
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 eight 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 September 2016 has resulted in substantial assurance opinions in respect of the Dolphin Centre Leisure and Catering, Insurance, Housing Rents, Horticulture, Fostering, Responsive Integrated Assessment Care Team (RIACT) and Grants.
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 eight months of the year i.e. to 30 November 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 30 November 2016 are shown at **Appendix A**. Since the last progress report in September 2016 audit assignment work has resulted in substantial assurance opinions in respect of the Dolphin Centre Catering and Leisure, Insurance, Housing Rents, Horticulture, Fostering, RIACT and Grants.
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 EIGHT 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 PCI-DSS – Substantial			
	Dolphin Centre - Leisure	Substantial			
	Dolphin Centre - Catering	Substantial			
	Insurance	Substantial			
	Housing Rents	Substantial			
	Horticulture	Substantial			
	Children and Adults	Residential Accommodation for Children in the Borough	Substantial		
		Deprivation of Liberty Safeguards Service	Substantial		
		Fostering	Substantial		
RIACT		Substantial			
Schools x 4		3 x Substantial			

Group	Audit Assignment	Assurance Opinion	Where Assurance Opinion Less Than Substantial	
			Audit Comment	Management Response
		1x Limited	Improvements required to strengthen the schools finance policy as well as 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 and private school fund procedures.	Management have responded positively to the audit findings and an improvement action plan has been agreed.
Corporate Core	Mayors Charity Fund	N/A	Annual audit of the accounts undertaken	
	Grants	Substantial		

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
Neighbourhood Services and Resources	Housing Management	Fieldwork ongoing
	Local Taxation	Fieldwork ongoing
	Vehicles and Plant	Fieldwork ongoing
	Health and Safety	Fieldwork ongoing
	Payroll Inc. Misc. Benefits	Scoping Audit
Children and Adults	Adoption Services	Fieldwork ongoing

**Summary of the More Significant Outputs from Consultancy/Corporate Arrangements
Work/Contingency Activity Undertaken for the first 8 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 that was approved 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 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	Provided support and challenge in respect of the formulation /implementation of the project planning for the PCC election and European Referendum
	Internal Audit Shared Service Arrangement	In September 2016 Council agreed in principle to the establishment of an Internal Audit Shared Service, with Stockton as the host authority, to enhance the resilience of the service and contribute to the achievement of savings in the MTFP. Work continues on the detail of the arrangement that has a target date for commencement of 1 April 2017.

Department	Description	Output
Neighbourhood Services and Resources	Special Investigation	Providing advice and assistance regarding a financial discrepancy within Financial Services. The investigation remains ongoing.

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%