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**AUDIT SERVICES' ANNUAL REPORT 2006/07**

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**Purpose of Report**

1. To provide the Committee with Audit Services' Annual Report for 2006/07 in accordance with its role and terms of reference.

**Information and Analysis**

2. The Annual Audit Plan for 2006/07 was approved by this Committee in July 2006 (Minute No. A6/Jul/06) 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. In addition, the Council has made further progress during the year to enhance corporate governance arrangements. This includes the establishment of this Committee to help raise the profile of internal control, risk management and financial reporting issues and to provide a forum for the discussion of issues raised by internal and external audit and the completion of assurance statements by senior managers to support the Council's Statement of Internal Control (SIC).
7. The position upon Audit Services' Key Performance Indicators is positive. The Council's Internal Control environment overall was scored 3/4 as evaluated through the CPA Use of Resources 'harder test' methodology. This equates to a definition of 'performing well – consistently above minimum requirements'. The majority of other targets covering service standard, customer satisfaction and service quality and staffing were met.
8. The positive position upon the Council's internal control environment will be reflected in the Council's SIC which will be published alongside the Statement of Accounts for

2006/07.

### **Legal Implications**

9. 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**

10. 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.

### **Conclusion**

11. The Council continues to operate within a control environment that is generally sound.

### **Recommendations**

12. It is recommended that Audit Services' Annual report for 2006/07 be noted.

**Brian James**  
**Chief Internal Auditor**

### **Background Papers**

- (i) Audit Services' Role and Terms of Reference
- (ii) Audit Assignment Executive Summaries
- (iii) Audit Advice and Consultancy Sheets
- (iv) CPA Use of Resources - Assessment Results
- (v) CIPFA Audit Benchmarking Statistics for Unitary Authorities

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**AUDIT SERVICES  
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2006/07**

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## **1. Introduction**

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- 1.1 Audit Services comprises an establishment of seven (some 6 FTEs) 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, not least in terms of the Comprehensive Performance Assessment (CPA).
- 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 Regulations 2003 (as amended) specifically require that a “relevant body shall maintain an adequate and effective system of 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 Corporate Services 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 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.
- 2.4 Service level agreements are in place across the client base which include details upon audit assignments, consultancy tasks, charges, working protocols, response times and client responsibilities.

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### 3. Operational Performance

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- 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 2006/07 Year In Person Days</b>				
	<b>Annual Plan</b>	<b>Actual Allocation</b>	<b>Variance</b>	
			<b>+</b>	<b>-</b>
Chargeable Time				
• Audit Assignments	637	549		88
• Advice and Consultancy	337	277		60
• Corporate Arrangements	70	77	7	
• Financial Appraisals	24	29	5	
• Contingency Allocation	120	204	84	
SUB TOTAL	1188	1136	96	148
Non Chargeable Time				
• Training, ISO Administration, Supervision and Management etc.	110	108		2
Non Productive Time				
• Annual Leave, Bank Holidays, Sickness etc.	261	315	54	
TOTAL	1559	1559	150	150

- 3.2 Actual chargeable time in total during the year was some 96% of that planned. This shortfall resulted largely from the secondment of an Audit Manager to undertake specific business process re-engineering work within the Corporate Services Department in November 2006 and this also explains the increase in non-productive time.
- 3.3 Although chargeable time was broadly in line with that planned there were variations between categories. Variations to the audit assignment element of the plan were approved by the Audit Committee during the year and the range of activity undertaken on consultancy work and contingency tasks were agreed with Directors.
- 3.4 Financial appraisal work upon potential contractors was more than anticipated but this is essentially a demand led service that is difficult to accurately predict.

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#### 4. Review of Audit Assignment Work

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- 4.1 Planned audit assignments for the year totalled 50 of which 44 were completed i.e. 88%. These audits spanned all Departments of the Council and details of the assignments undertaken, together with the audit opinion and relevant commentary where the opinion was less than substantial assurance, is shown at **Appendix 1**.
- 4.2 Audit work was undertaken on the core financial systems of corporate income, creditors, debtors, payroll, council tax/NDR, housing rents and housing benefits. All resulted in substantial assurance opinions with the exception of council tax/NDR and central payroll. As regards council tax/NDR management have agreed recommendations to improve application security and subsidiary controls around, for example, refunds and BACS processing. The view on application security links to the limited assurance that resulted from the IT audit review of the security environment in respect of the Revenue and Benefits and Housing systems. The Payroll Section met a number of key challenges during the year, including the introduction of a new payroll system and implementation of equal pay. However, at times this was achieved at the detriment of the control environment and this reflects in the limited assurance opinion given. Management have accepted recommendations to embed revised arrangements as part of the implementation of the new system covering application security, reconciliation procedures and documenting and monitoring compliance with processing controls.
- 4.3 Other instances of less than substantial assurance were more establishment related or service based and in all cases, management have responded positively to the audit reviews. The Assistant Director - Leisure and Arts either has taken or has planned action to resolve audit issues around management of the arts collection, stock and inventory control and arrangements to control the bars function at the Arts Centre; Adult Services have implemented measures to improve the quality of data reported from the data management system; the Assistant Director - Public Protection has taken action to improve control over parking permits and the letting of stalls in the markets function and to implement improvements across the licensing function; the Estates and Property Manager is to take action to formalise operational procedures and progress development of the Uniform System as the prime system for the recording of property holdings; and the Head Teachers and Governors at two primary schools have taken action to resolve the audit issues raised.
- 4.4 It is pleasing to report that, following joint work carried out with Children's Services staff to support secondary schools to gain accreditation under the new DFES Financial Management Standard, all seven secondary schools reviewed were considered to have attained the Standard.
- 4.5 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 no matters of concern on this point.
- 4.6 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 2**.
- 5.2 The work undertaken was wide-ranging and included corporate governance matters, systems development work, service delivery enhancements and carrying out investigations into irregularities.
- 5.3 Developments to improve the Council's corporate governance arrangements include the establishment of the Audit Committee to help raise the profile of internal control, risk management and financial reporting issues and to provide a forum for the discussion of issues raised by internal and external auditors; the completion of assurance statements by senior managers to support the SIC; and the formal adoption of a partnership toolkit to address the issue of partnership working governance arrangements.
- 5.4 Systems development work comprised advice and guidance in respect of the control aspects of the acquisition and implementation of new financial management and payroll systems and implementation of an on-line booking system for the Theatre and Arts.
- 5.5 Service delivery enhancements included the facilitation of a training session with a credit reference company on behalf of Housing Management and the Housing Benefit Enquiry Unit to allow them access to on-line confidential personal information in accordance with statutory guidelines to improve debt collection and fraud investigation response times.
- 5.6 There were investigations carried out during the year into irregularities and appropriate action was taken by management on findings.
- 5.7 A review was also undertaken at the request of the Chief Executive and Director of Corporate Services into the process followed for the engagement of the consultant and contractor and for the selection of the form of contract for the Pedestrian Heart Scheme. Improvements recommended were implemented pending completion of the Leading Edge Procurement Project. Subsequently, support was provided to the Pedestrian Heart Task and Finish Review Group established by Resources Scrutiny Committee to look into the project to date and to give oversight to a review of future capital project management.
- 5.8 In addition to the outputs stated in **Appendix 2**, the Section has responded to numerous requests from Departments, including schools, for advice and assistance upon all aspects of the Council's internal control framework.
- 5.9 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. Statement of Internal Control**

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- 6.1 In accordance with statutory requirements the Council must publish a statement on its system of internal control alongside the Statement of Accounts for 2006/07.
- 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.

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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 3** together with targets and objectives set for the following year. The position shown for 2006/07 is positive.
- 7.2 The Council's Internal Control environment overall was scored 3/4 as evaluated through the CPA Use of Resources 'harder test' methodology as were its three elements. This equates to a definition of 'performing well – consistently above minimum requirements'. The overall score is the same as that received in 2005, however, year on year the bar continues to be raised in terms of scoring requirements. Moreover, progress has been made at the element level as the score for 'the council manages its significant business risks' increased from 2 to 3.
- 7.3 Audit Services maintained accreditation under the ISO 9001:2000 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. The external review also commented positively upon the work carried out to implement new audit management software to help deliver efficiency savings and achieve a paperless process.
- 7.4 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 bottom quartile.
- 7.5 All operational targets were achieved with the exception of the percentage of pre-determined audit assignments completed within the year relative to the agreed initial audit plan and the percentage of agreed audit assignments carried out within the year on core financial systems. The percentages attained were slightly below target largely as a result of the secondment of an Audit Manager during the year to business process re-engineering work.
- 7.6 Identified aims for the Service for 2006/07, as outlined in the 2005/06 Annual Report have been met. These encompassed the developments to the Council's Corporate Governance arrangements as outlined in paragraph 5.3 above.

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## **8. The Future**

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8.1 The aims of Audit Services for the year ahead are to :-

- Deliver against set service targets and objectives which incorporate the more stringent key lines of enquiry requirements of the revised CPA methodology.
- Further develop use of the new audit management software to streamline the audit process.
- Support the development of appropriate governance arrangements for the proposed Darlington and Stockton Partnership.

## AUDIT SERVICES SECTION

## SUMMARY OF AUDIT ASSIGNMENTS UNDERTAKEN DURING 2006/07

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
Corporate Services	Corporate Income System	Substantial Assurance		
	VAT	Substantial Assurance		
	Insurance	Substantial Assurance		
	Job Evaluation/Single Status	N/A	Opinion not given as work not standard appraisal Work undertaken in two stages, first covering initial implementation of new pay structures following job evaluation. Second stage covering back pay arrangements. The first stage was implemented successfully, however issues with the backpay arrangements were identified due in part to the complexity of the calculations and resourcing issues within the section.	All arrears have now been paid, all identified queries have been resolved and leavers who have requested payment are being paid in March. Due to the implementation of the new payroll system, some back checking has been delayed until the new financial year.
	Central Creditors	Substantial Assurance		
	Central Payroll	Limited Assurance	Improvements required in respect of a more robust security environment, improved reconciliation procedures, documenting and compliance monitoring of payroll processing control procedures and review of the	Management have responded positively to the recommendations within the audit report and an action plan has been formulated to implement improvements within agreed timescales.

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
			systems administration function.	
	Teachers and Supply Payroll	Substantial Assurance		
	Bank Reconciliation	Substantial Assurance		
	IT Audit, Review of the Security Environment - Council Tax/Housing Benefits and Housing Systems	Limited Assurance	Improvements required in respect of application security, testing of new releases, password controls and the monitoring of activity on the Oracle database	Management have responded positively to the recommendations within the audit report and an action plan has been formulated to implement improvements within agreed timescales.
	Council Tax/NDR	Limited Assurance	Improvements required in respect of IT user security, embedding the role of Systems Administrator, around the processing of BACS payments, refunds, RD Cheques and reviewing the recovery process.	Management have responded positively to the recommendations within the audit report and an action plan has been formulated to implement improvements within agreed timescales.
	Sundry Debtors	Substantial Assurance		
Community Services	Arts Centre	Limited Assurance	A number of control issues identified around management of the permanent Arts Collection; income; stock and inventory control; management of leases and hire agreements', debt recovery; and security of the premises.	Management have responded positively to the recommendations within the audit report and an action plan has been formulated to implement improvements within agreed timescales.

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
	Arts Centre Catering	Limited Assurance	Improvements required to the arrangements operated to control the bars function, including security and accuracy of the EPOS tills system, wastage control, cash controls and operational procedures	Management have responded positively to the audit report and an action plan has been formulated to implement improvements within agreed timescales.
	Community Equipment Service	Limited Assurance	Issues identified with the completeness, accuracy and timeliness of information reported from the data management system.	Management have responded positively to the audit report and have confirmed that all high and medium recommendations with a timescale of November 2006 have been implemented. Work is ongoing to implement the remaining recommendations within agreed timescales
	Creditors (3 separate reports issued) Leisure Services Housing Admin and Wardens Performance Development and Community Partnerships	Substantial Assurance Substantial Assurance Substantial Assurance		
	Trade Refuse	Substantial Assurance		
	Housing Rents	Substantial Assurance		
	Housing Benefits	Substantial Assurance		
	Vehicles and Plant	Substantial Assurance		

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
Development and Environment	Markets	Limited Assurance	Improvements required around the control of parking permits, the letting of stalls and insurance arrangements, cattle markets tolls and levies, rival markets and stock control.	Management have responded positively to the recommendations within the audit report and an action plan has been formulated to implement improvements within agreed timescales.
	Licensing	Limited Assurance	A high level of errors were found in the premises licences, this being the biggest risk to the service's ability to perform effectively. Improvements have also been recommended in the control over miscellaneous licences and the granting of street-to-street collections and documentation of enforcement actions. Improvements over the supervisory checks on bankings and security of safe keys have also been recommended.	Management have responded positively to the recommendations within the audit report and an action plan has been formulated to implement improvements within agreed timescales
	Building Control	Substantial Assurance		
	Creditors	Substantial Assurance		



Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
	Estates	Limited Assurance	<p>Improvements recommended in the documenting of internal operational procedures, file formats and the retention of documentation to ensure a consistency of approach.</p> <p>That the Uniform System become the prime system for recording the details of holdings and the use and reliance on excel spreadsheets to cease over a period of time.</p> <p>Recommendations for a protocol to be established between the Estates Section and Accountancy Services in relation maintaining the Asset Register; for revised billing arrangements to be actioned as a matter of urgency in relation to one leaseholder.</p> <p>The Risk and Facilities Management function was considered to be a very positive initiative and a recommendation has been made around resourcing of the function.</p>	Management have responded positively to the recommendations within the audit report and an action plan has been formulated to implement improvements within agreed timescales
Children's Services	E Learning Centre	Substantial Assurance		
	Trusts and Funds	N/A	Accounts audited in accordance with Charity	

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
			Commission requirements. A satisfactory position was found.	
	Creditors	Substantial Assurance		
	7 x Comprehensive schools	Substantial Assurance & FMSiS Pass		
	6 x Primary Schools	4 x Substantial Assurance 1 x Minimal Assurance	Recommendations made at the previous audit largely not implemented. Findings at this audit disclosed weak controls and poor practice in the majority of areas examined.	The Head Teacher has responded positively to the audit recommendations with the majority implemented immediately or by December 2006. Work is ongoing to implement the remaining recommendations within agreed timescales.
		1 received a split opinion, Substantial Assurance for the overall control environment but Limited Assurance in respect of the control over income	Recommendations made to strengthen the income procedures following a major cash discrepancy	The Head Teacher has responded positively to the audit recommendations, these being implemented immediately.
Corporate Core	Mayor's Charity Fund	N/A	Accounts audited on an annual basis. A satisfactory position was found.	
	TM Barron Charity	N/A	Accounts audited on an annual basis. A satisfactory position was found.	
	Corporate Governance	N/A	Opinion not given as work not standard appraisal. Effort directed to validating evidence	

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
			quoted in documents/functions on implementation of the Local Code of Corporate Governance posted on the intranet.	
	Performance Indicators/Data Quality	N/A	Opinion not given as work not standard appraisal. Effort focused on contributing to a self assessment document compiled with reference to the Data Quality Key Lines of Enquiry that was submitted to PwC for evaluation. Report issued by PwC in November 2006 reflects a positive assessment.	

### **Assurance Opinion**

**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 and Corporate Arrangements Work/Contingency Activity Undertaken During 2006/07

Department	Description	Output
Corporate Services	Darlington Stockton Partnership	Participated in workshops established to look into options on the partnership governance arrangements. In addition, provided ongoing advice and guidance in respect of the control aspects of the acquisition and implementation of a new FMS and Payroll system.
	Call/Contact Centre	Provided advice and guidance in relation to income /cash receipting, security and banking procedures and stock control in respect of saleable commodities.
Community Services	Galathea	Provided ongoing advice and guidance in the implementation of an on line booking system for the Theatre and Arts. The system is ready in test and due to go live as part of the implementation Leisure and Arts new website.
	Local Public Service Agreement Targets	Reviewed arrangements to finalise the reporting of targets in line with their definitions.
	Learning Disability Service	Contributed to a workshop review of the commissioning function. Action plan produced which is being addressed by the Department.
	Adult Services PI's	Work undertaken to evaluate the systems and procedures, which support the production of the adult services performance indicators.
	Admin of Client Finances	Supported the ongoing development of the Client Monies software.
	CareFirst Implementation	Attended Social Care Project Board Meetings and contributed to the ongoing development of the system through participation in an updated presentation of the finance modules and an onsite demonstration of the home care module at another local authority.
	Experian	Facilitated a training session with the Credit Reference Company Experian, on behalf of Housing Management and the Housing Benefit Enquiry Unit to allow them to access on line confidential personal information in accordance with Statutory guidelines to improve debt collection and fraud investigation response times. The service has now been introduced within the Anti Social Behaviour Unit
	Special Investigations	Investigation undertaken in respect of a cash discrepancy. Recommendations made to reiterate the requirement to follow the approved processes in respect of security of income, reconciliations, security over access to the safe/safe keys. In addition, preliminary work to substantiate possible irregularities and mismanagement of a social fund. Findings reported to management who have concluded their investigation and formalized an action plan establishing robust governance arrangements for the future operation and monitoring of the fund.

<b>Department</b>	<b>Description</b>	<b>Output</b>
	Dolphin Centre	Provided advice and guidance in relation to revised income and security arrangements to be adopted following the refurbishment of the Dolphin Centre
Development and Environment	Special Investigation	Investigation undertaken into cash discrepancies. Recommendations made to improve the security of income reconciliations and to follow approved procedures in relation to security over access to the safe.
	Railway Museum	Investigation carried out into concerns raised by an employee with regard to training and working practices, which were discussed with management and satisfactorily resolved.
	Railway Museum	Review undertaken of financial administration practices in respect of special weekend events being held at the Museum. Audit Services to provide advice and guidance to all future events to ensure procedures are robust and provide accountability.
	Pedestrian Heart	At the request of the Chief Executive and Director of Corporate Services, reviewed the process followed for the engagement of the Consultant, Contractor and for the selection of the form of contract. Improvements recommended to be implemented pending completion of the Leading Edge Procurement Project. Subsequently supported the Pedestrian Heart Task and Finish Review Group established by Resources Scrutiny Committee to look into the project to date and to give oversight to a review of future capital project management.
Children's Services	Financial Management Standard in Schools (FMSiS)	Training session attended jointly with Children's Services staff on the arrangements for FMSiS. Schools audit approach reviewed and schools supported in the production of their self assessment and supporting evidence file. External assessment of secondary schools completed by Audit Services staff as statutorily required by 31st March 2007.
	Sixth Form Funding & Education Maintenance Allowances	Data assurance verification carried out at a secondary school on behalf of the Learning & Skills Council.
	Hummersknott School	Assistance with procedural matters arising from the implementation of the new financial management system.
	Children's Residential Homes	Contributed to the revision of procedures following a routine audit in 2005/06. Updated procedures are now in place.
	CareFirst	Attended Social Care Project Board Meetings and contributed to the ongoing development of the system.
	Special Investigation	Investigations undertaken into cash discrepancies at a primary school. Police informed and their investigation resulted in ongoing court action against the defendant. Recommendations have been made to improve financial controls and revised procedures circulated to primary schools.

<b>Department</b>	<b>Description</b>	<b>Output</b>
Corporate Core	Corporate Procurement Leading Edge Project	Contributed to the re engineering of the Council's procure to pay process.
	Manager's Assurance Statements (MAS)	Managers Assurance Statements to support the completion of the statement of internal control developed and awareness raised with Departmental Management Teams. MAS introduced formally in Spring 2007.
	Audit Committee	Appropriate training for Audit Committee organised/delivered.
	Partnership Initiatives	Contributing to the pilot testing of the draft Partnership Toolkit with colleagues from the Policy Unit and the Darlington Partnership.
	NFI 2006	Consultation carried out with data subjects. Data extracted for relevant datasets and submitted to the Audit Commission in accordance with prescribed timescales. Output received from the Audit Commission and access given to identified departmental investigators to progress initial checks.
	Training – Corporate governance Issues	Facilitated a training session with an external consultant to raise staff awareness of anti fraud & corruption arrangements, which, was supplemented by an article in the July issue of the Flyer.
	Review of Financial Procedure Rules	Participated in the review. Refreshed Rules, that now incorporate a section upon partnership working, approved by Annual Council in May 2007.
	Referendum	Participated in the verification exercise of signatures on the petition for an elected mayor in accordance with the expected timescale and legal requirements.
	Learning Management Software	Software to better record acceptance and understanding by employees and members of a range of corporate policies/processes to be rolled out during 2007. Contributed to the drafting of questions to be included and the testing of the software.
	CPA 2006	Contributed to the self assessment overview and detail document submitted to PwC under the CPA Use of Resources 'harder test'. Positive assessment resulted.
	Statement of Internal Control	Co-ordinated the production of the annual statement of internal control.

## AUDIT SERVICES – KEY PERFORMANCE INDICATORS

	2006/07		2007/08
	Target	Outcome	Target
1. The Council's Internal Control environment overall – as evaluated through CPA Use of Resources Key Lines of Enquiry (KLOE).	3/4	3/4	3/4
2. Elements of the Internal Control KLOE : <ul style="list-style-type: none"> <li>• The Council manages its significant business risks.</li> <li>• The Council has arrangements in place to maintain a sound system of internal control.</li> <li>• The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</li> </ul>	3/4 3/4 3/4	3/4 3/4 3/4	3/4 3/4 3/4
3. Days per auditor as per CIPFA Benchmarking Statistics for Unitary Authorities.	187 Top Quartile	198 Top Quartile	185 Top Quartile
4. Cost per audit day as per CIPFA Benchmarking Statistics for Unitary Authorities	£269 Second bottom quartile	£241 Second bottom quartile	£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	Average 4.6	Average 4
6. Maintain ISO 9001 : 2000 Quality Accreditation	Achieve	Achieved	Achieve
7. % of planned pre determined audit assignments completed within the year relative the agreed audit plan	93%	88%	92%
8. % of audit recommendations accepted by client, with a priority of high or medium priority	100%	100%	100%
9. % of agreed audit assignments carried out within the year on core financial systems	100%	92%	100%
10. % of audit assignments completed within 10% of the planned time allocated for each assignment	92%	93%	92%
11. % of draft audit reports for each audit assignment completed within 7 working days of the exit meeting	100%	100%	100%
12. % of final reports for each audit assignment issued within 3 working days of receipt of response to draft	100%	100%	100%
13. % of agreed consultancy project work concluded to the satisfaction of the client manager	100%	100%	100%

14. Maintain service costs within budget	Achieve	Achieved	Achieve
15. % of workforce receiving PDRs	100%	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%	100%
17. % of financial appraisal requests completed within 2 working days or agreed timescale	100%	100%	100%