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**AUDIT SERVICES ANNUAL AUDIT PLAN 2014/15 – PROGRESS REPORT**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To provide Members with a progress report against the 2014/15 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 2014 has resulted in substantial assurance opinions in respect of Administration of Client Finances, Housing Rents, Treasury Management, Learning and Skills and a nursery school. A limited assurance opinion resulted from the audit review of Agency and Professional Services. In this instance management have responded positively to audit findings and an action plan has been agreed to deliver the improvements required. Non-standard audits have been undertaken in respect of the Materials Purchasing Card System and Partnerships.
4. In relation to Audit Services' key performance indicators the position is positive.

**Recommendation**

5. It is recommended that the progress report against the 2014/15 Annual Audit Plan be noted.

**Reason**

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 5408

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 2014/15 was approved by the Audit Committee in March 2014 (Minute A42/March/14) and this report covers progress made during the first eleven months of the year i.e. to 28 February 2015.
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 2015 are shown at **Appendix A**. Since the last progress report in December 2014, audit assignment work has resulted in substantial assurance opinions in respect of Administration of Client Finances, Housing Rents, Treasury Management, Learning and Skills and a nursery school. A limited assurance opinion resulted from the audit review of Agency and Professional Services where issues were identified around compliance with framework requirements and the overall level of off contract spend. In this instance management have responded positively to audit findings and an action

plan has been agreed to deliver the improvements required. Non-standard audits undertaken were the Materials Purchasing Card System, where audit work related to the implementation of appropriate monitoring and control systems: and Partnerships, where audit work focused on the validation of evidence to demonstrate compliance with the Partnership Toolkit requirements for all significant partnerships.

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

#### **Outcome of Consultation**

15. 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 2014/15

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
Neighbourhood Services and Resources	Land Charges	Substantial Assurance		
	Corporate Income System	Substantial Assurance		
	PCI DSS compliance	Substantial Assurance		
	Sales Ledger	Substantial Assurance		
	Payroll Inc. Miscellaneous Benefits	Substantial Assurance		
	Cemeteries and Crematorium	Substantial Assurance		
	Head of Steam Railway Museum	Substantial Assurance		
	Dolphin Centre	Substantial Assurance		
	Dolphin Centre Catering	Substantial Assurance		
	Administration of Client Finances	Substantial Assurance		
	Materials Purchasing Card System	N/A	Post implementation review undertaken to ensure appropriate control and reporting systems are in place	
	Housing Rents	Substantial Assurance		
Treasury Management	Substantial Assurance			

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
<b>People</b>	Primary Schools x 2	Substantial Assurance		
	Primary Schools x 1	N/A	Non-standard audit undertaken supporting a review on internal financial procedures	
	Nursery School	Substantial Assurance		
	Direct Payments	Substantial Assurance		
	Public Health	Substantial Assurance		
	Learning and Skills	Substantial Assurance		
<b>Economic Growth</b>	Licencing	Substantial Assurance		
	Trading Standards	Substantial Assurance		
	Business Continuity	Limited Assurance	A number of Business Continuity Plans for functions considered business critical required update and testing.	Management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.
<b>Core Corporate</b>	Car Mileage, Travel and Subsistence	Limited Assurance	Corporate Policy guidance required on operation of the car mileage scheme.	Management have responded positively to the audit findings and agreed an improvement action plan to address the matter raised.
	Agency and Professional Services	Limited Assurance	Issues identified around compliance with framework requirements and the overall level of off contract spend	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
	Mayors Charity Fund	N/A	Annual audit of accounts completed	
	Partnerships	N/A	Opinion not given as work non-standard appraisal. Effort directed to validating evidence supplied to demonstrate compliance with the Partnership Toolkit for all significant partnerships.	
	Corporate Governance	N/A	Opinion not given as work non-standard appraisal. Effort directed to validating evidence quoted in documents/functions on the implementation of the Local Code of Corporate posted on the intranet.	

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
<b>Neighbourhood Services and Resources</b>	Housing Benefits	Fieldwork commenced
	Creditors	Fieldwork commenced
	Local Taxation	Fieldwork commenced
<b>People</b>	Contracts	Fieldwork commenced
	Creditors	Fieldwork commenced
	EOTAS	Scoping audit
<b>Corporate Core</b>	Grants	Fieldwork commenced
	Information Governance	Fieldwork commenced
<b>Economic Growth</b>	Corporate Landlord	Fieldwork commenced
	Creditors	Fieldwork commenced



**Summary of the More Significant Outputs from Consultancy/Corporate Arrangements  
Work/Contingency Activity Undertaken in the first 11 months of 2014/15**

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 2014.
	Annual Governance Statement	Annual Governance Statement drafted in conjunction with the Management Group responsible and approved by the Audit Committee in September 2014.
	National Fraud Initiative (NFI)2014	Co-ordinating the 2014/15 National Fraud Initiative. Data files supplied to the NFI in October 2014 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 are available for further investigation from January/February 2015.
	National Fraud Initiative 2014 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 early 2015. A further exercise for 2015 has commenced with matches being received back in early January 2015 from the Audit Commission which are currently being reviewed.

Department	Description	Output
	Change Projects	<ul style="list-style-type: none"> <li>• Work undertaken on an upgrade to the Council's Income System to provide a self- service payments kiosk within the new Customer Service Centre that went live on 5<sup>th</sup> November 2014.</li> <li>• Audit advice and guidance being provided in respect of the Repairs and Maintenance Supply of Materials Contract (replacing the internal stores) within the Place Group.</li> <li>• Audit advice and guidance being provided in respect of the examination of additional payment initiatives around welfare reforms.</li> <li>• Continuing to provide the lead in respect of Sales Ledger Debt recovery.</li> <li>• Providing advice and assistance in respect of the Council moving towards achieving PCI-DSS compliance.</li> </ul>
<b>Neighbourhood Services and Resources</b>	Special investigation	Provided advice and assistance in respect of a case regarding submitted car mileage claims. The investigation has been concluded with appropriate management action taken and systems strengthened.
	Special investigation	Providing advice and assistance in respect of a materials discrepancy within Building Services. The investigation has been concluded with appropriate management action taken and systems strengthened.
	Special investigation	<p>Provided advice and assistance in respect of a materials discrepancy within Building Services.</p> <p>The case was passed to the Police and subsequently heard at Crown Court on 15<sup>th</sup> August 2014 when the defendant pleaded guilty.</p> <p>Internal controls have been strengthened accordingly.</p>

<b>Department</b>	<b>Description</b>	<b>Output</b>
	Special Investigation	Providing advice and assistance in respect of a case involving procedural irregularities in respect of the procurement of services. The investigation has been concluded with appropriate management action taken and systems strengthened.
<b>People</b>	Special investigation	Providing advice and assistance in respect of a case involving a significant income discrepancy within a school establishment. The investigation has been concluded with appropriate management action taken and systems strengthened.
	Special Investigation	Providing advice and assistance in respect of a case regarding submitted car mileage claims. The case remains ongoing.

## AUDIT SERVICES – KEY PERFORMANCE INDICATORS 2014/15

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.	193 Top Quartile	On target to achieve
3. Cost per audit day as per CIPFA Benchmarking Statistics for Unitary Authorities	£263 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%