
AUDIT SERVICES – ANNUAL AUDIT PLAN 2007/08

Purpose of Report

1. To present Audit Services' Audit Plan for 2007/08 and associated performance indicators.

Information and Analysis

2. Audit Services' Terms of Reference, require the Audit Committee to approve the Annual Audit Plan. The plan for 2007/08 is attached at **Appendix A** and details work to be undertaken by the Service and reflects an establishment of some six full time equivalent staff.
3. The plan is risk based. It has been developed with reference to corporate and departmental risk registers and to the identification and prioritisation of auditable areas based on an assessment of their exposure to risk pertaining to the achievement of objectives.
4. In assessing the degree of exposure to risk relating to individual auditable areas, the following factors are considered:-
 - (a) materiality (volumes and values of transactions etc. processed by the service)
 - (b) the managerial and control environment
 - (c) the degree of devolution and delegation
 - (d) importance in terms of sensitivity and public accountability
5. The plan has been formulated following consultation with the Director of Corporate Services, Chief Executive and other Directors.
6. A suite of performance indicators to monitor the effectiveness of the Council's internal control environment and the operational performance of Audit Services is detailed at **Appendix B**.
7. Progress against the Plan and performance measures will be reported to the Audit Committee during the course of the year.

Legal Implications

8. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

Section 17 of the Crime and Disorder Act 1998

9. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Recommendation

10. It is recommended that :-

- (a) Audit Services' Audit Plan for 2007/08 at Appendix A be approved.
- (b) The performance indicators to monitor the effectiveness of the Council's internal control environment and the operational performance of Audit Services at Appendix B be noted.

Brian James
Chief Internal Auditor

Background Papers

- (i) Audit Services Terms of Reference
- (ii) CIPFA Audit Risk Assessment Information
- (iii) Corporate and Departmental Risk Management Information

Brian James : Extension 2140
TAB

Audit Services Annual Audit Plan 2007/8



Audit Services
Apportionment of the Audit Plan 2007/08



	Audit Assignments	Advice and Consultancy	Corporate Arrangements	Financial Appraisals	Sub Total	Contingency Allowance	Total
Community Services	170	67		6	243	24	267
Corporate Services	180	68		6	254	24	278
Children's Services	115	84		6	205	24	229
Development & Environment	78	15		6	99	24	123
Core Corporate	85	80	84		249	24	273
	628	314	84	24	1050	120	1170

COMMUNITY SERVICES DEPARTMENT		
Audit Assignments	Brief Synopsis of Work to be Undertaken/Areas of Coverage	Audit Days
Housing Benefits	To include: dealing with landlords, payment processes, backdating, overpayments, claims processing, system application controls, management processes.	40
Housing Rents	To include: income control, BACS processes, Orchard Housing system application controls, application of annual rent increases, other charges, interface controls.	15
Housing Management	To include: lettings, waiting lists, management and control of rent arrears, Lifeline, wardens services, decorating allowances, asylum seekers.	15
Dolphin Centre	To include: utilisation, contractual arrangements, bookings, , facilities management, security, income control, administration and management arrangements.	16
Dolphin Centre - Catering	To include: stock control, income collection, functions, consumption, vending, and security.	15
Catering - School Meals	To include: stock control, income collection, consumption, vending, and security.	12
Horticultural Services - Woodburn Nursery	To include purchasing arrangements, contractual arrangements for supply, billing, income collection, security, control over surpluses.	10
Homecare	To include charging, billing, income collection and management arrangements.	20
Adult Services – Administration of Client Finances	To include a review of the operation of Client monies software, supervisory and management controls.	10
Creditors	To include adherence to financial/purchasing procedures, value for money, treatment of VAT, application controls.	17
Consultancy / Advice		
Learning Disabilities Service – Section 31 Agreement	Provide advice upon the governance, financial and administrative arrangements for the section 31 agreement.	20
Care First	Provide advice upon control issues and assistance with the implementation of relevant carefirst modules	12

Housing Maintenance – Partnering Arrangements	Provide advice and assistance in respect of the control environment as part of the implementation of partnering arrangements for delivery of the Housing Maintenance Service.	10
Stores Function	Provide advice and assistance in respect of the control environment as part of the implementation of a revised stores delivery system.	10
General provision – inc. audit recommendations follow up	Issues arising within the department requiring audit input/advice, etc. Follow up of audit recommendations to ensure implementation by the dates agreed with management.	15
Financial Appraisal of Potential Contractors		
Notional Allocation	Comprises the analysis of financial information regarding a commercial enterprise and the forming of an opinion on that bodies financial ability to conduct business with the Council within the contractual constraints specified.	6
Contingency Activity Allowance		
Notional Allocation	Any unforeseen issues or assignments (special investigations etc). requests from the Director, arising during the course of the year	24
Total Person Days Allocated		267

CORPORATE SERVICES DEPARTMENT		
Audit Assignments	Brief Synopsis of Work to be Undertaken	Audit Days
Income Collection/Reconciliation	To include: reconciliation controls in respect of income from all sources, including Girobank, Internet and Digital payment systems, departmental bankings, receipt books, BACS, PCI Data Security Standard.	25
Council Tax	To include; system application controls, user security, tax setting, property and debit controls, arrears recovery, bailiffs, income and direct debit controls	15
Sundry Debtors	To include system application controls, corporate and departmental debt management, bailiffs, income controls.	12
Central Payroll Function	To include: system application controls, user security, statutory and voluntary deductions, sickness and maternity payments	12
Central Creditors Function	To include: supplier masterfile, interfaces, system and user security, management arrangements and performance monitoring, system application controls.	12
Payroll/HR Costed and Non Costed	To include: correct calculation of salaries and associated payments, overtime, incremental progression, pay awards, honorariums, maternity pay, costing, authorisation, application controls, timesheet controls, contracts of employment.	17
Payroll/HR-Homecare and Residential Workers	To include: correct calculation of salaries and associated payments, overtime, incremental progression, pay awards, honorariums, maternity pay, costing, authorisation, application controls, timesheet controls, recruitment.	17
ICT Audit	To include software licensing controls, controls over distribution of software, software upgrades.	15
ICT Audit	To include Unix, database and change controls in respect of individual applications	15
ICT Audit	To include internet and network controls.	15
Registrars	To include verification of and control over certificate issues, charging.	10

	income collection and management arrangements	
Bank Reconciliation	To include reconciliation of corporate bank accounts, cheque reconciliation system, cancelled / out of date cheque systems, timeliness of reconciliations.	5
Creditors	To include adherence to financial/purchasing procedures, value for money, treatment of VAT, application controls.	10
Consultancy/Advice		
Darlington and Stockton Partnership	Provide advice and assistance as required in respect of the proposed Partnership including governance and associated control environment issues.	18
Financial Management System - Agresso	Provide advice and assistance in respect of the control environment as part of the implementation of a new Financial Management System	25
Call/Contact Centre	Provide advice and assistance in the development of processes, both income and non income related to services within the call /contact centre	10
General Provision-inc. audit recommendations follow up	Issues arising within the department requiring audit input/advice, etc. Follow up of audit recommendations to ensure implementation by the dates agreed with management.	15
Financial Appraisal of Potential Contractors		
Notional Allowance	Comprises the analysis of financial information regarding a commercial enterprise and the forming of an opinion on that body's financial ability to conduct business with the Council within the contractual constraints specified.	6
Contingency Activity Allowance		
Notional Allowance	Any unforeseen issues or assignments (special investigations etc). requests from the Director, arising during the course of the year	24
Total Person Days Allocated		278

CHILDREN'S SERVICES DEPARTMENT		
Audit Assignments	Brief Synopsis of Work to be Undertaken	Audit Days
Primary Schools x 12	To include: the arrangements for governance, financial planning, budgetary control, purchasing, income, asset management, data security, payroll and personnel and an assessment of compliance against the FMSiS Standard.	72
Nurseries	To include: the arrangements for governance, budgetary control, purchasing, fees, facilities management, data security, and payroll.	15
Sure Start	To include: governance, client database, purchasing, income control, asset management, budgetary control, grant claims.	15
Trusts and Funds	Audit of the Darlington Education and other funds in order to comply with Charity Commission requirements.	3
Creditors	To include adherence to financial/purchasing procedures, value for money, treatment of VAT, application controls.	10
Consultancy/Advice		
Procedural Documentation for Schools	Provide advice upon and assistance with the production of a comprehensive procedural manual in conjunction with children's services and in consultation with schools.	15
Contact Point	Provide advice upon data migration and other control issues in the implementation of Contact Point.	15
Children's Trust	Provide advice upon the governance, financial and administrative arrangements for the Children's Trust.	12
Care First	Provide advice upon control issues and assistance with the implementation of relevant Carefirst modules	12
Financial Management Standard in Schools (FMSiS)	Provide continued support and advice upon the implementation of FMSiS in Darlington primary schools and establish a 'light touch' approach for secondary schools in the interim years prior to their next FMSiS assessment.	10

Induction for Head Teachers/Bursars/Secretaries	Identify and establish in conjunction with children's services and schools the areas to be covered and robust arrangements to carry out the induction process.	5
General provision – inc. audit recommendations follow up	Issues arising within the department requiring audit input/advice, etc. Follow up of audit recommendations to ensure implementation by the dates agreed with management.	15
Financial Appraisal of Potential Contractors		
Notional Allocation	Comprises the analysis of financial information regarding a commercial enterprise and the forming of an opinion on that body's financial ability to conduct business with the Council within the contractual constraints specified.	6
Contingency Activity Allowance		
Notional Allocation	Any unforeseen issues or assignments (special investigations etc) requests from the Director, arising during the course of the year	24
Total Person Days Allocated		229

DEVELOPMENT AND ENVIRONMENT DEPARTMENT

Audit Assignments	Brief Synopsis of Work to be Undertaken	Audit Days
Contract Audit-Building and Design Services	To include project management arrangements, tendering/selection processes, variations to contracts, time extensions, payments to contractors, adequacy of contractual documentation, systems and procedural documentation, management and supervision arrangements.	17
Contract Audit-Highways	To include project management arrangements, tendering/selection processes, variations to contracts, time extensions, payments to contractors, adequacy of contractual documentation, systems and procedural documentation, management and supervision arrangements.	17
Car Parking	To include charging policies, income control, penalty notices, enforcement, residents parking schemes.	12
Transport	To include tender Bus Services arrangements, Concessionary fares, rural bus subsidy, section 106 income.	12
Development Control and Planning	To include; compliance with statutory requirements, control of applications, charging, income control, appeals, performance monitoring and management arrangements	10
Creditors	To include adherence to financial/purchasing procedures, value for money, treatment of VAT, application controls.	10
Consultancy/Advice		
General provision – inc. audit recommendations follow up	Issues arising within the department requiring audit input/advice, etc. Follow up of audit recommendations to ensure implementation by the dates agreed with management.	15
Financial Appraisal of Potential Contractors		
Notional Allocation	Comprises the analysis of financial information regarding a commercial enterprise and the forming of an opinion on that body's financial ability to conduct business with the Council within the contractual constraints specified.	6

Contingency Activity Allowance		
Notional Allowance	Any unforeseen issues or assignments (special investigations etc) requests from the Director, arising during the course of the year	24
Total Person Days Allocated		123

CORPORATE CORE		
Audit Assignments	Brief Synopsis of Work to be Undertaken	Audit Days
Data Quality/Performance Indicators	To include: review of overall management arrangements to secure data quality including adequacy of arrangements, validation of data, risk assessments.	25
Corporate Governance	To include: review of the Corporate Governance Framework	15
Risk Management	To include: review of the risk management process, monitoring and management of identified risks, new risks, action/improvement planning to mitigate risks, reporting arrangements, awareness.	15
Grants	A review of corporate arrangements in the production of grant claims	14
Ant-Fraud Arrangements	To include: review of the arrangements in place, effectiveness, awareness, publicity, protocols.	12
Mayors Charity Fund	Undertake the annual audit of accounts	2
T.M. Barron Charity	Undertake the annual audit of accounts	2
Consultancy etc.		
Local Area Agreement	Provide assurance on the eligibility of expenditure to enable the sign off by the Director of Corporate Services of the year-end statement of grant usage.	20
Procurement Initiatives/Support	Provide advice and assistance as required in the development of ongoing procurement initiatives, such as e-procurement, purchasing cards, market places etc.	15
Schools Assurance Statements	Develop and facilitate the roll out of managers Assurance statements across the Council's schools	10
Leading Edge Projects	Provide advice, guidance and support to the council's leading edge projects as required	10

Review of Contract/Financial Procedure Rules	Contribute to the review of the Council's Contract /Financial procedure rules	15
General Provision	Issues arising within the department requiring audit input/advice, etc. Follow up of audit recommendations to ensure implementation by the dates agreed with management.	10
Corporate Arrangements		
Training-Corporate Governance Issues	Contribute to a training programme within the Council to raise awareness of the Corporate Governance Framework and associated issues	14
NFI 2006	Co-ordinate the Council's response to the National Fraud Initiative 2006/7	15
CPA 2007	Facilitate the Council's response to the 2007 Comprehensive Performance assessment in respect of the Council's Internal Control Framework.	10
Audit Committee related	Facilitate and service the committee as required	15
External Audit Liaison	Quarterly meetings and regular ad hoc liaison to discuss areas of working, issues arising, to ensure best possible use of audit resource.	10
Managers Assurance Statements	Co ordinate the production of managers Assurance Statements across the departments.	10
SIC Statement	Co-ordinate the production of the Annual Statement of Internal Control.	5
Annual Review of Internal Audit effectiveness	Participate in the independent review of Internal Audit Effectiveness as required by the Accounts and Audit Regulations 2006.	5
Contingency Activity Allowance		
Notional Allocation	Any unforeseen issues or assignments (special investigations etc) requests from the Director, arising during the course of the year	24
Total Person Days Allocated		273

Appendix B

Audit Services Performance Indicators

No.	Measure	Target 2007/08
1	The Council's Internal Control environment overall – as evaluated through CPA Use of Resources Key Lines of Enquiry (KLOE)	3/4
2	Elements of the Internal Control KLOE	
	<ul style="list-style-type: none"> • The Council manages its significant business risks 	3/4
	<ul style="list-style-type: none"> • The Council has arrangements in place to maintain a sound system of internal control 	3/4
	<ul style="list-style-type: none"> • The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business 	3/4
3	Days per auditor as per CIPFA Benchmarking Statistics for Unitary Authorities	185 Top Quartile
4	Cost per audit day as per CIPFA Benchmarking Statistics for Unitary Authorities	£285 Second Bottom Quartile
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
6	Maintain ISO 9001:2000 Quality Accreditation	Achieve
7	% of planned audit assignments completed within year relative to the agreed Audit Plan	92%
8	% of audit recommendations accepted by the client with a priority of high or medium	100%
9	% of agreed audit assignments carried out within year on core financial systems	100%
10.	% of audit assignments completed within 10% of the planned time allocated for each assignment	92%
11	% of draft reports for each audit assignment completed within 7 working days of the exit meeting	100%
12	% of final reports for each audit assignment issued within 3 working days of receipt of response to the draft	100%
13	% of agreed Consultancy project work concluded to the satisfaction of the Client Manager	100%
14	Maintain service costs within budget	Achieve
15	% of workforce receiving PDRs	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%
17	% of Financial Appraisal requests completed within 2 working days or agreed timescale	100%