
AUDIT SERVICES ANNUAL AUDIT PLAN 2016/17 – PROGRESS REPORT

SUMMARY REPORT

Purpose of the Report

1. To provide Members with a progress report against the 2016/17 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 substantial assurance opinions in respect of three primary schools, Sponsorship, Waste Disposal and Sustainability, Elected Members, Lifeline Service, Corporate Income system including PCI-DSS, Residential Accommodation for Children in the Borough and Deprivation of Liberty Safeguards Service,. A limited assurance opinion resulted from a primary school and nursery school. 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 2016/17 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 2016/17 was approved by the Audit Committee in March 2016 (Minute A43/March/16) and this report covers progress made during the first five months of the year i.e. to 31 August 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 31 August 2016 are shown at **Appendix A**. Audit assignment work has resulted in Substantial Assurance opinions in respect of three primary schools, Sponsorship, Waste Disposal and Sustainability, Elected Members, Lifeline Service, Corporate Income system including PCI-DSS, Residential Accommodation for Children in the Borough and Deprivation of Liberty Safeguards Service,. A limited assurance opinion resulted from an audit of a primary school where improvements were required to strengthen the schools finance policy, invoicing, lettings and inventory procedures and a nursery school where improvements were required to lettings, banking, inventory and private school fund procedures. 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 FIVE MONTHS OF 2016/17

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
Neighbourhood Services and Resources	Sponsorship	Substantial		
	Waste Disposal and Sustainability	Substantial		
	Elected Members	Substantial		
	Lifeline Service	Substantial		
	Corporate Income System	Income system – Substantial Assurance PCI-DSS – Substantial Assurance		
Children and Adults	Residential Accommodation for Children in the Borough	Substantial Assurance		
	Deprivation of Liberty Safeguards Service	Substantial Assurance		
	Schools x 4	3 x Substantial Assurance 1x Limited Assurance	Improvements required to strengthen the schools finance policy, invoicing, lettings and inventory procedures.	Management have responded positively to the audit findings and an improvement action plan has been agreed.
	Nursery School	Limited Assurance	Improvements required to lettings, banking, inventory	Management have responded positively to the

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
			and private school fund procedures.	audit findings and an improvement action plan has been agreed.
Corporate Core	Mayors Charity Fund	N/A	Annual audit of the accounts undertaken	

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	Dolphin Centre - Leisure	Fieldwork ongoing
	Dolphin Centre - Catering	Fieldwork ongoing
	Horticulture	Fieldwork ongoing
	Insurance	Fieldwork ongoing
Corporate Core	Grants	Fieldwork ongoing
Children and Adults	RIACT	Fieldwork ongoing
	Fostering Services	Fieldwork complete
	Adoption Services	Fieldwork ongoing

**Summary of the More Significant Outputs from Consultancy/Corporate Arrangements
Work/Contingency Activity Undertaken for the first 5 months of 2016/17**

Department	Description	Output
Core Corporate	Annual Review of Internal Audit Effectiveness	Participated in an independent annual review of internal audit effectiveness led by the Assistant Director Regulatory Services supported by the Assistant Director for Housing and Building Services. The outcome of the review, that concluded the Council has an effective system of internal audit, was reported to the Audit Committee in July 2016.
	Annual Governance Statement	Annual Governance Statement drafted in conjunction with the Management Group responsible for consideration by the Audit Committee in September 2016.
	National Fraud Initiative (NFI)2016	Preparation for the National Fraud Initiative (NFI) exercise for 2016. Data extracts from all key systems due to be submitted to the Cabinet Office during October 2016.
	Change Projects	<ul style="list-style-type: none"> • Advice and Assistance on the Council moving towards achieving PCI - DSS version 3.1 of the standard • Providing advice and assistance in respect of a further upgrade to the Councils corporate income system software (Civica) to support the above. • Providing advice and assistance in respect of the procurement and implementation of a new box office ticketing system at the Civic Theatre
	Democratic	<ul style="list-style-type: none"> • Provided support and challenge in respect of the formulation /implementation of the project planning for the PCC election and European Referendum

AUDIT SERVICES – KEY PERFORMANCE INDICATORS 2016/17

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.	192 Top Quartile	On target to achieve
3. Cost per audit day as per CIPFA Benchmarking Statistics for Unitary Authorities	£252 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%