
AUDIT SERVICES ANNUAL AUDIT PLAN 2012/13 – PROGRESS REPORT

SUMMARY REPORT

Purpose of the Report

1. To provide Members with a progress report against the 2012/13 Annual Audit Plan in accordance with Audit Services' role and terms of reference.

Summary

2. The report outlines progress during the first five months of the year on audit assignment work, consultancy/contingency activity and performance indicators.
3. Audit assignment work has resulted in full assurance opinions in respect of Treasury Management, one nursery and one primary school; and substantial assurance opinions in respect of the Corporate Income System-Departmental Controls, Administration of the Blue Badge Scheme, Cemeteries and Crematorium, Horticulture, one primary and one nursery school. Limited assurance opinions resulted from the audit reviews of Debit and Credit Card Processing (PCI-DSS), Mobile Phones and Car Mileage. In these instances 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 2012/13 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 any 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 2012/13 was approved by the Audit Committee in March 2012 (Minute A40/March/12) and this report covers progress made during the first five months of the year i.e. to 31 August 2012.
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 31 August 2012 are shown at **Appendix A**. Audit assignment work has resulted in full assurance opinions in respect of Treasury Management, one nursery and one primary school; and substantial assurance opinions in respect of the Corporate Income System-Departmental Controls, Administration of the Blue Badge Scheme, Cemeteries and Crematorium, Horticulture, one primary and one nursery school. Limited assurance opinions resulted from the audit reviews of Debit and Credit Card Processing (PCI-DSS), where upgrades to the Corporate Income system and Civic Theatre system are required to achieve a satisfactory level of compliance; Mobile Phones where issues were identified in respect of a lack of compliance with corporate policy

requirements; and Car Mileage where there was a need for clear corporate guidance in respect of the scheme employed. In each case management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.

11. 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.
12. 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.
13. In addition, work has continued to further implement/develop use of audit management software to streamline the audit process.
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.

AUDIT SERVICES SECTION

SUMMARY OF AUDIT ASSIGNMENTS UNDERTAKEN FOR THE FIRST FIVE MONTHS OF 2012/13

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	Upgrades to the Corporate Income System and the Civic Theatre system remain outstanding which are required to achieve a satisfactory level of compliance	The upgrades to both systems have now been approved and implementation of both is expected to commence in the last quarter of 2012/13.
	Treasury Management	Full Assurance		
Corporate Core	Mobile Phones	Limited Assurance	Issues identified in respect of a lack of compliance with corporate policy requirements.	Management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.
	Car Mileage	Limited Assurance	Issues identified around the need for clear corporate policy guidance in respect of the scheme employed.	Management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.
	Mayors Charity Fund	N/A	Annual audit of accounts completed.	

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
People	Primary/Nursery Schools x 4	2 x Full Assurance 2 x Substantial Assurance		
	Administration of Blue Badges	Substantial Assurance		
Place	Cemeteries and Crematorium	Substantial Assurance		
	Horticulture	Substantial Assurance		

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
Corporate Core	Grants	Fieldwork on going
Resources	Creditors	Fieldwork on going
	Business Continuity	Scoping Audit
People	Supporting People	Fieldwork on going
	Creditors	Fieldwork on going
Place	Trade Refuse	Fieldwork on going
	Libraries	Fieldwork on going
	Creditors	Fieldwork on going
	Dolphin Centre	Scoping Audit

**Summary of the More Significant Outputs from Consultancy/Corporate Arrangements
Work/Contingency Activity Undertaken for the first 5 months of 2012/13**

Department	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 June 2012.
	Annual Governance Statement	Annual Governance Statement drafted in conjunction with the Management Group responsible and approved by the Audit Committee in June 2012.
	National Fraud Initiative (NFI)2012	Co-ordinating the 2012/13 National Fraud Initiative. Data files to be supplied to the NFI in October for matching to other Authorities data, DWP and Inland Revenue records etc covering a range of Council Services including Blue Badge Parking Permits, Creditors, Housing Benefits, Insurance Claims, Payroll, and Housing Tenancies. It is expected that data matches will be available for further investigation from Jan/Feb 2013 onwards.
	Transformation Projects	Audit Manager continues to lead on the implementation of the Sales Ledger review. Further work being undertaken to progress the review and on upgrade to the Council's Income System. Assistance provided in the implementation of the Business Improvement District Initiative which went live in August 2012. Audit participation continuing in respect of the review of Care First. Audit advice and guidance being provided in respect of the Depot Relocation Project.

AUDIT SERVICES – KEY PERFORMANCE INDICATORS 2012/13

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.	190 Top Quartile	On target to achieve
3. Cost per audit day as per CIPFA Benchmarking Statistics for Unitary Authorities	£296 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%