
AUDIT SERVICES ANNUAL AUDIT PLAN 2011/12 – PROGRESS REPORT

SUMMARY REPORT

Purpose of the Report

1. To provide Members with a progress report against the 2011/12 Annual Audit Plan in accordance with Audit Services' role and terms of reference.

Summary

2. The report outlines progress during the first eight months of the year on audit assignment work, consultancy/contingency activity and performance indicators.
3. Audit assignment work undertaken since the last progress report in September 2011 has resulted in a full assurance opinion for one primary school and substantial assurance opinions in respect of Waste Management, Administration of Client Finances and six primary schools. A limited assurance opinion resulted from the audit review of Procurement-Purchasing Cards. In this instance management have responded positively to audit findings and an action plan has been agreed to deliver the improvements required.
4. In relation to Audit Services' key performance indicators the position is positive.

Recommendation

5. It is recommended that the progress report against the 2011/12 Annual Audit Plan be noted.

Reasons

6. 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

- (i) Audit Services' Role and Terms of Reference.
- (ii) Audit Assignment Executive Summaries.

Brian James: Extension 2140

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.

MAIN REPORT

Information and Analysis

7. The Annual Audit Plan for 2011/12 was approved by the Audit Committee in April 2011 (Minute A45/April/11) and this report covers progress made during the first eight months of the year i.e. to 30 November 2011.
8. The 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.
9. In order to portray progress three Appendices are attached:-
 - (a) **Appendix A** – summarises the outcome from Audit Assignments undertaken and outlines those in progress.
 - (b) **Appendix B** – details some of the more significant outputs from consultancy/corporate arrangements work/contingency activity carried out.
 - (c) **Appendix C** – states Audit Services' Performance Indicators and gives results or year-end projections.
10. The results of audit assignments carried out to 30 November 2011 are shown at Appendix A. Since the last progress report in September 2011 ten audit assignments have been completed. One primary school received a full assurance opinion and the audits of Waste Management, Administration of Client Finances and six primary schools resulted in substantial assurance opinions. However, a limited assurance opinion resulted from a review of Procurement-Purchasing Cards where there was a need for a corporate policy governing their use and a requirement to update procedural documentation, review spending limits and improve the overall monitoring of spend. Management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.
11. It should also be noted that with reference to the approved Annual Audit Plan the audits of Sales Ledger, Housing Maintenance Contractor and Housing Maintenance Client have been replaced by Head of Steam, Arts Centre and Eastbourne Sports Complex. The reason for the deletions is that these services are currently subject to ongoing transformation reviews with significant audit involvement. The replacement audits have been brought forward from 2012/13 with the agreement of management.
12. In line with good practice, at an appropriate time, Audit Services follow up with Managers progress on implementation of audit recommendations agreed in audit reports. It is pleasing to report generally no matters of concern on this point both from an internal and external audit perspective.
13. The Section has worked on a number of consultancy projects identified in the original Audit Plan and with recognised flexibility some have been replaced by others at the request of individual Directors. Some of the more significant outputs from consultancy, corporate arrangements work and contingency activity carried out are identified in Appendix B.

14. The position is positive upon Key Performance Indicators (Appendix C) with operational targets likely to be achieved.
15. The Unit has also responded to routine requests from Groups for advice and guidance on operational matters.

Outcome of Consultation

16. There was no formal consultation undertaken in production of this report.

Appendix A

SUMMARY OF AUDIT ASSIGNMENTS UNDERTAKEN FOR THE FIRST 8 MONTHS OF 2011/12

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

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
			processed till voids and refunds; and the standard of financial record keeping.	facilitate the improvements required.
	Stressholme - Golf Course	Substantial		
	Stressholme - Club House	Limited	Issues identified with management monitoring of stock/consumption discrepancies, till procedures and security arrangements.	Management have responded positively to the audit findings and an action plan has been agreed to facilitate the improvements required.
	Waste Management Contract	Substantial		
	European Grants	N/A	Opinion not given as work non standard appraisal. Audit of grant expenditure completed in accordance with grant terms and conditions.	
	Administration of Client Finances	Substantial		
People	8 x Primary School	7 x Substantial 1xFull		
Corporate Core	Mayors Charity Fund	N/A	Annual audit of accounts completed.	

OPINION	DEFINTION
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 AUDIT ASSIGNMENTS IN PROGRESS

Group	Audit Assignment	Stage of Audit
Place	Creditors	Fieldwork ongoing
	Contract Audit	Fieldwork ongoing
	Street Scene	Fieldwork ongoing
Resources	Creditors	Fieldwork ongoing
	Registrars	At draft report stage
	Estates	At draft report stage
	Xentrall Management Arrangements	Fieldwork ongoing
People	Creditors	Fieldwork ongoing
Corporate Core	Grants	Fieldwork ongoing

**Summary of the More Significant Outputs from Consultancy/Corporate Arrangements
Work/Contingency Activity undertaken for the first 8 months of 2011/12**

Group	Description	Output
Core Corporate	Annual Review of Internal Audit Effectiveness	Participated in the independent review of internal audit effectiveness required by the Accounts and Audit (England) Regulations 2011. Outcome of the review, that concluded the Council has an effective system of internal audit, was reported to the Audit Committee in July 2011.
	Annual Governance Statement	Annual Governance Statement drafted in conjunction with the Management Group responsible and approved by the Audit Committee in July 2011.
	National Fraud Initiative (NFI)2010	Potential matches accessible from late January 2011 and investigation work continues. Transport and residential homes matches concluded with no frauds identified. Investigation of Housing Benefit, Payroll, Creditors and Blue Badge matches remains ongoing. Completion of the single person discount matches resulted in some 132 discounts valued at approximately £32,400 being removed. In addition a further 325 discounts were earmarked for further investigation in conjunction with the DWP.
	Anti Fraud & Corruption Arrangements	Anti Bribery Policy and Procedures and consequential amendments to the Employees Code of Conduct produced in response to the Bribery Act 2010 endorsed by Joint Consultative Committee and approved by Council on 24 th November 2011.
	Transformation Projects	Assistance provided on the Procure to Pay, Financial Assessments, Corporate Income System and Housing Repairs projects. Audit Manager the 'Team Lead' on the Sales Ledger review.
Place	Special Investigation	Investigation undertaken into the engagement of sub-contractors. The investigation has been passed to the Police and remains ongoing.
	Special Investigation	Investigation undertaken in respect of a banking shortfall which formed part of a wider investigation. The investigation has been concluded and resulted in the dismissal of a member of staff.
	Special Investigation	Investigation being undertaken following disclosures under the Confidential Reporting Policy in relation to potential breaches of the Employee Code of Conduct. The investigation remains on-going.

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

AUDIT SERVICES – KEY PERFORMANCE INDICATORS 2011/12

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