

**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
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(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. The plan is largely complete, those audits on-going the fieldwork is complete there have been some minor delays with exit meetings and minor queries. There are 4 audits where the start has been delayed but these are expected to be complete in the coming weeks.
  10. The audit team is now at full capacity with the vacancy filled in May 2018.
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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.
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**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	Completed	In Progress	Under Review	Drafts Issued	Not Started	Ready to Start
Children's and Adult Services	17	0	0	17	4	4	3	4	1	1
Economic Growth & Neighbourhood Services	18	0	0	18	11	2	0	3	0	2
Resources	6	0	0	6	3	1	2	0	0	0
Law & Governance	5	0	0	5	3	2	0	0	0	0
Schools	1	0	0	1	1	0	0	0	0	0
Xentrall	16	0	0	16	10	4	1	1	0	0
Corporate	12	0	0	12	2	7	2	1	0	0
Contingency	8	0	0	8	6	1	1	0	0	0
SBC Only	2	0	0	2	1	0	0	1	0	0
TVCA Only	3	0	0	3	0	2	1	0	0	0
<b>Totals</b>	<b>88</b>	<b>0</b>	<b>0</b>	<b>88</b>	<b>41</b>	<b>23</b>	<b>10</b>	<b>10</b>	<b>1</b>	<b>3</b>

### Actual Days Compared to Planned Days

- 1.2 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

### 1.3 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 has been submitted with results received and now being investigated.

The strategy has been updated and is the subject of a separate report.

## **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:-

<b>Opinion</b>	<b>Definition</b>	<b>No.</b>	<b>%</b>
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.	18	44
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.	13	32
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.	10	24
<b>Total</b>		<b>41</b>	

**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.	8	15
Medium	Required actions to reduce the risk of systems failing to achieve their objectives.	30	58
Low	Beneficial to the improvement of internal controls, which will support the achievement of objectives.	14	27
<b>Total</b>		<b>52</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	4	2	2	0	0	0	0	11	6	1	3	2
Economic Growth & Neighbourhood Services	11	3	7	0	0	0	1	18	31	19	12	0
Resources	3	1	2	0	0	0	0	11	0	0	0	0
Law & Governance	3	1	1	0	0	0	1	3	4	2	1	1
Schools	1	1	0	0	0	0	0	0	0	0	0	0
Xentrall	10	9	0	0	0	0	1	0	0	0	0	0
Corporate	2	1	1	0	0	0	0	9	0	0	0	0
Contingency	6	0	0	0	0	0	6	0	0	0	0	0
SBC Only	1	0	0	0	0	0	1	0	0	0	0	0
TVCA Only	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>41</b>	<b>18</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>52</b>	<b>41</b>	<b>22</b>	<b>16</b>	<b>3</b>

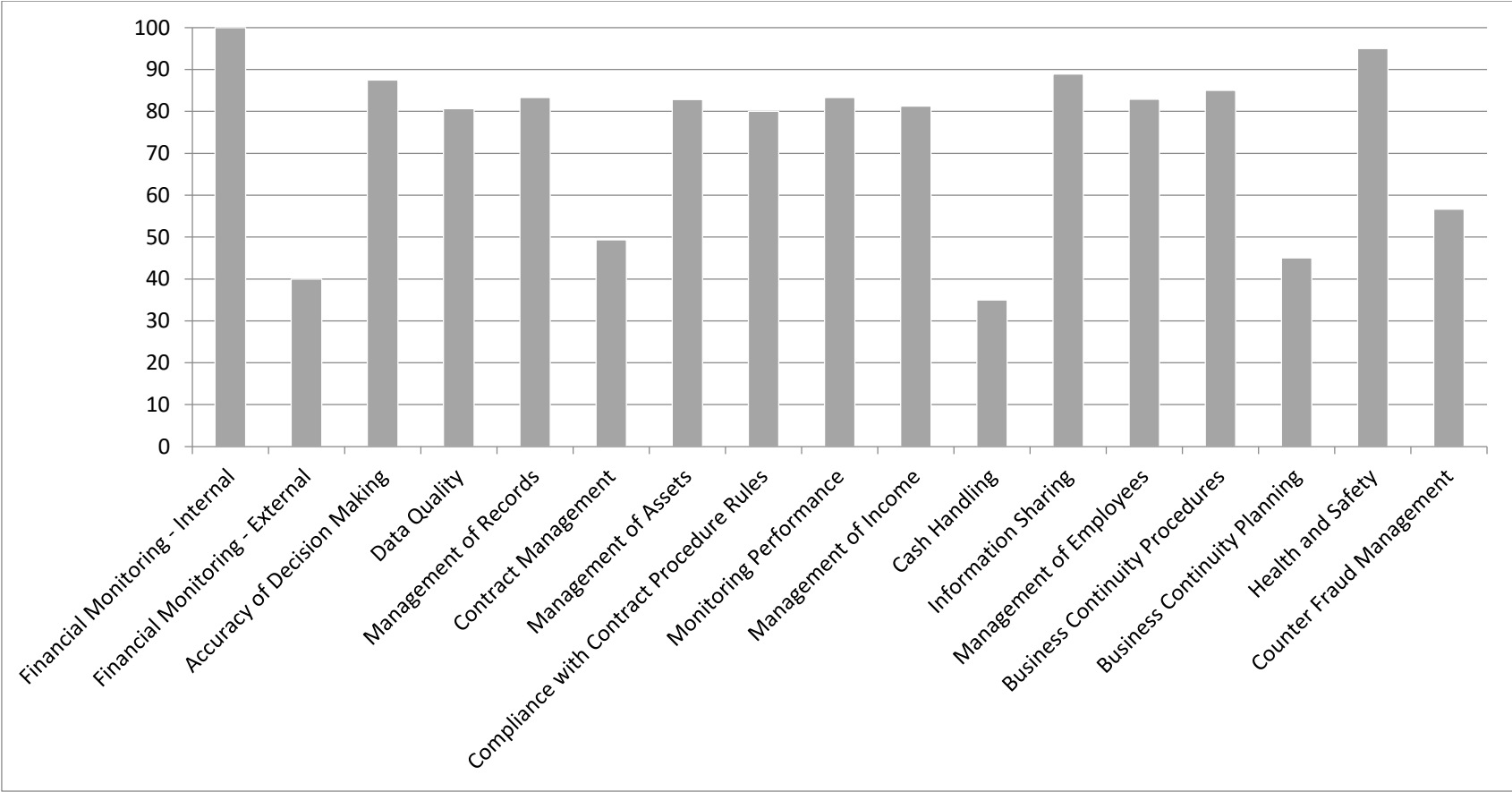


2017/18

Department	No. of Audits Issued	Full	Sub	Opinions				No. of Recs Made	Previous Recommendations			
				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%) however there are a number of areas below this level. In part this is caused by a small sample size in those areas however recommendations made will require close monitoring and there will be additional focus on these areas moving into 2019/2020.



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 31<sup>st</sup> March 2019**

Department	Audit ID	Name	Status	Assurance	Recommendations						Final Var
					L	M	H	C	Bud	Rem	
Corporate	2602	Financial Management	In Progress						5.0	5.0	
Corporate	2603	Council Plans	In Progress						5.0	5.0	
Contingency	2604	Risk Management	Complete	N/A	0	0	0	0	35.0		22.3
TVCA Only	2605	Concessionary Travel Scheme	In Progress						15.0	11.4	
Corporate	2606	Absence Management	In Progress						10.0	6.1	
Xentrall	2607	Active Directory	Complete	Full Assurance	0	0	0	0	6.0		0.1
Children's and Adult Services	2608	Adult Safeguarding	In Progress						20.0	8.3	
Resources	2609	Communications Unit	Under Review						15.0	0.0	
Economic Growth & Neighbourhood Services	2610	Building Control	Draft						7.0	0.6	
Xentrall	2611	Cloud Computing	Complete	Full Assurance	0	0	0	0	5.0		1.5
Economic Growth & Neighbourhood Services	2612	Asset Register/Asset Management	Draft						7.0	0.5	
Corporate	2613	Business Continuity & Emergency Planning	In Progress						10.0	10.0	
Economic Growth & Neighbourhood Services	2614	Business Support & Development	Ready to Start						25.0	23.8	
Children's and Adult Services	2615	Child Placement - Adoption	Draft						7.0	3.8	
Children's and Adult Services	2616	Independent Living - Remote Monitoring	Complete	Substantial Assurance	3	4	1	0	20.0		-9.9

Xentrall	2617	Creditors	Under Review						20.0	0.0	
Corporate	2618	Cash Offices & Cash Holdings	Complete	Substantial Assurance	2	2	5	0	25.0		-29.2
Children's and Adult Services	2619	Better Care Fund	In Progress						20.0	20.0	
Resources	2620	Client Financial Services	Complete	Substantial Assurance	1	2	0	0	12.0		-0.4
Law & Governance	2621	Complaints Review	Complete	Full Assurance	0	0	0	0	9.0		-5.7
Children's and Adult Services	2622	Community Transport	Under Review						7.0	0.0	
Xentrall	2623	Change Control	Complete	Full Assurance	0	0	0	0	6.0		-1.0
Law & Governance	2624	Democratic & Development Services	In Progress						10.0	0.1	
Economic Growth & Neighbourhood Services	2625	Security & Surveillance	Complete	Substantial Assurance	1	4	1	0	20.0		-8.2
Economic Growth & Neighbourhood Services	2626	Car Parking	Complete	Substantial Assurance	0	1	0	0	10.0		-9.1
Law & Governance	2627	Elections	In Progress						20.0	10.7	
Xentrall	2628	ICT Project Management	Complete	Full Assurance	0	0	0	0	10.0		0.8
SBC Only	2629	Members Payments and Allowances/Travel and Subsistence	Complete	N/A	0	0	0	0	15.0		9.2
Economic Growth & Neighbourhood Services	2630	Dolphin Leisure Centre	Complete	Substantial Assurance	3	6	1	0	15.0		-4.5
SBC Only	2631	Heating, Ventilation, Electrical & Building Services	Draft						20.0	3.7	
Economic Growth & Neighbourhood Services	2632	Housing Benefits	Complete	Substantial Assurance	0	0	0	0	18.0		-3.1
Xentrall	2633	Remote Access	Complete	Full Assurance	0	0	0	0	10.0		0.3
Xentrall	2634	Debtors	In Progress						16.0	3.5	
Economic Growth & Neighbourhood Services	2635	Highways Maintenance Operational	In Progress						13.0	9.6	
Resources	2636	Customer Services	Complete	Substantial Assurance	0	4	0	0	25.0		8.1
Corporate	2637	Information Management	In Progress						10.0	9.3	
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	Draft						15.0	0.0	
Economic Growth & Neighbourhood Services	2641	Dolphin Centre Catering	Complete	Substantial Assurance	1	5	0	0	10.0		-6.8
Law & Governance	2642	Land Charges	Complete	Substantial Assurance	0	3	0	0	6.0		-6.6
Economic Growth & Neighbourhood Services	2643	Highways Maintenance Management	Complete	Full Assurance	0	0	0	0	10.0		-2.8
Economic Growth & Neighbourhood Services	2644	Highways Inspection	In Progress						7.0	0.4	
Xentrall	2645	Hardware Controls	In Progress						10.0	3.6	
Children's and Adult Services	2646	Leaving Care	Draft						7.0	0.0	
Economic Growth & Neighbourhood Services	2647	Flooding Risk Management	Complete	N/A	0	0	0	0	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	Complete	Substantial Assurance	0	4	0	0	10.0		-0.9
Children's and Adult Services	2650	Independent Sector Assessment & Payments	Draft						15.0	0.0	
Contingency	2651	Anti-Fraud Management	Complete	N/A	0	0	0	0	35.0		13.2
Xentrall	2652	Bank Reconciliation	Complete	Full Assurance	0	0	0	0	12.0		6.8
Corporate	2653	DBS Procedures	Under Review						6.0	0.0	
Economic Growth & Neighbourhood Services	2654	Development Services	Complete	Substantial Assurance	0	2	0	0	9.4		-12.1
Children's and Adult Services	2655	Referral & Assessment - Childrens	In Progress						15.0	10.3	
Children's and Adult Services	2656	Early Years & Complex Needs	Not Started						8.0	1.7	
Xentrall	2657	Virtualisation	Complete	Full Assurance	0	0	0	0	6.0		2.2
Children's and Adult Services	2658	Emergency Duty Team	Complete	Full Assurance	0	0	0	0	3.0		0.7

Children's and Adult Services	2659	Looked After Children	Draft						12.0	8.8	
Corporate	2660	Officer Payments - Mileage	Complete	Full Assurance	0	0	0	0	8.0		-1.6
Xentrall	2661	Network Management	In Progress						10.0	1.9	
Xentrall	2662	PCI Compliance	Complete	N/A	0	0	0	0	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	Complete	Full Assurance	4	0	0	0	7.0		-0.3
Resources	2665	VAT	In Progress						6.0	0.0	
Economic Growth & Neighbourhood Services	2666	Taxation	Complete	Full Assurance	0	0	0	0	12.0		-16.0
Corporate	2667	Recruitment Services	In Progress						6.0	3.6	
Xentrall	2668	Server Operating Systems	Draft						5.0	3.4	
Corporate	2669	Performance Management Framework	In Progress						15.0	15.0	
Resources	2670	Personal Budgets & Direct Payments	Under Review						7.0	0.0	
Children's and Adult Services	2671	Troubled Families Initiative	Complete	Full Assurance	0	0	0	0	16.0		-3.8
Xentrall	2672	Firewalls	Complete	Full Assurance	0	0	0	0	6.0		-0.6
Children's and Adult Services	2673	Referral & Assessment - Adults	Ready to Start						12.0	8.1	
Xentrall	2674	Payroll & Absence Recording	In Progress						26.0	0.0	
Corporate	2675	Workforce Development	Under Review						12.0	0.0	
Economic Growth & Neighbourhood Services	2676	Environmental Health	Complete	Full Assurance	0	0	0	0	6.0		-1.8
Economic Growth & Neighbourhood Services	2677	Enforcement	Ready to Start						7.0	0.0	
Law & Governance	2678	Mayor's Charity Fund	Complete	N/A	0	0	0	0	2.0		0.0
Children's and Adult Services	2679	Youth Offending and Prevention	Under Review						8.0	2.0	
Children's and Adult Services	2680	Early Years, Children's Centres & Childcare	Under Review						8.0	0.0	
Schools	2681	Schools	Complete	Full Assurance	0	0	0	0	25.0		14.1

Contingency	2682	Grants Contingency	Complete	N/A	0	0	0	0	25.0		-13.7
TVCA Only	2683	Investment Plan	Under Review						13.0	13.0	
TVCA Only	2684	Core Systems	In Progress						7.0	7.0	
Contingency	2685	Procurement/Contract Management	Under Review						62.0	22.6	
Contingency	2686	ICT Individual Systems	In Progress						66.0	47.1	
Contingency	2687	Continuous Contingency	Complete	N/A	0	0	0	0	65.0		28.0
Contingency	2689	Audit Liaison & Planning	Complete	N/A	0	0	0	0	20.0		-15.2
Contingency	2690	Advice & Guidance	Complete	N/A	0	0	0	0	50.0		23.4