AUDIT COMMITTEE
28 MARCH 2018

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ITEM NO. 13

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AUDIT SERVICES ANNUAL AUDIT PLAN 2017/18 – PROGRESS REPORT

SUMMARY REPORT

Purpose of the Report

1. To provide Members with a progress report against the 2017/18 Annual Audit Plan in accordance with Audit Services' role and terms of reference.

Summary

2. The report outlines progress to date on audit assignment work, consultancy/contingency activity and performance indicators.

3. The shared service was a new service beginning 1 April 2017 and brought together two teams from different organisations as well as a new approach to delivering the audit opinion.

4. The first few months of the year were dedicated to ensuring the team and systems were embedded, hence audit assignments were profiled towards the second half of the year.

5. In relation to Audit Services' performance a detailed report is provided with good progress to date.

Recommendation

6. It is recommended that the progress report against the 2017/18 Annual Audit Plan and the proposed changes to the plan be noted.

Reasons

7. The recommendation is supported to provide the Audit Committee with evidence to reflect on the Council's governance arrangements.

**Andrew Barber
Audit & Risk Manager**

Background Papers

(i)   Internal Audit Charter
(ii)   Audit Assignment Executive Summaries

Andrew Barber: Extension 156176

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

8. The Annual Audit Plan for 2017/18 was approved by the Audit Committee in March 2017 (Minute A48/March/17) and the Service was formally implemented on 1 April 2017.

9. 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.

10. As previously reported a significant amount have time was spent initially on team development and training. A number of audit reviews have now commenced and

are either complete or nearing completion. A number of audit areas have now been set up as continuous audits and the processes behind this have now been established and automated. We will continue to monitor how best to report the results of this work.

11. Appendix 1 provides members with detailed feedback on the performance of the service and the position in relation to completion of the audit plan.

12. The Audit Team Leader returned from maternity leave in August. Since September we have had a vacancy and following a recruitment campaign we were unable to find a suitable replacement. As a result a number of audits have been identified as low risk and are unlikely to be complete. These are shown in 1.3 in the attached report. We are running another recruitment campaign now.

13. 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.

14. In addition, at the request of clients, consultancy work has been undertaken on specific projects. This time is recorded against Advice & Guidance in the attached appendix. These include:

- replacement car park machines (Including PCI Compliance);
- use of electronic signatures;
- the partnership with Hullabaloo;
- the online booking/payment system in the Dolphin Centre;
- implementation of Mid-Call (Including PCI Compliance);
- indoor market transfer;
- support to the library service for the implementation of self-service kiosks (Including PCI Compliance).

15. The Shared Service has also responded to routine requests from Groups for advice and guidance on operational matters.

Outcome of Consultation

16. There was no formal consultation undertaken in production of this report.

INTERNAL AUDIT
AUDIT COMMITTEE UPDATE REPORT

2017/18

1   AUDIT PROGRESS

1.1   The plan, approved on 24 March 2017, was based on an audit assessment of risk which uses a number of factors to determine the likelihood of issues occurring including an understanding of the full scope of systems in operation, major change, concerns/external interest and results of previous audit work. It then assesses the impact any issues may have on the council's strategic objectives, reputation, financial plans, assets and also the potential impact on individuals and/or the environment.

Audit Progress by Service Group

Department	Planned Audits	Cancelled Audits	Unplanned Audits	Revised Audits	Completed	In Progress	Drafts Issued
Children's and Adult Services	15	0	0	15	0	10	2
Chief Executive	1	0	0	1	0	1	0
Neighbourhood Services & Resources	25	3	1	23	5	14	4
Xentrall	13	0	0	13	1	11	0
Economic Growth	12	3	0	9	3	6	0
Corporate	3	0	0	3	2	0	1
Schools	N/A			0	0	0	0
ICT Systems	N/A			0	0	0	0
Totals	**69**	**6**	**1**	**64**	**11**	**42**	**7**

Actual Days Compared to Planned Days

1.2   The tables below show an alternative view of the number of planned days v actual days taken and the projected available resources to complete the plan.

1.3   The Audit Plan is constantly revised during the year to take account of changing requirements. Amendments to the Plan agreed on 24 March 2017 can be summarised as follows:

2017/18 Planned Audits Amalgamated/Cancelled/Deferred

Name	Comments
Land Charges	Reduced resources, low risk audit.
PCI Compliance	Reduced resources, low risk audit. Advice & Guidance has still been provided but main assessment submission now completed by Xentrall
Security & Surveillance	Reduced resources, low risk audit.
Business Support & Development	Reduced resources, low risk audit.
Cash Offices & Cash Holdings	Reduced resources, low risk audit. Petty cash/Cash Income will still be checked during other audit work.
Enforcement	Reduced resources, low risk audit.

2017/18 Unplanned Audits Added to the Plan

Name	Audit Type	Comments
Markets Management	Limited Scope Audit	Close down for DBC Covered Market.

1.4   Counter Fraud

Work is continuing to complete the revisions to the Council's Anti-Fraud and corruption strategy. Revised strategy to be presented to March 2018 meeting.

2   AUDIT OUTPUT

Engagement Opinions

2.1   For each audit carried out Internal Audit provides an overall conclusion as to whether a sound system of internal control is being maintained. Each opinion is either "Full", "Substantial", "Moderate", "Limited", or "No" assurance depending on the conclusions reached and the evidence to support those conclusions. "Full" and "substantial" assurance normally indicates that the area under review has a reliable system of internal control.

2.2   These individual opinions are summarised below:-

Opinion	Definition	No.	%
Full	A sound system of internal controls is currently being applied which will ensure the system achieves its objectives. Whilst not essential there may still be scope for these controls to be enhanced in some areas.	3	27
Substantial	Overall there is a sound system of internal controls that are operating effectively. The system should achieve its objectives but there are areas where internal controls need to be improved.	5	45
Moderate	A reasonably sound system of internal controls is being applied, however, there are weaknesses which may put some of the system objectives at risk.	0	0
Limited	There is either a limited system of internal controls being applied, or there are significant weaknesses in the controls in place, which are posing a substantial risk to the achievement of system objectives.	0	0
None	The system of internal controls in place is failing and system objectives are not being met. Urgent management attention is required.	0	0
N/A	This classification covers audit work within a small part of a system. Providing an opinion on this work would misrepresent the system as a whole.	3	27
	Total	**11**	

2.3   An analysis of the recommendations supporting these opinions by priority is shown below:-

Priority	Definition	No.	%
Critical	Actions that must be taken immediately to manage significant risks that are likely to prevent the Authority achieving one or more of its corporate objectives.	0	0
High	Actions that should be taken as a matter of priority due to the issues identified posing a substantial risk to the achievement of service/system objectives.	1	7
Medium	Required actions to reduce the risk of systems failing to achieve their objectives.	13	93
Low	Beneficial to the improvement of internal controls, which will support the achievement of objectives.	0	0
	Total	**14**	

Details of Audits by Service Group

2017/18

Department	No. of Audits Issued	Full	Sub	Opinions Mod	Lim	None	N/A	No. of Recs Made	Previous Recommendations Tested	Passed	Failed	N/A
Children's and Adult Services	0	0	0	0	0	0	0	0	0	0	0	0
Chief Executive	0	0	0	0	0	0	0	0	0	0	0	0
Neighbourhood Services & Resources	5	1	1	0	0	0	3	3	3	1	0	2
Xentrall	1	1	0	0	0	0	0	0	0	0	0	0
Economic Growth	3	0	3	0	0	0	0	8	8	6	1	1
Corporate	2	1	1	0	0	0	0	3	4	3	0	1
Schools	0	0	0	0	0	0	0	0	0	0	0	0
ICT Systems	0	0	0	0	0	0	0	0	0	0	0	0
Total	11	3	5	0	0	0	3	14	15	10	1	4

2016/2017

Department	No. of Audits Issued	Full	Sub	Opinions Mod	Lim	None	N/A	No. of Recs Made	Previous Recommendations Tested	Passed	Failed	N/A
Children's and Adult Services	12		10		2			86				
Chief Executive												
Neighbourhood Services & Resources	16		16					97				
Xentrall	12	8	4					3				
Economic Growth	3		2				1	5				
Corporate	2		1				1	3				
Schools												
ICT Systems												
Total	45	8	33	0	2	0	2	194				

2.4 Shown below is a list of all the audit engagements undertaken during the year together with their assurance opinion.

2017/18 Audit Plan Current Position as at 28 February 2018

Department	Audit ID	Name	Status	Assurance	Recommendations				F'work Comp On-Time? 77%	Bud	Rem	Final Var -5.7	Final Issue On-Time? 54%
					L	M	H	C					
Neighbourhood Services & Resources	2520	Housing Benefits	Not Started							18.0	18.0		
Economic Growth	2521	Highways Maintenance Operational	On-Going							13.0	13.0		
Economic Growth	2522	Visitor Information Services 2017/18	On-Going							10.0	9.3		
Economic Growth	2523	Highways Maintenance Management	On-Going							10.0	4.3		
Xentrall	2524	Virtualisation	On-Going							6.0	5.3		
Economic Growth	2525	Highways Inspection	On-Going							7.0	7.0		
Neighbourhood Services & Resources	2526	VAT	On-Going							6.0	-2.1		
Neighbourhood Services & Resources	2527	Taxation	Not Started							11.9	11.7		
Xentrall	2528	Server Operating Systems	On-Going							5.0	3.6		
Xentrall	2529	Website & Intranet	On-Going							10.0	10.0		
Economic Growth	2530	Security & Surveillance	Cancelled							20.0		20.0	
Economic Growth	2531	Trading Standards	Complete	Substantial Assurance	0	2	0	0	Yes	30.0		-17.0	No

Children's and Adult Services	2532	Section 17 Payments	On-Going						Yes	4.0	19.7	-	
Children's and Adult Services	2534	Safeguarding Children	Not Started							15.0	15.0		
Xentrall	2535	Payroll & Absence Recording	On-Going							26.0	1.9		
Xentrall	2536	Environmental Controls	Complete	Full Assurance	0	0	0	0	Yes	10.0		0.9	Yes
Children's and Adult Services	2537	Troubled Families Initiative	On-Going							15.9	-4.4		
Economic Growth	2538	Enforcement	Cancelled							6.9		6.9	
Neighbourhood Services & Resources	2539	Treasury Management	Complete	Full Assurance	0	0	0	0	No	10.0		-10.8	No
Children's and Adult Services	2540	Emergency Duty Team 2017/18	On-Going							3.0	-1.2		
Children's and Adult Services	2541	Early Years & Complex Needs	Not Started							8.0	8.0		
Xentrall	2542	Debtors	On-Going						No	18.0	-22.1		
Neighbourhood Services & Resources	2543	Data Protection	On-Going							10.0	2.9		
Xentrall	2544	Creditors	On-Going							20.0	10.1		
Xentrall	2545	Cloud Computing	On-Going						No	5.0	0.5		
Children's and Adult Services	2546	Client Financial Services	On-Going							12.0	-5.5		
Children's and Adult Services	2547	Referral & Assessment - Childrens	On-Going							15.0	9.7		
Economic Growth	2548	Building Control	Complete	Substantial Assurance	0	4	0	0	Yes	19.1		-8.3	No
Corporate	2549	Recruitment Services	On-Going						Yes	6.0	-5.8		
Neighbourhood Services & Resources	2550	Anti-Fraud Management	On-Going							35.0	24.6		

Service	No.	Title	Status	Assurance									
Neighbourhood Services & Resources	2551	Asset Register/Asset Management	On-Going							7.0	7.0		
Xentrall	2552	Active Directory	On-Going							6.0	3.0		
Children's and Adult Services	2553	Childrens Anti Social Behaviour & Preventions	Complete	Substantial Assurance	1	3	0	0	No	8.0	-0.1		Yes
Neighbourhood Services & Resources	2554	Council Plans	On-Going							5.0	4.9		
Children's and Adult Services	2555	Referral & Assessment - Adults	On-Going							12.0	11.6		
Economic Growth	2556	Business Support & Development	Cancelled							25.0		25.0	
Children's and Adult Services	2557	Personal Budgets & Direct Payments	On-Going							11.0	9.5		
Neighbourhood Services & Resources	2558	Business Continuity & Disaster Recovery	On-Going							10.0	9.7		
Corporate	2559	Officer Payments - Mileage	Complete	Substantial Assurance	0	2	0	0	Yes	8.0		-27.4	No
Neighbourhood Services & Resources	2560	Officer's Travel & Subsistence	On-Going						No	10.0	3.6		
Neighbourhood Services & Resources	2561	Libraries	On-Going							25.0	4.5		
Economic Growth	2562	Private Sector Housing	Complete	Substantial Assurance	0	2	1	0	Yes	10.0		-12.5	Yes
Neighbourhood Services & Resources	2563	Cash Offices & Cash Holdings - Section 17 Payments	Cancelled						No	25.0		23.1	
Neighbourhood Services & Resources	2564	Freedom of Information	On-Going						Yes	15.0	-0.2		

Neighbourhood Services & Resources	2565	Waste Management	On-Going						No	30.0	17.2		
Neighbourhood Services & Resources	2566	Members Payments and Allowances/Travel and Subsistence	Draft							20.0	9.2		
Children's and Adult Services	2567	Leaving Care	On-Going							7.0	6.9		
Xentrall	2568	ICT Backup & Recovery / Disaster Recovery	On-Going							15.0	14.5		
Xentrall	2569	Outlook/Email	On-Going							10.0	4.5		
Neighbourhood Services & Resources	2570	Information Management	On-Going							10.0	10.0		
Neighbourhood Services & Resources	2571	Housing Maintenance	On-Going							20.0	16.5		
Neighbourhood Services & Resources	2572	Financial Management	On-Going							5.0	4.3		
Children's and Adult Services	2573	First Contact	On-Going							3.0	2.3		
Neighbourhood Services & Resources	2574	Museums, Theatres & Arts Venues	On-Going							30.0	29.7		
Neighbourhood Services & Resources	2575	Land Charges	Cancelled							5.9		5.9	
Children's and Adult Services	2576	Looked After Children	On-Going							12.0	2.7		
Chief Executive	2577	Performance Management Framework	On-Going							15.0	14.8		
Xentrall	2578	Internet	On-Going						Yes	10.0	0.7		
Neighbourhood Services & Resources	2579	PCI Compliance	Cancelled							10.0		10.0	

Service	Code	Title	Status	Assurance					Agreed	Planned	Actual	Variance	Yes/No
Economic Growth	2580	Environmental Health	On-Going							6.0	10.7	-	
Corporate	2581	Absence Management	Complete	Full Assurance	0	1	0	0	Yes	10.0		-17.3	Yes
Neighbourhood Services & Resources	2582	Mayor's Charity Fund	Complete	N/A	0	0	0	0	Yes	2.0		0.2	Yes
Neighbourhood Services & Resources	2583	Housing Rents	Complete	Substantial Assurance	0	3	0	0	Yes	15.0		-1.8	Yes
Xentrall	2584	Bank Reconciliation	On-Going							10.0	6.8		
Children's and Adult Services	2585	Better Care Fund	Not Started							20.0	20.0		
Neighbourhood Services & Resources	2586	Welfare Rights	Complete	N/A	0	0	0	0	Yes	7.0		-2.5	No
Children's and Adult Services	2587	Planning & Partnerships Team	On-Going							15.0	14.7		
Neighbourhood Services & Resources	2588	Environmental Information Regulations (EIR)	On-Going						Yes	5.0	0.2		
Economic Growth	2589	Flooding Risk Management	On-Going							5.0	5.0		
Contingency	2590	Grant Audit Work 2017/2018	On-Going							25.0	-18.1		
Neighbourhood Services & Resources	2591	Markets Management	Complete	N/A	0	0	0	0	Yes	0.0		0.0	Yes
Contingency	2592	Advice and Guidance 2017/2018	On-Going						Yes	50.0	33.3		
Contingency	2593	Audit Liaison and Planning 2017/2018	On-Going						Yes	20.0	17.5		
Contingency	2594	Recommendations Follow Up 2017/2018	On-Going						Yes	40.0	40.0		
Contingency	2595	Continuous Monitoring Contingency	On-Going						Yes	25.0	10.6		
	2596	TVCA	On-Going							30.0	30.0		

Contingency	2597	Risk Management	On-Going						Yes	35.0	23.4		
Contingency	2598	ICT Individual Systems	On-Going						Yes	66.0	60.5		
Contingency	2599	Procurement/Contract Management	On-Going							62.0	26.9		
Contingency	2600	Schools	On-Going						Yes	15.0	15.0		
Contingency	2601	Barleyfields Primary	On-Going							0.0	- 19.3		