
AUDIT SERVICES' ANNUAL REPORT 2010/11

Purpose of Report

1. To provide the Committee with Audit Services' Annual Report for 2010/11 in accordance with its role and terms of reference.

Information and Analysis

2. The Annual Audit Plan for 2010/11 was approved by this Committee in March 2010 (Minute No. A43/Mar/10) 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. For ease and consistency purposes the information presented reflects the previous Council structure on which the 2010/11 Plan was based.
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 2010/11.

Recommendations

7. It is recommended that Audit Services' Annual Report for 2010/11 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 Audit Advice and Consultancy Sheets
- 4 Annual Audit Letter 2009/10
- 5 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
2010/11**

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1. Introduction

- 1.1 Audit Services comprises an establishment of 5 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.

2. Service Provided

- 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

Summary of 2010/11 Year In Person Days				
	Annual Plan	Actual Allocation	Variance	
			+	-
Chargeable Time				
• Audit Assignments	552	451		101
• Advice and Consultancy	274	171		103
• Corporate Arrangements	90	83		7
• Contingency Allocation	100	223	123	
SUB TOTAL	1016 *	928	123	211
Non Chargeable Time				
• Training, ISO Administration, Supervision and Management etc.	110	128	18	
Non Productive Time				
• Annual Leave, Bank Holidays, Sickness etc.	224	294	70	
TOTAL	1350	1350	211	211
* Increase of 16 person days from the original Plan approved by the Audit Committee to reflect an Audit Manager returning to work full time during the year.				

- 3.2 Actual chargeable time in total during the year was some 91% of that planned. The shortfall resulted largely from maternity leave and this also reflects in the increase 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.

4. Review of Audit Assignment Work

- 4.1 Planned audit assignments for the year totalled 49 of which 43 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 2**.
- 4.2 Audit work was undertaken on the core financial systems of corporate income, sales ledger, 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, Sales Ledger and Council Tax/NDR 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.
 - Sales Ledger – improvements agreed in aspects of the outstanding debt process. In addition, the sales ledger systems are to be examined as a transformation project to be led by the Audit Manager.
 - Council Tax/NDR – more robust controls introduced on the processing of reliefs and exemptions and the processes in respect of credit balances and arrears recovery are under review.
- 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:
- Dolphin Centre Leisure - improvements implemented in the control of income.
 - Supported Living – improvements agreed to evidence external management checks on financial transactions at establishments and to improve record keeping.
 - Stores – improvements implemented in the requisition and continuous inventory processes and new technology to be introduced during 2011/12 to improve system processes further.
 - Foster Care: Care Management – inconsistent approach to record keeping to be addressed and improvements implemented in authorisation processes.
 - Primary Schools x 2 – improvements implemented in the reconciliation of income procedures at one school and in the reconciliation of school meals and letting procedures at another.
 - Inventories – improvements agreed in the standard of inventories maintained.
- 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.

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

- 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 Procure to Pay and Financial Assessments; 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 Departments, including schools, for advice and assistance upon all aspects of the Council's internal control framework. The Section dealt with a marked increase in the volume of such requests that arose largely due to the rationalisation of the management structure and the number of service reviews carried out.
- 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.

6. Annual Governance Statement

- 6.1 In accordance with statutory requirements the Council must publish an Annual Governance Statement to accompany the Statement of Accounts for 2010/11.
- 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**.

7. Performance Indicators

- 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 88% was attained against a target of 92%. This is explained by maternity leave and the time required for special investigation cases.
- 7.4 Following the governments announcement in 2010 to abolish Comprehensive Area Assessment all work on Use of Resources by PricewaterhouseCoopers(PwC), the Council's external auditors, ceased and the work was not completed. However, PwC did comment in the Annual Audit Letter for 2009/10 that from the work undertaken there were no significant matters arising that they felt should be reported to Members.

8. The Future

The aim of Audit Services for the year ahead is to continue to deliver an efficient and effective service with a reduced resource 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/Departmental Risk Registers. Corporate Risk Management Group and Sub-Group Agendas and Minutes. Officer/Member Training.	Annual Audit Plan developed with reference to Corporate/Departmental 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 and Money Laundering Policy. 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 and 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 and Resources Scrutiny Committee.
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/Resources Scrutiny on Finance/Performance.
Ethical health arrangements	Legal Services	Member Code of Conduct. Officer Code of Conduct.	Legal Services Reports reflected upon in the audit planning process.	Members and Officers Codes of Conduct endorsed by

inadequate.		Ombudsmen complaints and outcomes. Member/Officer Training.		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 2010/11

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
Corporate Services	Corporate Income System	Departmental Controls – Substantial Credit and Debit Card Processing - Limited	Progress continues to be made in respect of achieving compliance with the PCI Standard. However issues remain in respect of the Leisure and Culture booking systems where new upgrades to the software are required before compliance can be sought	Processing of debit and credit card payments in respect of Leisure to be re routed through a hosted solution which will solve the compliance issue. Options to be considered in respect of the Culture system to include as above with Leisure and the upgrade of the system to a compliant version of the software subject to cost.
	Treasury Management	Full		
	Review of Sales Ledger	Limited	Issues identified in respect of insufficient ownership of outstanding debt, legal recovery, accounts in dispute, multiple debts, proof of debts and payment by instalments	Management have responded positively to the audit findings and an action plan agreed to facilitate the improvements required including the examination of the sales ledger processes as a Transformation project.
	Sickness Absence	Substantial		
	Creditors	Substantial		
	Council Tax /NDR	Limited	Issues identified in respect of the	Management have moved

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
			controls around the granting and processing of reliefs and exemptions , the processing of credit balances , security profiles and arrears recovery	quickly to address the issues raised as part of the merger of the service with Housing Benefits. More robust controls have been introduced in respect of reliefs and exemptions, security profiles are under review as are the processes in respect of credit balances and arrears recovery.
	VAT	Substantial		
	Payroll	Substantial		
Community Services	Dolphin Centre Leisure	Limited	Issues identified with control of income linked principally to the functionality of the current version of the Leisure Management computerised system.	Management have responded positively to the audit findings and an action plan has been agreed to facilitate the improvements required.
	Independent Sector Payments	Substantial		
	Creditors – Open Contractor	Substantial		
	Dolphin Centre Catering	Substantial		
	Supported Living	Limited	Evidenced external management sample checking of and delegation for financial transactions at establishments was required and client’s files not being kept up-to-date	Management have responded positively to the audit findings and an action plan has been agreed to facilitate the improvements required
	Stores	Limited	Issues identified in respect of deficiencies in the continuous inventory process, authorisation and completion of stores	Management have responded positively to the audit findings and an action plan has been agreed to

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
			requisitions, misinterpretation of stock conversions leading to significant error rates, the use of inefficient manual systems which remain prone to error.	facilitate the improvements required including the introduction of new technology to improve systems processes that is due for implementation in the third quarter of 2011.
	Transport Services	Substantial		
	Housing Benefits	Substantial		
	Housing Rents	Substantial		
Chief Executives	European Grants	N/A	Opinion not given as work non standard appraisal. Audit of grant expenditure completed in accordance with grant terms and conditions.	
	Creditors	Substantial		
	Development Control and Planning	Substantial		
Children's	Schools Finance Support Team	Substantial		
	Looked after Children	Split Opinion Foster Care – Care Management - Limited Foster Care – Payments- Substantial	Improvements required in the consistency of record keeping between manual and electronic records and in authorisation processes.	Management have responded positively to the audit findings and an action plan has been agreed to facilitate the improvements required

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
	11 X Primary Schools	3 x Full Assurance 6 x Substantial 2 x Limited 2 x FMSiS pass	Issues identified around controls in respect of usage of the financial management system and reconciliation of income procedures at one school and issues with reconciliation of school meals and letting procedures at another. Only two school audits were undertaken that involved FMSiS reassessment. The Standard was discontinued by the Government on 15 th November 2010 with immediate effect.	The Head Teachers have responded positively to the audit findings and action plans have 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	
	Special Education Services	Substantial		

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
	Contract Monitoring – PFI Scheme	N/A	Opinion not given as work non standard appraisal. Audit work focused on the development of a contract monitoring framework document to be used and developed by the School Assets Team.	
Corporate Core	Data Quality /Performance Indicators	N/A	Opinion not given as work non standard appraisal. Audit work focused on finalising the format and content of a third party data quality assurance statement with another local authority in preparation for formal agreement with and future use by significant partner organisations and supporting departments in the rollout of a data quality ‘self audit regime’.	
	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		

Department	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
	Inventories	Limited	Issues identified in respect of out of date/incomplete inventories maintained and inconsistencies in the approach to insuring items via the All Risks policy.	Management have responded positively to the audit findings and an action plan has been agreed to facilitate the improvements required
	Mayors Charity Fund	N/A	Annual audit of accounts completed.	
	LAA	N/A	Opinion not given as work non standard appraisal. Audit work focused on the verification of performance indicators to enable the processing of the reward grant.	
	T.M. Barron Charity	N/A	Annual audit of accounts completed.	

OPINION	DEFINITION
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 2010/11**

Department	Description	Output
Corporate Services	Darlington and Stockton Partnership	Work undertaken with colleagues in Stockton Internal Audit and the respective External Auditors, PwC and the District Audit Service, to further develop the approach to both the internal and external audit of the Partnership. In addition, work also undertaken with Xentrall senior management to develop effective focus groups for individual service areas within Transactional Finance. Further work is also being undertaken in relation to the possible procurement of a new income system for Darlington/Stockton SBC.
	Special Investigation	Undertook an investigation following a disclosure under the confidential reporting policy. The investigation resulted in disciplinary action and the police were informed.
	Special Investigation	Investigation undertaken in respect of a potential breach of the employee code of conduct. The investigation has been concluded with no further action to be taken.
Core Corporate	National Fraud Initiative (NFI)2010	Data extracts submitted in accordance with Audit Commission timescales in early October 2010. Fair processing consultation carried out via the Joint Consultative Committee in November 2010, followed by articles in the Flyer, Town Crier & Hot News. Licence application process amended to address 'right to work in the UK' question to enable data matching in this area. Potential matches accessible from late January 2011 and investigation work continues.
	Anti Fraud & Corruption Arrangements	Content of next edition of Fraud Newsletter being finalised for issue Summer 2011. Online fraud referral form being developed in conjunction with housing benefits staff and web team. Internet web page developed to include multi lingual sentence advising that frauds may be reported in a mother tongue for subsequent translation. Annual Fraud Survey 2009/10 completed as required by the Audit Commission.
	Transformation Projects	Assistance provided with pilot projects in respect of Procure to Pay and Financial Assessments.

Department	Description	Output
	Annual Governance Statement	Annual Governance Statement drafted in conjunction with the Management Group responsible and approved by the Audit Committee in June 2010.
	Annual Review of Internal Audit Effectiveness	Participated in the independent review of internal audit effectiveness required by the Accounts and Audit Regulations 2006. Outcome of the review, that concluded the Council has an effective system of internal audit, was reported to the Audit Committee in June 2010.
Community Services	Special Investigation	Investigation undertaken in respect of the submission of a significant number of potential bogus invoices. The internal investigation has been completed and the case referred to the Police. Police investigations are complete and a court case is pending for later this year.
	Special Investigation	Investigation undertaken into the engagement of sub contractors. The investigation remains ongoing.
	Special Investigation	Assisted with an investigation concerning a significant cash discrepancy within Adult Services The case went before Teesside Crown Court in August 2010 with the defendant pleading guilty. A suspended sentence was passed..
	Special Investigation	Provided support to the police in respect of a significant cash discrepancy identified during the course of an audit review. The police investigation has been concluded without any further action being taken. As part of the audit review, recommendations were made to further strengthen internal controls.
	Special Investigation	Investigation undertaken in respect of issues identified by management in relation to the administration of an imprest account at an establishment. The investigation was concluded and resulted in systems and procedures being strengthened accordingly.
	Special Investigation	Assisted with an investigation into a significant cash discrepancy within Cultural Services. The investigation was concluded and resulted in the strengthening of internal controls.
Children's Services	Special Investigation	Investigation undertaken in respect of submission of bogus expenses claims. The investigation proved inconclusive and although no further action resulted steps were taken to strengthen the monitoring and authorising system in place.
	Special Investigation	Investigation undertaken in relation to a significant banking shortfall in a primary school. The investigation proved inconclusive and although no further action resulted steps were taken to strengthen the internal reconciliation, banking and management monitoring arrangements.
	Contact Point	Completion of 2009/10 annual compliance return for the DfE. Closure/decommissioning work completed following disbanding of the system by the Government in August 2010.

Department	Description	Output
Chief Executives	Special Investigation	Assistance and advice provided in the processing of a reimbursement claim for taxi vouchers.

AUDIT SERVICES – KEY PERFORMANCE INDICATORS

	2010/11	
	Target	Outcome
1. Use of Resources External Audit Assessment Governing the Business Theme - the Council manages its risks and maintains a sound system of internal control.	3/4	Inspection regime abolished
2. Outcome of annual review of the effectiveness of the system of internal audit.	Effective	Effective
3. Days per auditor as per CIPFA Benchmarking Statistics for Unitary Authorities.	184 Top Quartile	188 Top Quartile
4. Cost per audit day as per CIPFA Benchmarking Statistics for Unitary Authorities	£295 Second lowest quartile	£273 Second lowest 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 4.7
6. Maintain ISO 9001 : 2000 Quality Accreditation	Achieve	Achieved
7. % of planned pre determined audit assignments completed within the year relative the agreed audit plan	92%	88%
8. % of audit recommendations accepted by client, with a priority of high or medium priority	100%	100%
9. % of agreed audit assignments carried out within the year on core financial systems	100%	100%
10. % of audit assignments completed within 10% of the planned time allocated for each assignment	92%	92%
11. % of draft audit reports for each audit assignment completed within 7 working days of the exit meeting	100%	100%
12. % of final reports for each audit assignment issued within 3 working days of receipt of response to draft	100%	100%
13. % of agreed consultancy project work concluded to the satisfaction of the client manager	100%	100%
14. Maintain service costs within budget	Achieve	Achieved
15. % of workforce receiving PDRs	100%	100%
16. % of planned audit assignments where the client was given 5 working days notice of, or agreed a timescale for, the commencement of the audit	100%	100%