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**AUDIT SERVICES ANNUAL AUDIT PLAN 2012/13 – PROGRESS REPORT**

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**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 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 2012 has resulted in substantial assurance opinions in respect of Supporting People, Trade Refuse, Libraries and Housing Management. The TM Barron Charity and Mayors Charity accounts have been audited satisfactorily and with regard to Contract Audit, no opinion was given as the work was a non standard appraisal focusing on the further development of framework agreements and improvements to the procurement process utilising the NEPO Portal facilities.
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 eight months of the year i.e. to 30 November 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 30 November 2012 are shown at **Appendix A**. Since the last progress report in September 2012 assignment work has resulted in substantial assurance opinions in respect of Supporting People, Trade Refuse, Libraries and Housing Management. The TM Barron Charity and Mayors Charity accounts have been audited satisfactorily and with regard to Contract Audit, no opinion was given as the work was non standard appraisal focusing on the further development of framework agreements and improvements to the procurement process utilising the NEPO Portal facilities.

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 EIGHT MONTHS OF 2012/13

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
<b>Resources</b>	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 is expected to commence in the last quarter of 2012/13
	Treasury Management	Full Assurance		
<b>Corporate Core</b>	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

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
	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.
	TM Barron Charity	N/A	Annual audit of accounts completed.	
	Mayors Charity Fund	N/A	Annual audit of accounts completed.	
<b>People</b>	Primary/Nursery Schools x 4	2 x Full Assurance 2 x Substantial Assurance		
	Supporting People	Substantial Assurance		
	Administration of Blue Badges	Substantial Assurance		
<b>Place</b>	Cemeteries and Crematorium	Substantial Assurance		
	Horticulture	Substantial Assurance		
	Trade Refuse	Substantial Assurance		

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
	Contract Audit	N/A	Opinion not given as work non- standard appraisal. Focus of the work was around the further development of framework agreements and improvements to the procurement process utilising the NEPO Portal facilities.	
	Libraries	Substantial Assurance		
	Housing Management	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

<b>Group</b>	<b>Audit Assignment</b>	<b>Stage of Audit</b>
<b>Corporate Core</b>	Grants	Fieldwork on going
	Information Governance	Fieldwork on going
<b>Resources</b>	Creditors	Fieldwork on going
	Sales Ledger	Fieldwork on going
	Balance Sheet Management	Fieldwork on going
<b>People</b>	Creditors	Fieldwork on going
<b>Place</b>	Business Continuity	Scoping Audit
	Creditors	Fieldwork on going
	Dolphin Centre	Fieldwork on going
	Countryside and Allotments	Fieldwork on going



**Summary of the More Significant Outputs from Consultancy/Corporate Arrangements  
Work/Contingency Activity Undertaken for the first 8 months of 2012/13**

<b>Department</b>	<b>Description</b>	<b>Output</b>
<b>Core Corporate</b>	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 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 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.
<b>People</b>	Special Investigation	Provided assistance with a case regarding submitted car mileage claims. The investigation proved inconclusive with no further action taken.

## 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%