council Partnership Lead Officers and supporting documentation.	Partnership Governance Arrangements subject to periodic Internal Audit review as part of the cyclical audit process.	Partnership Toolkit approved by Cabinet. Annual report to Cabinet on the operations of significant partnerships.
Treasury management arrangements inadequate.	Corporate Assurance Division	Treasury Management Policy Statement, Strategy, Prudential Indicators and Procedures.	Treasury Management function subject to periodic Internal Audit review as part of the cyclical audit process.	Treasury Management Policy Statement, Strategy and Prudential Indicators considered by the Audit Committee and approved by Council. Treasury Management Procedures approved by the Audit Committee. Regular/Annual Reports to the Audit Committee and Cabinet on the performance of the Treasury Management function.
Financial management arrangements inadequate/ineffective.	Accounting Services	Medium Term Financial Plan. Corporate Budget Setting/Monitoring processes and supporting documentation. Officer/Member Training.	Financial management arrangements subject to periodic Internal Audit review as part of the cyclical audit process.	Medium Term Financial Plan approved by Council. Quarterly Reports to Cabinet on Financial Performance.
Ethical health	Legal Services	Member Code of Conduct.	Legal Services Reports reflected	Members and Officers Codes

arrangements inadequate.		Officer Code of Conduct. Ombudsmen complaints and outcomes. Member/Officer Training.	upon in the audit planning process.	of Conduct endorsed by Standards Committee and approved by Council. Standards Committee meet regularly to consider a range of relevant reports. Regular report to cabinet on Ombudsmen complaints and outcomes.
Ineffective system of internal audit	Senior Group of Officers	Annual Review of the system of internal audit and supporting documentation conducted in accordance with the Accounts and Audit Regulations.	Internal Audit direct effort annually to support the review process.	Annual Review of the system of internal audit considered by the Audit Committee.

## SUMMARY OF AUDIT ASSIGNMENTS UNDERTAKEN FOR 2011/12

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
Resources	Corporate Income System	Departmental Controls – Substantial Plastic Card Industry Data Security Standard - Limited	Progress continues to be made in respect of achieving compliance with the PCI Standard. However issues remain in respect of the Culture booking systems where new upgrades to the software are required before compliance can be sought	The position is to be reviewed upon completion of the options review of Cultural Services to include consideration to upgrade or to seek a hosted solution from the supplier.
	Payroll	Substantial		
	Contract Management Arrangements - Xentrall	Substantial		
	Procurement – Purchasing Cards	Limited	Issues identified around the need for a corporate policy governing p card use and requirement to update procedural documentation, review spending limits and improve the overall monitoring of spend.	Management have responded positively to the audit findings and an action plan has been agreed to facilitate the improvements required.
	Trusts and Funds	N/A	Accounts audited in accordance with Charity Commission guidelines. A satisfactory position was noted.	
	Registrars	Limited	Issue identified around fundamental flaws in the financial processes operated to account for income.	Management have responded positively to the audit findings and with the assistance of Audit

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
				Services, revised processes have been introduced and additional training provided to facilitate the improvements required.
	Estates	Limited	Issues identified around the consistency of file formats and operational procedures. In particular the need for a documented management/audit trail in respect of a number of processes.	Management have responded positively to the audit findings and an action plan has been agreed to facilitate the improvements required.
	Administration of Client Finances	Substantial		
	Creditors	Substantial		
<b>Place</b>	Car Parking	Substantial		
	Civic Theatre	Box Office – Substantial  Front of House - Limited	Issues identified with the need to undertake stock/income evaluations on confectionery/ice cream sales; management of processed till voids and refunds; and the standard of financial record keeping.	Management have responded positively to the audit findings and an action plan has been agreed to facilitate the improvements required.
	Arts Centre	N/A	Opinion not given as work non standard appraisal. Evaluation undertaken of decommissioning project plan and assistance given in respect of completion of inventory records and disposal arrangements for surplus	

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
			equipment, etc.	
	Stressholme – Golf Course	Substantial		
	Stressholme – Club House	Limited	Issues identified with management monitoring of stock/consumption discrepancies, till procedures and security arrangements.	Management have responded positively to the audit findings and an action plan has been agreed to facilitate the improvements required.
	Eastbourne Sports Complex	Limited	Issue identified around income controls, including over /shorts, voids/refunds, pricing and outstanding debts.	Management have responded positively to the audit findings and an action plan has been agreed to facilitate the improvements required.
	Waste Management Contract	Substantial		
	Street Scene	Substantial		
	Sub Contract Tendering Arrangements	Limited	Issues identified around the processes involved for sub-contractor selection.	Management have responded positively to the audit findings and an action plan has been agreed to facilitate the improvements required.
	Contract Audit – Implementation of Capital Process Review	N/A	Opinion not given as work non standard appraisal. Work has focused upon an examination of the current Capital Projects Methodology with a view to suggesting further system improvements.	
	European Grants	N/A	Opinion not given as work non standard appraisal. Audit of grant expenditure completed in	

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
			accordance with grant terms and conditions.	
	Head of Steam	Limited	Issues identified around the cataloguing of the collection and the control of stock for resale.	Management have responded positively to the audit findings and an action plan has been agreed to facilitate the improvements required.
	Creditors	Limited	Issues identified primarily around the authorisation process and lack of up to date authorised signatory lists.	Management have responded positively to the audit findings and an action plan has been agreed to facilitate the improvements required.
<b>People</b>	10 x Primary Schools	9 x Substantial 1 x Full		
	1 x Nursery School	Substantial		
	Council Tax/NNDR	Limited	Issues identified around the empty property control process, single person discount review and credit balances.	Management have responded positively to the audit findings and an action plan has been agreed to facilitate the improvements required.
	Housing Benefits	Substantial		
	Housing Rents	Substantial		
	Homecare	Substantial		
	Creditors	Substantial		

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
	PFI Scheme Contract Monitoring	N/A	Opinion not given as work non standard appraisal. Audit work focused on the follow up of progress on the implementation of previous audit improvement recommendations, in conjunction with External Audit, the outcome of which was reported in the Annual Audit Letter 2010/11. Support was also provided in exploring a potential alternative contract monitoring service delivery option following staffing changes.	
<b>Corporate Core</b>	Mayors Charity Fund	N/A	Annual audit of accounts completed.	
	T.M. Barron Charity	N/A	Annual audit of accounts completed.	
	Corporate Governance	N/A	Opinion not given as work non standard appraisal. Effort directed to validating evidence quoted in documents/functions on the implementation of the Local Code of Corporate Governance posted on the intranet.	
	Grants	Substantial		

<b>OPINION</b>	<b>DEFINTION</b>
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 THE MORE SIGNIFICANT OUTPUTS FROM CONSULTANCY/CORPORATE ARRANGEMENTS  
WORK/CONTINGENCY ACTIVITY UNDERTAKEN FOR 2011/12**

Group	Description	Output
<b>Core Corporate</b>	National Fraud Initiative (NFI)2010	Investigation of all matches completed by 31 <sup>st</sup> March 2012 to facilitate publication of the Audit Commission's final report on the outcomes from the exercise nationally. Completion of the single person discount matches resulted in some 132 discounts valued at approximately £32,400 being removed. In addition, a further 325 discounts were earmarked for further investigation in conjunction with the DWP.
	Anti Fraud & Corruption Arrangements	Anti Bribery Policy and Procedures and consequential amendments to the Employees Code of Conduct produced in response to the Bribery Act 2010 endorsed by Joint Consultative Committee and approved by Council on 24 <sup>th</sup> November 2011.
	Transformation Projects	Assistance provided on the Procure to Pay, Financial Assessments, Corporate Income System, Care First and Housing Repairs projects. Audit Manager the 'Team Lead' on the Sales Ledger review.
	Annual Governance Statement	Annual Governance Statement drafted in conjunction with the Management Group responsible and approved by the Audit Committee in July 2011.
	Annual Review of Internal Audit Effectiveness	Participated in the independent review of internal audit effectiveness required by the Accounts and Audit (England) Regulations 2011. Outcome of the review, that concluded the Council has an effective system of internal audit, was reported to the Audit Committee in July 2011.
<b>Place</b>	Special Investigation	Investigation undertaken into the engagement of sub-contractors. The investigation has been passed to the police and remains ongoing.
	Special Investigation	Investigation undertaken in respect of a banking shortfall which formed part of a wider investigation. The investigation has been concluded and resulted in the dismissal of a member of staff.
	Special Investigation	Investigation undertaken following disclosures under the Confidential Reporting Policy in relation to potential breaches of the Employee Code of Conduct. The investigation remains ongoing.

<b>Group</b>	<b>Description</b>	<b>Output</b>
	Special Investigation	Completion of the investigation into the alleged submission of a significant number of potential bogus invoices. The case was heard at Crown Court in October 2011 with all defendants found guilty and given custodial sentences.
<b>People</b>	Special Investigation	Provided assistance in respect of an investigation into car mileage claims made. The investigation remains ongoing.
<b>Resources</b>	Fine Income (Court Costs)	Provided assistance to streamline the processes for the recording, coding and monitoring of court cost income received by the Council.

## AUDIT SERVICES – KEY PERFORMANCE INDICATORS

	2011/12	
	Target	Outcome
1. Outcome from annual review of internal audit effectiveness.	Effective	Effective
2. Days per auditor as per CIPFA Benchmarking Statistics for Unitary Authorities.	186 Top Quartile	193 Top Quartile
3. Cost per audit day as per CIPFA Benchmarking Statistics for Unitary Authorities	£288 Second lowest quartile	£272 Second lowest quartile
4. Customer satisfaction rating received from client surveys following the completion of each audit assignment (where 1 = Very Poor to 5 = Very Good)	Average 4	Average 4.8
5. Maintain ISO 9001 : 2000 Quality Accreditation	Achieve	Achieved
6. % of planned pre determined audit assignments completed within the year relative the agreed audit plan.	92%	90%
7. % of audit recommendations accepted by client, with a priority of high or medium priority	100%	100%
8. % of agreed audit assignments carried out within the year on core financial systems	100%	100%
9. % of audit assignments completed within 10% of the planned time allocated for each assignment	92%	88%
10. % of draft audit reports for each audit assignment completed within 7 working days of the exit meeting	100%	100%
11. % of final reports for each audit assignment issued within 3 working days of receipt of response to draft	100%	100%
12. % of agreed consultancy project work concluded to the satisfaction of the client manager	100%	100%
13. Maintain service costs within budget	Achieve	Achieved
14. % of workforce receiving PDRs	100%	100%
15. % 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%