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**AUDIT SERVICES ANNUAL AUDIT PLAN 2018/19 – PROGRESS REPORT**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To provide Members with a progress report against the 2018/19 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. In relation to Audit Services' performance a detailed report is provided with good progress to date.

**Recommendation**

5. It is recommended that the progress report against the 2018/19 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.

**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

7. The Annual Audit Plan for 2018/19 was approved by the Audit Committee in March 2018 and the Service was formally implemented on 1 April 2017.
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. Appendix 1 provides members with detailed feedback on the performance of the service and the position in relation to completion of the audit plan.
10. The audit team is now at full capacity with the vacancy filled in May 2018.

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.
12. 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. So far to date this has been limited to day to day queries
13. The Shared Service has also responded to routine requests from Groups for advice and guidance on operational matters.

### **Outcome of Consultation**

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

**INTERNAL AUDIT  
AUDIT COMMITTEE UPDATE REPORT**

**2018/19**

## 1 AUDIT PROGRESS

- 1.1 The plan, approved on 26 March 2018, 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	Complete	In Progress	Under Review	Drafts Issued	Not Started	Ready to Start
Children's and Adult Services	17	0	0	17	1	7	1	0	8	0
Economic Growth & Neighbourhood Services	18	0	0	18	1	8	0	1	7	1
Resources	6	0	0	6	0	1	0	1	4	0
Law & Governance	4	0	0	4	0	2	0	0	2	0
Schools	1	0	0	1	0	1	0	0	0	0
Xentrall	16	0	0	16	3	6	0	0	7	0
Corporate	14	0	0	14	1	6	0	1	6	0
Contingency	6	0	0	6	0	6	0	0	0	0
SBC Only	2	0	0	2	0	0	1	0	1	0
TVCA Only	3	0	0	3	0	0	0	0	0	3
<b>Totals</b>	<b>87</b>	<b>0</b>	<b>0</b>	<b>87</b>	<b>6</b>	<b>37</b>	<b>2</b>	<b>3</b>	<b>35</b>	<b>4</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 26 March 2018 can be summarised as follows:

#### 2018/19 Planned Audits Amalgamated/Cancelled/Deferred

None

#### 2018/19 Unplanned Audits Added to the Plan

None

## 1.4 Counter Fraud

Since the last update both the website and intranet have been updated with a fully revised fraud page. This provides some useful videos and tips on identifying and preventing fraud as well as links to other resources.

The National Fraud Initiative data is in the process of being prepared and will be submitted in the coming weeks with results expected in February 2019.

## 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 Assurance	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	50
Substantial Assurance	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.	3	50
Moderate Assurance	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 Assurance	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
No Assurance	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.	0	0
<b>Total</b>		<b>6</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	8
Medium	Required actions to reduce the risk of systems failing to achieve their objectives.	8	67
Low	Beneficial to the improvement of internal controls, which will support the achievement of objectives.	3	25
<b>Total</b>		<b>12</b>	

Details of Audits by Service Group

2018/19

Department	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	1	0	1	0	0	0	0	3	0	0	0	0
Economic Growth & Neighbourhood Services	1	0	1	0	0	0	0	5	0	0	0	0
Resources	0	0	0	0	0	0	0	0	0	0	0	0
Law & Governance	0	0	0	0	0	0	0	0	0	0	0	0
Schools	0	0	0	0	0	0	0	0	0	0	0	0
Xentrall	3	3	0	0	0	0	0	0	0	0	0	0
Corporate	1	0	1	0	0	0	0	4	0	0	0	0
Contingency	0	0	0	0	0	0	0	0	0	0	0	0
SBC Only	0	0	0	0	0	0	0	0	0	0	0	0
TVCA Only	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

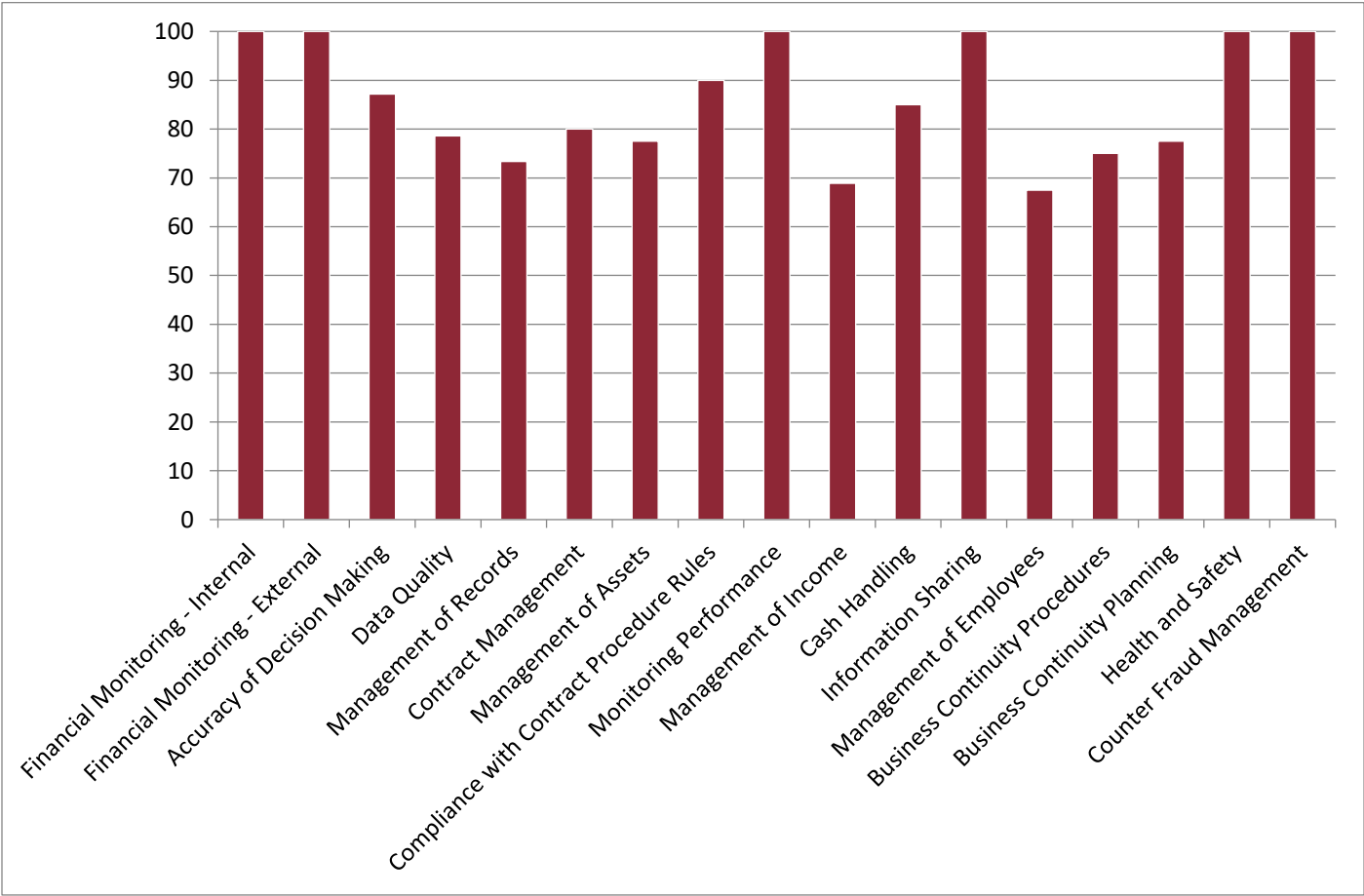


2017/18

Department	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	15	2	6	0	0	0	6	9	9	3	0	2
Chief Executive	1	0	1	0	0	0	0	0	0	0	0	0
Neighbourhood Services & Resources	23	7	11	0	0	0	3	27	32	22	3	7
Xentrall	13	13	0	0	0	0	0	2	0	0	0	0
Economic Growth	9	2	4	0	0	0	3	8	12	8	2	2
Corporate	3	2	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
<b>Total</b>	<b>64</b>	<b>26</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>49</b>	<b>57</b>	<b>36</b>	<b>5</b>	<b>12</b>

Trend Analysis

2.4 Below is a graph demonstrating the level of compliance across a number of themed tests. The majority of areas are shown as Substantial Assurance (70%) with 2 areas just below this level (Management of Income and Management of Employees). As these are only marginally below the substantial assurance level they require monitoring but no action at this time.



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

**2018/19 Audit Plan Current Position as at 30 September 2018**

Department	Audit ID	Name	Status	Assurance	Recommendations				Bud	Rem	Final Var
					L	M	H	C			
Corporate	2602	Financial Management	Not Started						5.0	5.0	
Corporate	2603	Council Plans	Not Started						5.0	5.0	
Corporate	2604	Risk Management	In Progress						35.0	23.7	
TVCA Only	2605	Concessionary Travel Scheme	Ready to Start						15.0	15.0	
Corporate	2606	Absence Management	In Progress						10.0	9.3	
Xentrall	2607	Active Directory	In Progress						5.6	1.8	
Children's and Adult Services	2608	Adult Safeguarding	Not Started						20.0	19.7	
Resources	2609	Communications Unit	Not Started						15.0	15.0	
Economic Growth & Neighbourhood Services	2610	Building Control	In Progress						7.0	6.3	
Xentrall	2611	Cloud Computing	Not Started						5.0	4.9	
Economic Growth & Neighbourhood Services	2612	Asset Register/Asset Management	Not Started						7.0	6.8	

Corporate	2613	Business Continuity & Emergency Planning	Not Started						10.0	10.0	
Economic Growth & Neighbourhood Services	2614	Business Support & Development	Not Started						25.0	25.0	
Children's and Adult Services	2615	Child Placement - Adoption	In Progress						7.0	6.3	
Children's and Adult Services	2616	Independent Living - Remote Monitoring	Under Review						20.0	3.8	
Xentrall	2617	Creditors	In Progress						20.0	7.6	
Corporate	2618	Cash Offices & Cash Holdings	Complete	Substantial Assurance	2	2	0	0	25.0		-19.7
Children's and Adult Services	2619	Better Care Fund	Not Started						20.0	20.0	
Resources	2620	Client Financial Services	Not Started						12.0	11.2	
Law & Governance	2621	Complaints Review	In Progress						9.0	0.0	
Children's and Adult Services	2622	Community Transport	In Progress						7.0	7.0	
Xentrall	2623	Change Control	Complete	Full Assurance	0	0	0	0	6.0		-1.0
Law & Governance	2624	Democratic & Development Services	Not Started						10.0	10.0	
Economic Growth & Neighbourhood Services	2625	Security & Surveillance	Complete	Substantial Assurance	1	3	1	0	20.0		-8.2
Economic Growth & Neighbourhood Services	2626	Car Parking	In Progress						10.0	0.0	
Law & Governance	2627	Elections	Not Started						20.0	20.0	

Xentrall	2628	ICT Project Management	Not Started						10.0	9.6	
SBC Only	2629	Members Payments and Allowances/Travel and Subsistence	Under Review						15.0	9.4	
Economic Growth & Neighbourhood Services	2630	Dolphin Leisure Centre	Draft						15.0	0.0	
SBC Only	2631	Heating, Ventilation, Electrical & Building Services	Not Started						20.0	20.0	
Economic Growth & Neighbourhood Services	2632	Housing Benefits	In Progress						18.0	17.6	
Xentrall	2633	Remote Access	In Progress						10.0	1.6	
Xentrall	2634	Debtors	In Progress						16.0	8.4	
Economic Growth & Neighbourhood Services	2635	Highways Maintenance Operational	Not Started						13.0	13.0	
Resources	2636	Customer Services	Draft						25.0	9.8	
Corporate	2637	Information Management	Not Started						10.0	10.0	
Corporate	2638	Inventories	Draft						10.0	0.0	
Children's and Adult Services	2639	Harewood Hill Lodge	Complete	Substantial Assurance	0	3	0	0	5.0		-6.7
Economic Growth & Neighbourhood Services	2640	Housing Rents	Not Started						15.0	15.0	
Economic Growth & Neighbourhood Services	2641	Dolphin Centre Catering	In Progress						10.0	0.0	

< None >	2642	Land Charges	In Progress						6.0	1.3	
Economic Growth & Neighbourhood Services	2643	Highways Maintenance Management	Not Started						10.0	9.8	
Economic Growth & Neighbourhood Services	2644	Highways Inspection	Not Started						7.0	7.0	
Xentrall	2645	Hardware Controls	Not Started						10.0	8.0	
Children's and Adult Services	2646	Leaving Care	In Progress						7.0	5.2	
Economic Growth & Neighbourhood Services	2647	Flooding Risk Management	Not Started						5.0	5.0	
Children's and Adult Services	2648	First Contact	In Progress						3.0	2.9	
Economic Growth & Neighbourhood Services	2649	Sale of Council Houses	In Progress						10.0	0.5	
Children's and Adult Services	2650	Independent Sector Assessment & Payments	Not Started						15.0	15.0	
Corporate	2651	Anti-Fraud Management	In Progress						35.0	26.1	
Xentrall	2652	Bank Reconciliation	Not Started						12.0	12.0	
Corporate	2653	DBS Procedures	In Progress						6.0	5.9	
Economic Growth & Neighbourhood Services	2654	Development Services	In Progress						9.4	5.0	
Children's and Adult Services	2655	Referral & Assessment - Childrens	In Progress						15.0	11.7	

Children's and Adult Services	2656	Early Years & Complex Needs	Not Started							8.0	8.0	
Xentrall	2657	Virtualisation	In Progress							6.0	4.9	
Children's and Adult Services	2658	Emergency Duty Team	In Progress							3.0	2.4	
Children's and Adult Services	2659	Looked After Children	Not Started							12.0	11.7	
Corporate	2660	Officer Payments - Mileage	In Progress							8.0	0.7	
Xentrall	2661	Network Management	Not Started							10.0	10.0	
Xentrall	2662	PCI Compliance	Not Started							10.0	9.5	
Xentrall	2663	Pension Payments/Early Retirement	Complete	Full Assurance	0	0	0	0		10.0		-0.7
Resources	2664	Treasury Management	Not Started							7.0	7.0	
Resources	2665	VAT	In Progress							6.0	2.3	
Economic Growth & Neighbourhood Services	2666	Taxation	In Progress							12.0	12.0	
Corporate	2667	Recruitment Services	In Progress							6.0	5.0	
Xentrall	2668	Server Operating Systems	Not Started							5.0	5.0	
Corporate	2669	Performance Management Framework	Not Started							15.0	15.0	
Resources	2670	Personal Budgets & Direct Payments	Not Started							11.0	9.3	
Children's and Adult Services	2671	Troubled Families Initiative	In Progress							16.0	8.0	

Xentrall	2672	Firewalls	Complete	Full Assurance	0	0	0	0	6.0		-0.6
Children's and Adult Services	2673	Referral & Assessment - Adults	Not Started						12.0	11.2	
Xentrall	2674	Payroll & Absence Recording	In Progress						26.0	0.1	
Corporate	2675	Workforce Development	Not Started						12.0	12.0	
Economic Growth & Neighbourhood Services	2676	Environmental Health	In Progress						6.0	6.0	
Economic Growth & Neighbourhood Services	2677	Enforcement	Ready to Start						7.0	0.0	
Law & Governance	2678	Mayor's Charity Fund	In Progress						2.0	0.3	
Children's and Adult Services	2679	Youth Offending and Prevention	Not Started						8.0	8.0	
Children's and Adult Services	2680	Early Years, Children's Centres & Childcare	Not Started						8.0	7.8	
Schools	2681	Schools	In Progress						25.0	19.8	
Contingency	2682	Grants Contingency	In Progress						25.0	0.0	
TVCA Only	2683	Investment Plan	Ready to Start						13.0	13.0	
TVCA Only	2684	Core Systems	Ready to Start						7.0	7.0	
Contingency	2685	Procurement/Contract Management	In Progress						62.0	44.2	
Contingency	2686	ICT Individual Systems	In Progress						66.0	62.4	
Contingency	2687	Continuous Contingency	In Progress						65.0	52.7	



Contingency	2689	Audit Liaison & Planning	In Progress						20.0	5.3	
Contingency	2690	Advice & Guidance	In Progress						50.0	40.1	