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**AUDIT SERVICES ANNUAL AUDIT PLAN 2015/16 – PROGRESS REPORT**

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**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 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 2015 has resulted in substantial assurance opinions in respect of Local Taxation, Housing Rents, Payroll, Grants and Community Safety. Limited assurance opinions have resulted from audit reviews of Registrar of Births, Deaths and Marriages, Creditors and Inventories. 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 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 eleven months of the year i.e. to 29 February 2016.
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 29 February 2016 are shown at **Appendix A**. Since the last progress report in December 2015, audit assignment work undertaken has resulted in substantial assurance opinions in respect of Local Taxation, Housing Rents, Payroll, Grants and Community Safety. Limited assurance opinions resulted from audit reviews of Registrars Births, Deaths and Marriages where improvements were required to accounting and income control practices; Creditors where improvements were required to Procure to Pay

processes, purchasing card administration, maintenance of the Corporate Contracts Register and management of the agency payments contract; and Inventories where improvements were required to general record keeping and the ongoing maintenance of inventory records. In these instances 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 ELEVEN 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.
	VAT	Substantial Assurance		
	Local Taxation	Substantial Assurance		
	Housing Rents	Substantial Assurance		
	Registrars Births, Deaths, Marriages	Limited Assurance	Improvements required to accounting and income control practices.	Management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.
	Payroll	Substantial Assurance		
	Creditors	Limited Assurance	Improvements required to compliance with Procure to	Management have responded positively to the

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
			Pay processes, maintenance of contracts register, purchasing card administration and agency spend.	audit findings and agreed an improvement action plan to address the matters raised.
<b>Children's</b>	Primary Schools x 6	4 x Full Assurance 2 x Substantial Assurance		
	Creditors	Limited Assurance	As Neighbourhood Services and Resources above	Management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.
<b>Corporate Core</b>	Mayors Charity Fund	Non-standard Audit, Annual Audit of Accounts undertaken, no issues identified.		
	Grants	Substantial Assurance		
	Inventories	Limited Assurance	Improvements required to general record keeping and ongoing maintenance of inventory records.	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
	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.	
<b>Economic Growth</b>	Car Parks	Substantial Assurance		
	Creditors	Limited Assurance	As Neighbourhood Services and Resources above	Management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.
<b>Commissioning</b>	Community Safety	Substantial Assurance		
	Creditors	Limited Assurance	As Neighbourhood Services and Resources above	Management have responded positively to the audit findings and agreed an improvement action plan to address the matters raised.

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

<b>Group</b>	<b>Audit Assignment</b>	<b>Stage of Audit</b>
<b>Neighbourhood Services and Resources</b>	Housing Benefits	Fieldwork ongoing
	Housing Maintenance - Materials Control	Fieldwork ongoing
<b>Economic Growth</b>	Estates	Scoping Audit
<b>Commissioning</b>	RIACT	Scoping Audit
	Adult Services Care Package Approval and Payment Process	Fieldwork ongoing
	Supported Living Schemes	Scoping audit
<b>Children's</b>	Specialist Family Support	Fieldwork ongoing



**Summary of the More Significant Outputs from Consultancy/Corporate Arrangements  
Work/Contingency Activity Undertaken for the first 11 months of 2015/16**

<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 2015.
	Annual Governance Statement	Annual Governance Statement drafted in conjunction with the Management Group responsible approved by the Audit Committee in September 2015.
	National Fraud Initiative (NFI)2014	Co-ordinating 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 final sign off of outcomes due to be returned to the Cabinet Office by the 14 <sup>th</sup> April 2016.

Department	Description	Output
	Change Projects	<ul style="list-style-type: none"> <li>• Advice and assistance on the Council moving towards achieving PCI - DSS version 3.1 of the standard</li> <li>• Audit Manager continues to provide the lead on Sales Ledger debt recovery</li> <li>• Advice and assistance in respect of introducing plastic card payment facilities for the new Multi Storey Car Park</li> <li>• Providing the lead in respect of a software upgrade to the Council's corporate income system</li> <li>• Providing the lead in respect of re contracting for the supply of the Council's Income system, new contract commencing in February 2016.</li> <li>• Advice and assistance in respect of rent collection systems within the Covered Market.</li> <li>• Advice and assistance on elements of the Customer Contact Centre telephony upgrade in respect of payment facilities.</li> <li>• The Head of Corporate Assurance is a member of the officer group, chaired by the Chief Executive, established to produce and give oversight to a detailed action plan to address the recommendations from Ofsted in September 2015 following their routine inspection of services for children in need of help and protection; children looked after and care leavers.</li> <li>• Advice and assistance in respect of the Civic Theatre closure on inventories, disposals, stock and income control.</li> <li>• Advice and assistance in respect of the Controc and Liquid Logic system implementations /process re-engineering.</li> <li>• Advice and assistance in respect of redesign of the income management systems within the Registrars service.</li> </ul>
	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.

<b>Department</b>	<b>Description</b>	<b>Output</b>
	Ethics	Review undertaken of the Codes of Conduct in respect of declaration of interests and gifts and hospitality resulting in proposals for an updated version of the Code.
<b>Commissioning</b>	Special Investigation	Provided advice and assistance in respect of a case regarding alleged payroll discrepancies. The case resulted in internal disciplinary action and referral to the Police resulting in a conditional caution with full restitution to the Council which has been completed.
	Special Investigation	Provided advice and assistance in respect of an examination of the adequacy of records maintained within a care establishment to verify the accuracy of expenditure records. Recommendations have been made to strengthen internal control procedures.
<b>Neighbourhood Services and Resources</b>	Special Investigation	Work undertaken to recover losses from a prior year investigation and court case.

## 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%