

XENTRALL AUDIT PLAN 2008/09 – PROGRES REPORT FROM STOCKTON BOROUGH COUNCIL'S INTERNAL AUDIT SECTION

Purpose of Report

1. To provide Darlington Borough Council's Audit Committee with a progress report against the 2008/2009 Xentrall Audit Plan cumulative to November 2008.

Information and Analysis

2. Stockton Borough Council's Annual Audit Plan for 2008/09 is risk based and was approved by Stockton's Audit Committee in May 2008. Included in this plan was the audit work to be undertaken on Xentrall, the shared services partnership with Darlington Borough Council
3. The range of audit work to be carried out on the partnership was developed following consultation with the Xentrall Management Board, Audit Services at Darlington Borough Council and the External Auditors of both councils. The detailed scope of each audit assignment is agreed by Stockton Borough Council Internal Audit and Xentrall Management prior to the commencement of audit work.
4. This report should be considered in the context of providing assurance on the adequacy and effectiveness of Xentrall's internal control environment in its entirety.
5. The details of the audit reports identified in Appendix A have warranted a minimum of substantial assurance in all cases except two. This is based on assessing the quality of the systems in place and the quality of current performance within the control environment as a whole.
6. It would be naïve not to recognise there have been teething and transitional problems in going through such a large reorganisation of service provision. This was expected at the outset. However, once problems have been recognised, resources have been and still are being targeted at resolving the issues.
7. During this period of reporting the internal audit service has also been monitoring other issues than those within the listed reports. We have asked for any issues to be reported to us which we have then followed up with Xentrall management. This is helping to give us assurance on the overall adequacy and effectiveness of Xentrall's complete internal control environment and delivery of services. Again I am pleased to report on the high level of cooperation received from Xentrall management in monitoring the addressing of these queries.
8. Also in Appendix A is the current position with regards to on-going audit review work.

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Audits previously reported

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
Xentrall	Partnership Governance	Substantial Assurance		
	Environmental Controls	Substantial Assurance		

Audits Presented

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
Xentrall	Business Continuity	Not applicable, see audit comment.	Business continuity has been recognised by Xentrall management as an area for immediate attention. Included within the Xentrall audit programme for 2008/2009 was an audit of business continuity arrangements. It was agreed with Xentrall management to use the time allocated to review the plans that were currently in place and had been inherited from each authority and provide advice and give guidance on where these plans could be improved to support the writing of updated plans for Xentrall. The audit report has formed the basis of a management action plan.	
	Creditors	Substantial Assurance		
	Bank Reconciliation	Limited Assurance	It has been recognised there have been and still are problems in completing the full process of bank reconciliations. Consequently, management have put in place an action plan which is due to be completed at the end of December 2008. The main recommendation in the report is that the whole process, including communications and the automation of processes, needs reviewing. It also means more audit work is to be undertaken in January 2009.	Resources have been targeted at clearing the backlog.
	Cash Receipting/Cash	Substantial Assurance		

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
	in Transit			
	Interfacing	Full Assurance		
	PS Enterprise System	Substantial Assurance		
	Debtors	Substantial Assurance		

On-going

Department	Audit Assignment	Status	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
Xentrall	Payroll	On-going		
	Transactional HR	On-going		
	Network management/ remote access	On-going		

Opinion Scoring Methodology

Assurance	Definition
FULL ASSURANCE	A sound system of controls is being applied consistently 91 -100% assurance on testing results
SUBSTANTIAL ASSURANCE	Overall, there is a sound system of internal controls, however, the implementation of the agreed recommendations would further strengthen these controls 71 – 90% assurance on testing results
LIMITED ASSURANCE	The system of controls is weak and (either) is not being complied with in some significant areas, or does not cover all areas. 41 – 70% assurance on testing results
NO ASSURANCE	The system of controls is failing and in need of urgent management attention. 0 – 40% assurance on testing results