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**AUDIT SERVICES ANNUAL AUDIT PLAN 2013/14 – PROGRESS REPORT**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To provide Members with a progress report against the 2013/14 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 2013 has resulted in substantial assurance opinions in respect of Payroll and Miscellaneous Benefits, the Social Fund, Independent Sector Payments and Planning and Development Control. A limited assurance opinion resulted from the audit review of Inventories. In this instance management have responded positively to audit findings and action plans have 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 2013/14 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 2013/14 was approved by the Audit Committee in March 2013 (Minute A40/March/13) and this report covers progress made during the first eleven months of the year i.e. to 28 February 2014.
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 the end of February 2014 are shown at **Appendix A**. Since the last progress report in December 2013 audit assignment work has resulted in substantial assurance opinions in respect of Payroll and Miscellaneous Benefits, the Social Fund, Independent Sector Payments and Planning and Development Control. A limited assurance opinion resulted from the audit review of Inventories where improvements are required in their completeness.

In this instance management has responded positively to audit findings and action plans have been agreed to deliver the necessary improvements.

11. It should be noted that with reference to the approved Annual Audit Plan, Section 17 Payments and the Social Fund have been split into two audits to reflect the revised reporting relationships within the organisation. In addition, a further school audit has been undertaken at the request of the Governing Body and an authority wide audit of Imprest Accounts was brought forward from the following year. These replaced the audits of Health and Safety that was subject to an inspection visit from the Health and Safety Executive earlier in the year, and Information Governance, where Heads of Service have been allowed time to progress implementation of their risk based action plans.
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 IN THE FIRST ELEVEN MONTHS OF 2013/14

Group	Audit Assignment	Assurance opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
Resources	VAT	Substantial		
	Insurance	Substantial		
	Corporate Income System	Split Opinion Departmental systems - Substantial PCI Data Security Standard - Limited	Upgrade to the Corporate Income system required to achieve a satisfactory level of compliance	The upgrade went live in February 2014. All primary credit and debit card processing sites within the Council have now transferred the bulk of the PCI DSS processing risk to externally hosted suppliers who are PCI compliant.
	Registrars of Births, Deaths, Marriages	Substantial		
	Imprest Accounts	Substantial		
	Payroll and Miscellaneous Benefits	Substantial		

Group	Audit Assignment	Assurance opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
	Customer Contact Centre	N/A	Non standard audit focusing upon improvements to the Council's income system to support payment processing facilities and systems within the new call / contact centre.	
	Social Fund	Substantial		
<b>People</b>	Primary Schools x 5	Substantial x 5		
	Early Years Funding	Substantial		
	Administration of Children's Centres	Limited	Improvements required to controls over petty cash, inventories and the use of the Centres by external organisations.	Management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.
	Independent Sector Payments	Substantial		
	Supported Living Schemes	Substantial		
<b>Place</b>	Car Parking	Substantial		
	Civic Theatre	Split Opinion: Box Office – Substantial Front of House - Limited	Improvements required in stock control and banking control records.	Management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.
	Environmental Health	Substantial		
	Building Control	Substantial		

Group	Audit Assignment	Assurance opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
	Planning and Development Control	Substantial		
	Markets	Limited	Improvements required to recovery procedures and associated accounting systems.	Management have responded positively to the audit findings and are introducing proactive measures to improve the recovery procedures and associated accounting arrangements.
	CCTV	Substantial		
	Housing/Building Maintenance	N/A	Non standard audit focusing upon the implementation of a purchasing card system via external suppliers to replace the internal stores provision and the decommissioning of the internal stores.	
<b>Corporate Core</b>	Mayors Charity Fund	N/A	Annual audit of accounts completed.	
	Trusts and Funds	N/A	Annual audit of accounts completed.	
	T M Barron Charity Fund	N/A	Annual audit of accounts	
	Inventories	Limited	Improvements required in respect of the completeness of inventories.	Management have responded positively to the audit findings and agreed improvement action plans to address the matters raised.
	Corporate Governance	N/A	Opinion not given as work non standard appraisal. Effort	

Group	Audit Assignment	Assurance opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
			directed to validating evidence quoted in documents/functions on the implementation of the Local Code of Corporate Governance posted on the intranet.	

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>Resources</b>	Housing Benefits	Scoping Audit
	Local Taxation	Audit Ongoing
	Creditors	Audit Ongoing
<b>People</b>	Creditors	Audit Ongoing
	Contracts / Tendering	Scoping Audit
	Passenger Transport	Draft Report Stage
	Section 17 Payments	Draft Report Stage
<b>Place</b>	School Meals	Fieldwork commenced
	Creditors	Fieldwork commenced
	Housing Rents	Audit Ongoing
<b>Corporate Core</b>	Grants	Audit on going



**Summary of the More Significant Outputs from Consultancy/Corporate Arrangements  
Work/Contingency Activity Undertaken for the first 8 months of 2013/14**

Department	Description	Output
<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 2013.
	Annual Governance Statement	Annual Governance Statement drafted in conjunction with the Management Group responsible and approved by the Audit Committee in June/September 2013.
	National Fraud Initiative (NFI)2012	Co-ordinating the 2012/13 National Fraud Initiative. Data files were supplied to the NFI in October 2012 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 became available for further investigation from Jan/Feb 2013 and the work is now almost completed with the final outcomes to be reported to the Audit Commission by 31 <sup>st</sup> March 2014.
	National Fraud Initiative- Single Person Discount Matches	As an exercise separate to that above, the Council is required to supply to the NFI details of all persons receiving a Council Tax Single Person discount which is then matched against the Council's electoral roll to determine possible exceptions (i.e. where a Single Person Discount may not be appropriate). The files were supplied to the NFI in February 2014 and detailed matches for further investigation have subsequently been received by the Council with outcomes due to be reported back to the Audit Commission by December 2014.

Department	Description	Output
	Transformation Projects	<ul style="list-style-type: none"> <li>• Audit Manager continues to lead on the Sales Ledger review to improve management of the Council's outstanding debt.</li> <li>• Further work being undertaken on a root and branch upgrade to the Council's Income System to support the activities of the new customer contact centre and to provide enhanced payment facilities across departments. The system has now gone live</li> <li>• Audit advice and guidance being provided in respect of the examination of additional payment initiatives around welfare reforms.</li> <li>• Decommissioning audits undertaken in respect of Stressholme Golf Course and Catering facility.</li> <li>• Decommissioning Audit undertaken in respect of the closure of Kids and Co.</li> <li>• Providing advice and assistance in the provision of an offsite records/information archive for the Place Group to replace the current archive facility at the Vicarage Road depot.</li> <li>• Providing advice and assistance in respect of the financial administration arrangements related to the creation of an MOT centre at the new depot.</li> </ul>
	Depot Relocation	Advice and assistance being provided in respect of a range of control issues in relation to the proposed relocation.
<b>People</b>	Code of Conduct	Providing advice and guidance to primary schools in relation to the Code of Conduct.

<b>Department</b>	<b>Description</b>	<b>Output</b>
<b>Place</b>	Special Investigation	Investigation undertaken in respect of identified income shortages within an establishment. The investigation has been completed and, although proving inconclusive, has resulted in the implementation of improvements to control mechanisms.

## AUDIT SERVICES – KEY PERFORMANCE INDICATORS 2013/14

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.	187 Top Quartile	On target to achieve
3. Cost per audit day as per CIPFA Benchmarking Statistics for Unitary Authorities	£268 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. % of planned pre determined audit assignments completed within the year relative the agreed audit plan	92%	92%
6. % of audit recommendations accepted by client, with a priority of high or medium priority	100%	100%
7. % of agreed audit assignments carried out within the year on core financial systems	100%	100%
8. % of audit assignments completed within 10% of the planned time allocated for each assignment	92%	92%
9. % of draft audit reports for each audit assignment completed within 7 working days of the exit meeting	100%	100%
10. % of final reports for each audit assignment issued within 3 working days of receipt of response to draft	100%	100%
11. % of agreed consultancy project work concluded to the satisfaction of the client manager	100%	100%
12. Maintain service costs within budget	Achieve	On target to achieve
13. % of workforce receiving PDRs	100%	100%
14. % 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%