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**AUDIT SERVICES ANNUAL AUDIT PLAN 2017/18 – PROGRESS REPORT**

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**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 the last meeting an auditor has left 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 will be running another recruitment campaign early 2018.
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	6	0
Chief Executive	1	0	0	1	0	0	0
Neighbourhood Services & Resources	25	3	1	23	3	7	1
Xentrall	13	0	0	13	1	7	0
Economic Growth	12	3	0	9	2	1	0
Corporate	5	0	0	5	1	6	1
Schools	N/A			0	0	0	0
ICT Systems	N/A			0	0	0	0
<b>Totals</b>	<b>71</b>	<b>6</b>	<b>1</b>	<b>66</b>	<b>7</b>	<b>27</b>	<b>2</b>

### 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.	2	29
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.	2	29
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	43
<b>Total</b>		<b>7</b>	

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

<b>Priority</b>	<b>Definition</b>	<b>No.</b>	<b>%</b>
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	17
Medium	Required actions to reduce the risk of systems failing to achieve their objectives.	5	83
Low	Beneficial to the improvement of internal controls, which will support the achievement of objectives.	0	0
<b>Total</b>		<b>6</b>	

**Details of Audits by Service Group  
2017/18**

Audit Area	No. of Audits Issued	Opinions						No. of Recs Made	Previous Recommendations			
		Full	Sub	Mod	Lim	None	N/A		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	3	0	0	0	0	0	3	0	0	0	0	0
Xentrall Shared Services	1	1	0	0	0	0	0	0	0	0	0	0
Economic Growth	2	1	1	0	0	0	0	4	6	5	1	0
Corporate	1	0	1	0	0	0	0	2	0	0	0	0
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
<b>Total</b>	<b>7</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>1</b>	<b>0</b>



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 30 November 2017**

Department	Name	Status	Assurance	Recommendations				F'work Comp On- Time?	Bud	Rem	Final Var	Final Issue On- Time?
				L	M	H	C	90%			-2.3	50%
Neighbourhood Services & Resources	Housing Benefits	Not Started							18.0	18.0		
Economic Growth	Highways Maintenance Operational	On-Going							13.0	12.3		
Economic Growth	Visitor Information Services	Not Started							10.0	10.0		
Economic Growth	Highways Maintenance Management	On-Going							10.0	8.9		
Xentrall	Virtualisation	Not Started							6.0	6.0		
Economic Growth	Highways Inspection	On-Going							7.0	7.0		
Neighbourhood Services & Resources	VAT	Not Started							6.0	3.8		

**Internal Audit – Audit Committee Update  
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Neighbourhood Services & Resources	Taxation	Not Started								11.9	11.9		
Xentrall	Server Operating Systems	Not Started								5.0	5.0		
Xentrall	Website & Intranet	Not Started								10.0	10.0		
Economic Growth	Security & Surveillance	Cancelled								20.0	20.0		
Economic Growth	Trading Standards	Complete	Substantial Assurance	0	1	0	0	Yes		30.0	-17.0		No
Children's and Adult Services	Section 17 Payments	On-Going								4.0	-16.9		
SBC Only	Stockton Collections	On-Going						Yes		5.0	-5.1		
Children's and Adult Services	Safeguarding Children	Not Started								15.0	15.0		
Xentrall	Payroll & Absence Recording	On-Going								26.0	16.1		
Xentrall	Environmental Controls	Complete	Full Assurance	0	0	0	0	Yes		10.0	0.9		Yes
Children's and Adult Services	Troubled Families Initiative	On-Going								15.9	0.2		
Economic Growth	Enforcement	Cancelled								6.9	6.9		
Neighbourhood Services & Resources	Treasury Management	On-Going						No		10.0	-10.8		
Children's and Adult Services	Emergency Duty Team	Not Started								3.0	3.0		
Children's and Adult Services	Early Years & Complex Needs	Not Started								8.0	8.0		
Xentrall	Debtors	On-Going								18.0	-4.6		

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Neighbourhood Services & Resources	Data Protection	On-Going							10.0	7.8		
Xentrall	Creditors	On-Going							20.0	11.2		
Xentrall	Cloud Computing	Not Started							5.0	5.0		
Children's and Adult Services	Client Financial Services	Not Started							12.0	12.0		
Children's and Adult Services	Referral & Assessment - Childrens	On-Going							15.0	10.5		
Economic Growth	Building Control	On-Going					Yes		19.1	-6.8		
Neighbourhood Services & Resources; Xentrall	Recruitment Services	On-Going							6.0	3.6		
Neighbourhood Services & Resources	Anti-Fraud Management	Not Started							35.0	33.6		
Neighbourhood Services & Resources	Asset Register/Asset Management	Not Started							7.0	7.0		
Xentrall	Active Directory	Not Started							6.0	5.4		
Children's and Adult Services	Children's Anti-Social Behaviour & Preventions	Not Started							8.0	7.3		
Neighbourhood Services & Resources	Council Plans	Not Started							5.0	5.0		
Children's and Adult Services	Referral & Assessment - Adults	On-Going							12.0	11.6		

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Economic Growth	Business Support & Development	Cancelled								25.0	25.0		
Children's and Adult Services	Personal Budgets & Direct Payments	Not Started								10.9	10.9		
Neighbourhood Services & Resources	Business Continuity & Disaster Recovery	On-Going								10.0	9.7		
Corporate	Officer Payments - Mileage	Complete	Substantial Assurance	0	2	0	0	Yes		8.0	-25.7		No
Neighbourhood Services & Resources	Officer's Travel & Subsistence	On-Going								10.0	8.4		
Neighbourhood Services & Resources	Libraries	Not Started								25.0	22.4		
Economic Growth	Private Sector Housing	Complete	Substantial Assurance	0	2	1	0	Yes		10.0	-12.5		Yes
Neighbourhood Services & Resources	Cash Offices & Cash Holdings	Cancelled								25.0	25.0		
Neighbourhood Services & Resources	Freedom of Information	On-Going								15.0	9.9		
Neighbourhood Services & Resources	Waste Management	Not Started								0.0	0.0		
Neighbourhood Services & Resources	Members Payments and Allowances/Travel and Subsistence	Not Started								20.0	20.0		
Children's and Adult Services	Leaving Care	Not Started								7.0	7.0		

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Xentrall	ICT Backup & Recovery / Disaster Recovery	Not Started							15.0	15.0		
Xentrall	Outlook/Email	On-Going							10.0	6.5		
Neighbourhood Services & Resources	Information Management	Not Started							10.0	10.0		
Neighbourhood Services & Resources	Housing Maintenance	Not Started							20.0	20.0		
Neighbourhood Services & Resources	Financial Management	On-Going							5.0	4.3		
Children's and Adult Services	First Contact	Not Started							3.0	3.0		
Neighbourhood Services & Resources	Museums, Theatres & Arts Venues	Not Started							30.0	29.6		
Neighbourhood Services & Resources	Land Charges	Cancelled							5.9	5.9		
Children's and Adult Services	Looked After Children	On-Going							12.0	3.6		
Chief Executive	Performance Management Framework	Not Started							15.0	15.0		
Xentrall	Internet	On-Going							10.0	2.8		
Neighbourhood Services & Resources	PCI Compliance	Cancelled							0.0	0.0		
Economic Growth	Environmental Health	Not Started							6.0	5.9		
Corporate	Absence Management	On-Going					Yes		10.0	-22.0		

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Neighbourhood Services & Resources	Mayor's Charity Fund	Complete	N/A	0	0	0	0	Yes	2.0		0.2	
Neighbourhood Services & Resources	Housing Rents	Not Started							15.0	13.9		
Xentrall	Bank Reconciliation	Not Started							11.9	11.9		
Children's and Adult Services	Better Care Fund	Not Started							20.0	20.0		
SBC Only	Welfare Rights	Complete	N/A	0	0	0	0	Yes	7.0		-2.5	No
Children's and Adult Services	Planning & Partnerships Team	Not Started							15.0	15.0		
Neighbourhood Services & Resources	Environmental Information Regulations (EIR)	Not Started							5.0	5.0		
Economic Growth	Flooding Risk Management	Not Started							5.0	5.0		
Corporate	Grant Audit Work 2017/2018	On-Going							25.0	-18.1		
Neighbourhood Services & Resources	Markets Management	Complete	N/A	0	0	0	0	Yes	0.0		0.0	Yes
Contingency	Advice and Guidance 2017/2018	On-going							50.0	25.8		
Contingency	Audit Liaison and Planning 2017/2018	Not Started							20.0	4.9		
Contingency	Recommendations Follow Up 2017/2018	Not Started							40.0	40.0		
Contingency	Continuous Monitoring Contingency	Not Started							25.0	10.6		

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TVCA	TVCA	Not Started							30.0	30.0		
Contingency	Risk Management	Not Started							35.0	20.8		
Contingency	ICT Individual Systems	Not Started							66.0	62.0		
Contingency	Procurement/Contract Management	On-going							62.0	30.7		
Contingency	Schools	Not Started							15.0	15.0		
SBC Only	Barleyfields Primary	On-Going							0.0	-14.9		