
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 eleven 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 December 2012 has resulted in substantial assurance opinions in respect of Sales Ledger, Balance Sheet Management, Payroll, Dolphin Centre Catering and Countryside and Allotments. Limited assurance opinions resulted from the audit reviews of the Dolphin Centre and Group Creditors. 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 eleven months of the year i.e. to 28 February 2013.
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 28 February 2013 are shown at **Appendix A**. Since the last progress report in December 2012 assignment work has resulted in substantial assurance opinions in respect of Sales Ledger, Balance Sheet Management, Payroll, Dolphin Centre Catering and Countryside and Allotments. Limited assurance opinions resulted from reviews of the Dolphin Centre where improvements were required to income, stock and inventory control and utilisation of Leisure Management software and Group Creditors where issues were identified with the working of the procure to pay system. In each case 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 audit of travel and subsistence has been split into two audits, Car Mileage and Mobile Phones, to reflect the scale and diversity of the work involved in the reviews, In addition, School Transport and Building Maintenance are currently subject to on going business process reviews and the audits have been replaced by a school audit and Dolphin Centre Catering respectively, brought forward from 2013/14 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.

AUDIT SERVICES SECTION

SUMMARY OF AUDIT ASSIGNMENTS UNDERTAKEN FOR THE FIRST ELEVEN 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 is expected to commence in the last quarter of 2012/13.
	Treasury Management	Full Assurance		
	Creditors	Limited	Generic issues identified in the working of the procure to pay system.	Management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.
	Sales Ledger	Substantial		
	Balance Sheet Management	Substantial		
	Payroll	Substantial		
	Corporate Core	Mobile Phones	Limited Assurance	Issues identified in respect of a lack of compliance with corporate policy requirements.

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
				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.
	TM Barron Charity	N/A	Annual audit of accounts completed.	
	Mayors Charity Fund	N/A	Annual audit of accounts completed.	
People	Primary/Nursery Schools x 4	2 x Full Assurance 2 x Substantial Assurance		
	Supporting People	Substantial Assurance		
	Administration of Blue Badges	Substantial Assurance		
	Creditors	Limited	Generic issues identified in the working of the procure to pay system.	Management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.
Place	Cemeteries and Crematorium	Substantial Assurance		
	Dolphin Centre	Limited	Improvements required in income, stock and inventory control and utilisation of Leisure Management software.	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
	Dolphin Centre Catering	Substantial		
	Countryside and Allotments	Substantial		
	Creditors	Limited	Generic issues identified in the working of the procure to pay system.	Management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.
	Horticulture	Substantial Assurance		
	Trade Refuse	Substantial Assurance		
	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	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 AUDIT ASSIGNMENTS IN PROGRESS

Group	Audit Assignment	Stage of Audit
Corporate Core	Grants	Fieldwork on going
Resources	Local Taxation	Draft Report Stage
	Budget Management	Fieldwork on going
	Corporate Premises Risks	Scoping Audit
People	Foster Care Payments	Draft Report Stage
Place	Business Continuity	Fieldwork on going
	Housing Rents	Fieldwork on going
	Housing Benefits	Scoping Audit

**Summary of the More Significant Outputs from Consultancy/Corporate Arrangements
Work/Contingency Activity Undertaken for the first 11 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 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. Data matches have now been received and are in the process of being investigated. Some 5,365 matches in total have been received across all service areas.
	Transformation Projects	Audit Manager continues to lead and progress implementation of the Sales Ledger review. Assistance provided in the implementation of the Business Improvement District Initiative which went live in August 2012. Audit participation continuing in respect of an upgrade to the Council's Income System; the review of Care First.; the Depot Relocation Project; introduction of purchasing cards within the Housing/Building Maintenance service; and in supporting the examination of future payment initiatives around proposed welfare reforms.
People	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	Achieved
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%