
AUDIT SERVICES ANNUAL AUDIT PLAN 2015/16 – PROGRESS REPORT

SUMMARY REPORT

Purpose of the Report

1. To provide Members with a progress report against the 2015/16 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 four primary schools and substantial assurance opinions in respect of two primary schools, the Corporate Income system including PCI-DSS and Civic Theatre Box Office. A limited assurance opinion resulted from the Civic Theatre Front of House. In this instance 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 2015/16 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 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 2015/16 was approved by the Audit Committee in March 2015 (Minute A41/March/15) and this report covers progress made during the first five months of the year i.e. to 31 August 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 31 August 2015 are shown at **Appendix A**. Audit assignment work has resulted in full assurance opinions in respect of four primary schools and substantial assurance opinions in respect of two primary schools, the Corporate Income system including PCI-DSS and Civic Theatre Box Office. A limited assurance opinion resulted from the Civic Theatre Front of House where improvements were required to ice cream and confectionary stock/income evaluations and the EPOS tills reporting functionality. Management

have responded positively to audit findings and an action plan has been agreed to deliver the improvements required.

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 FIVE MONTHS OF 2015/16

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
Neighbourhood Services and Resources	Corporate Income System	Corporate Income: Substantial Assurance PCI-DSS – Substantial Assurance		
	Civic Theatre	Front of House – Limited Assurance Box Office - Substantial Assurance	Improvements required around the control of confectionery and ice cream sales, and the EPOS tills reporting functionality	Management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.
Children's	Primary Schools x 6	4 x Full Assurance 2 x Substantial Assurance		
Corporate Core	Mayors Charity Fund	Non-standard Audit, Annual Audit of Accounts undertaken, no issues identified.		

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
Neighbourhood Services and Resources	VAT	Fieldwork ongoing
	Payroll	Fieldwork ongoing
Corporate Core	Grants	Fieldwork ongoing
	Inventories	Fieldwork ongoing

**Summary of the More Significant Outputs from Consultancy/Corporate Arrangements
Work/Contingency Activity Undertaken for the first 5 months of 2015/16**

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 2015.
	Annual Governance Statement	Annual Governance Statement drafted in conjunction with the Management Group responsible for consideration by the Audit Committee in September 2015.
	National Fraud Initiative (NFI)2014	Coordinating the 2014/15 National Fraud Initiative. Data files were 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 became available for further investigation in February 2015. Matches are continuing to be investigated across services with the task due to be completed by around December 2015.
	Change Projects	<ul style="list-style-type: none"> • Advice and Assistance on the Council moving towards achieving PCI - DSS version 3 of the standard • Audit Manager continues to provide the lead on Sales Ledger debt recovery
	Interface Controls	Review undertaken of the principal systems interfaces within the Council and associated controls to ensure they remain fit for purpose. Improvements have been made where required.

Department	Description	Output
	Ethics	Review undertaken of the Codes of Conduct in respect of declaration of interests and gifts and hospitality. Review remains ongoing.
Commissioning	Special Investigation	Providing advice and assistance in respect of a case regarding alleged payroll discrepancies. The case remains ongoing.

AUDIT SERVICES – KEY PERFORMANCE INDICATORS 2015/16

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	£259 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%