

AUDIT COMMITTEE
29 January 2020

ITEM NO.

AUDIT SERVICES ANNUAL AUDIT PLAN 2019/20 – PROGRESS REPORT

SUMMARY REPORT

Purpose of the Report

1. To provide Members with a progress report against the 2019/20 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. In relation to Audit Services' performance a detailed report is provided with good progress to date.

Recommendation

4. It is recommended that the progress report against the 2019/20 Annual Audit Plan be noted.

Reasons

5. 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

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

6. The Annual Audit Plan for 2019/20 was approved by the Audit Committee in June 2019.
7. 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.
8. Appendix 1 provides members with detailed feedback on the performance of the service and the position in relation to completion of the audit plan. Good progress has been made to date.
9. The audit team is no longer at full capacity with one auditor having left and a second has now submitted their resignation. In response to this a number of audits have been identified as lower priority and are detailed in the attached appendix.
10. 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.

11. 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
12. The Shared Service has also responded to routine requests from Groups for advice and guidance on operational matters.

Outcome of Consultation

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

**INTERNAL AUDIT
AUDIT COMMITTEE UPDATE REPORT**

2019/20

1 AUDIT PROGRESS

- 1.1 The plan, approved on 19 June 2019, 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 as at 2 January 2020

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	2	0	15	3	7	0	0	5	0
Economic Growth & Neighbourhood Services	17	3	0	14	8	2	1	0	2	1
Resources	6	0	0	6	2	2	0	2	0	0
Law & Governance	3	1	0	2	0	0	1	0	1	0
Schools	2	0	0	2	1	1	0	0	0	0
Xentrall	11	0	0	11	2	9	0	0	0	0
Corporate	13	2	0	11	0	8	0	0	3	0
Contingency	7	0	0	7	7	0	0	0	0	0
SBC Only	3	0	2	5	3	1	0	1	0	0
TVCA Only	0	0	0	0	0	0	0	0	0	0
Totals	79	8	2	73	26	30	2	3	11	1

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 19 June 2019 can be summarised as follows:

2019/20 Planned Audits Amalgamated/Cancelled/Deferred

- Asset Register – Low priority, no issues in previous year, external audit provide oversight
- Absence Management – Significant work undertaken in previous year, assurance managers have access to more detailed reporting than previously.
- Development Services – Large piece of work undertaken in previous year so lower priority for current year.
- Land Charges – Work undertaken in previous year, low risk audit on the plan.
- Building Control – Work undertaken in previous year, no issues identified.
- First Contact – Service is currently being reviewed.
- Emergency Duty Team – Service is currently being reviewed
- Scheme of Delegation – Low priority audit.

2019/20 Unplanned Audits Added to the Plan

- Two unplanned audits have been added to the plan, both relate to SBC only.

1.3 Counter Fraud

During the year 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 was 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:-

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.	12	46
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.	4	15
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.	1	4
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.	9	35
Total		26	

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.	0	0
Medium	Required actions to reduce the risk of systems failing to achieve their objectives.	24	63
Low	Beneficial to the improvement of internal controls, which will support the achievement of objectives.	14	37
Total		38	

Details of Audits by Service Group

2019/20

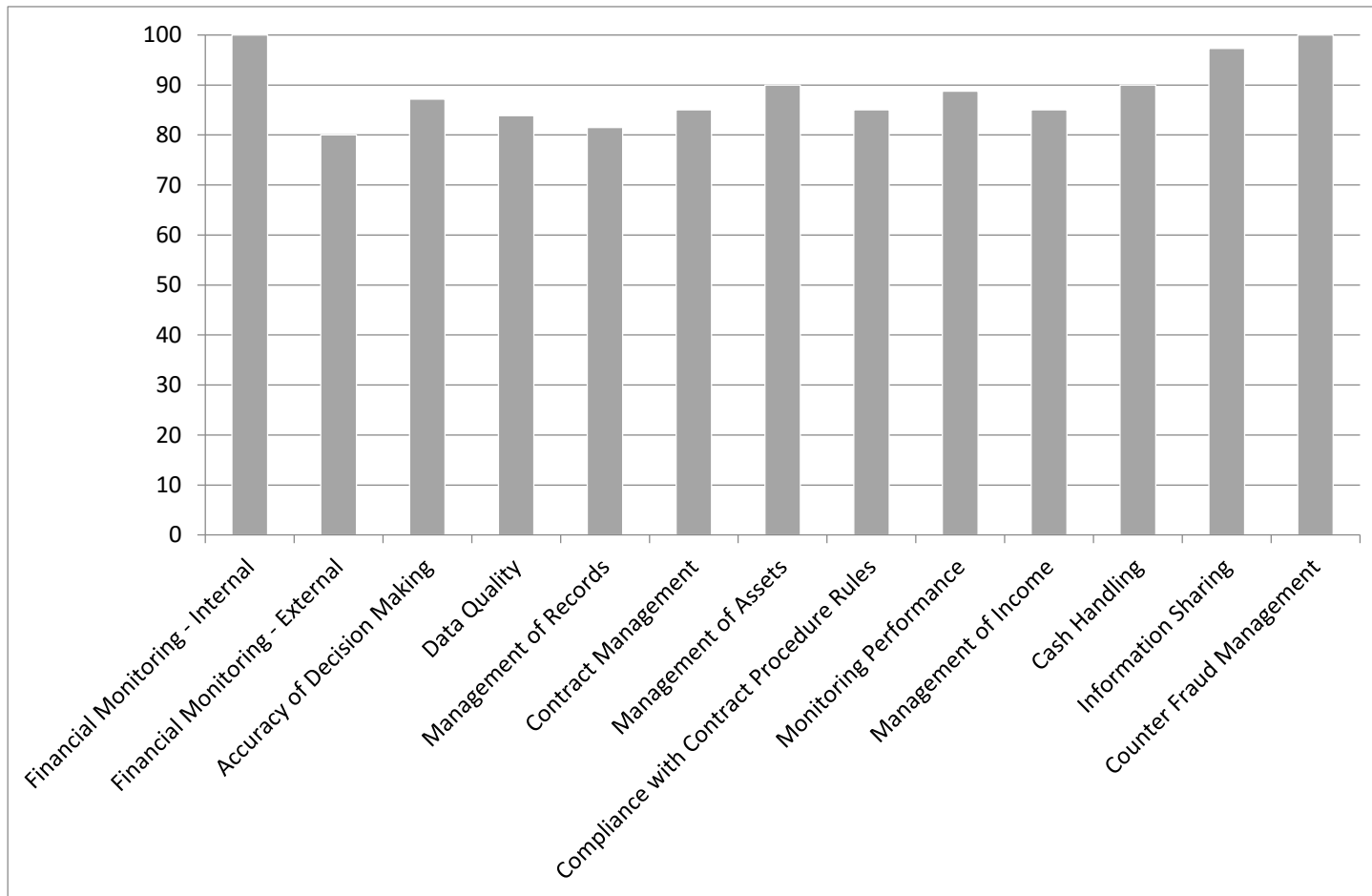
Department	No. of Audits Issued	Opinions						No. of Recs Made	Previous Recommendations			
		Full	Sub	Mod	Lim	None	N/A		Tested	Passed	Failed	N/A
Children's and Adult Services	3	2	1	0	0	0	0	3	9	7	1	1
Economic Growth & Neighbourhood Services	8	4	3	1	0	0	0	28	0	0	0	0
Resources	2	2	0	0	0	0	0	4	0	0	0	0
Law & Governance	0	0	0	0	0	0	0	0	0	0	0	0
Schools	1	1	0	0	0	0	0	2	0	0	0	0
Xentrall	2	2	0	0	0	0	0	0	0	0	0	0
Corporate	0	0	0	0	0	0	0	0	0	0	0	0
Contingency	7	1	0	0	0	0	6	0	0	0	0	0
SBC Only	3	0	0	0	0	0	3	1	0	0	0	0
TVCA Only	0	0	0	0	0	0	0	0	0	0	0	0
Total	26	12	4	1	0	0	9	38	9	7	1	1

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	8	2	5	0	0	0	0	18	6	1	3	2
Economic Growth & Neighbourhood Services	15	4	10	0	0	0	1	24	43	22	18	1
Resources	3	1	2	0	0	0	0	11	0	0	0	0
Law & Governance	4	2	1	0	0	0	1	5	7	2	1	1
Schools	1	1	0	0	0	0	0	0	0	0	0	0
Xentrall	13	11	1	0	0	0	1	0	0	0	0	0
Corporate	7	2	4	0	0	0	0	9	0	0	0	0
Contingency	7	1	0	0	0	0	1	0	0	0	0	0
SBC Only	2	0	0	0	0	0	0	0	0	0	0	0
TVCA Only	2	0	0	0	0	0	0	0	0	0	0	0
Total	62	24	23	0	0	0	4	67	56	25	22	4

Trend Analysis

2.4 Below is a graph demonstrating the level of compliance across a number of themed tests. All areas are shown as Substantial Assurance (70%).



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

2019/20 Audit Plan Current Position as at 2 January 2020

Department	Audit ID	Name	Status	Assurance	Recommendations				Bud	Rem	Final Var
					L	M	H	C			
Corporate	2606	Absence Management	Cancelled						10.0	9.5	
Xentrall	2607	Active Directory	In Progress						6.0	1.6	
Economic Growth & Neighbourhood Services	2610	Building Control	Cancelled						7.0	6.8	
Xentrall	2611	Cloud Computing	In Progress						5.0	2.4	
Economic Growth & Neighbourhood Services	2612	Asset Register/Asset Management	Cancelled						7.0	7.5	
Children's and Adult Services	2615	Child Placement - Adoption	Complete	Substantial Assurance	0	0	0	0	7.0		-12.0
Xentrall	2617	Creditors	In Progress						20.0	18.4	
Resources	2620	Client Financial Services	Draft						12.0	4.9	
Law & Governance	2621	Complaints Review	Not Started						9.0	9.3	
Children's and Adult Services	2622	Community Transport	In Progress						7.0	7.4	
Xentrall	2623	Change Control	In Progress						6.0	5.4	
Economic Growth & Neighbourhood Services	2632	Housing Benefits	In Progress						18.0	0.0	
Xentrall	2634	Debtors	In Progress						16.0	0.0	
Law & Governance	2642	Land Charges	Cancelled						6.0	6.4	
Children's and Adult Services	2646	Leaving Care	In Progress						7.0	0.0	
Children's and Adult Services	2648	First Contact	Cancelled						3.0	2.4	
Corporate	2653	DBS Procedures	In Progress						6.0	0.7	
Economic Growth & Neighbourhood Services	2654	Development Services	Cancelled						9.4	9.8	

**Internal Audit – Audit Committee Update
Report 2019/20**

Children's and Adult Services	2656	Early Years & Complex Needs	Not Started						8.0	9.1	
Xentrall	2657	Virtualisation	In Progress						6.0	3.4	
Children's and Adult Services	2658	Emergency Duty Team	Cancelled						3.0	3.0	
Children's and Adult Services	2659	Looked After Children	In Progress						12.0	11.2	
Corporate	2660	Officer Payments - Mileage	In Progress						8.0	4.8	
Resources	2664	Treasury Management	Complete	Full Assurance	4	0	0	0	7.0		0.4
Resources	2665	VAT	In Progress						6.0	4.2	
Economic Growth & Neighbourhood Services	2666	Taxation	Complete	Full Assurance	0	0	0	0	12.0		3.4
Corporate	2667	Recruitment Services	Not Started						6.0	6.1	
Xentrall	2668	Server Operating Systems	In Progress						5.0	3.8	
Resources	2670	Personal Budgets & Direct Payments	Draft						7.0	0.9	
Xentrall	2672	Firewalls	In Progress						6.0	6.2	
Children's and Adult Services	2673	Referral & Assessment - Adults	Not Started						12.0	9.3	
Xentrall	2674	Payroll & Absence Recording	In Progress						26.0	25.4	
Economic Growth & Neighbourhood Services	2676	Environmental Health	Complete	Full Assurance	0	0	0	0	6.0		-2.6
Economic Growth & Neighbourhood Services	2677	Enforcement	Not Started						7.0	6.6	
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	In Progress						8.0	1.3	
Corporate	2700	Declaration of Interests/Gifts & Hospitality	In Progress						20.0	12.8	
Children's and Adult Services	2701	Adult Education	Complete	Full Assurance	1	2	0	0	15.0		-13.8
Xentrall	2702	Bank Reconciliation	Complete	Full Assurance	0	0	0	0	12.0		3.2
< None >	2703	Catering & Cleaning	Complete	Substantial Assurance	0	2	0	0	20.0		-14.5

Children's and Adult Services	2704	Residential Childrens Homes	Complete	Full Assurance	0	0	0	0	10.0		-15.6
Corporate	2705	Data Protection	In Progress						10.0	10.0	
Children's and Adult Services	2706	Day Centres, Residential & Supported Living	In Progress						30.0	7.6	
Economic Growth & Neighbourhood Services	2707	Eastbourne Sports Complex	Complete	Moderate Assurance	2	8	0	0	5.0		-10.2
Children's and Adult Services	2708	Education Improvement Service	Not Started						15.0	0.0	
Resources	2709	Employee Benefits	Complete	Full Assurance	0	0	0	0	10.0		-10.7
Resources	2710	Employee Therapy Services	In Progress						7.0	6.7	
Children's and Adult Services	2711	Fuel Poverty Reduction	Not Started						7.0	0.0	
Economic Growth & Neighbourhood Services	2712	Highways Maintenance Management	Not Started						10.0	9.8	
Economic Growth & Neighbourhood Services	2713	Horticultural Services & Allotments	In Progress						15.0	0.8	
Economic Growth & Neighbourhood Services	2714	Housing Building Maintenance	Complete	Substantial Assurance	4	4	0	0	25.0		0.8
Economic Growth & Neighbourhood Services	2715	Housing Management	Ready to Start						20.0	11.2	
Economic Growth & Neighbourhood Services	2716	Housing Rents	Under Review						15.0	1.2	
Economic Growth & Neighbourhood Services	2717	Licensing	Complete	Substantial Assurance	1	4	0	0	30.0		16.5
Corporate	2718	Information Management	In Progress						10.0	10.0	
Law & Governance	2719	Mayor's Charity Fund	Under Review						2.0	0.5	
Corporate	2720	Performance Management Framework	Not Started						15.0	15.0	
Corporate	2721	Anti-Fraud Management	In Progress						35.0	32.3	
Corporate	2722	Business Continuity & Emergency Planning	Not Started						10.0	10.0	
Corporate	2723	Council Plans	In Progress						5.0	5.0	
Corporate	2724	Financial Management	In Progress						5.0	5.0	

Economic Growth & Neighbourhood Services	2725	Registration & Bereavement Services	Complete	Full Assurance	1	1	0	0	15.0		6.2
Children's and Adult Services	2726	Safeguarding Children	In Progress						15.0	9.7	
Corporate	2727	Scheme of Delegation	Cancelled						15.0	15.0	
Xentrall	2728	Software Controls	Complete	Full Assurance	0	0	0	0	10.0		0.4
SBC Only	2729	Stockton Collections	Complete		0	0	0	0	5.0		-1.9
SBC Only	2730	Tees Valley Music Service	Complete		0	0	1	0	10.0		-2.2
Economic Growth & Neighbourhood Services	2731	Traffic Management & Road Safety	Complete	Full Assurance	0	1	0	0	15.0		-13.6
Children's and Adult Services	2732	Troubled Families Initiative	In Progress						20.0	3.8	
Contingency	2733	Advice and Guidance	Complete		0	0	0	0	50.0		37.0
Contingency	2734	Audit Liaison and Planning	Complete		0	0	0	0	20.0		-2.5
Contingency	2736	Continuous Monitoring	Complete		0	0	0	0	200.0		41.3
Contingency	2737	Grants Contingency 2019	Complete	Full Assurance	0	0	0	0	30.0		-0.9
SBC Only	2738	SBC Schools - IR35 Self Assessment	In Progress						0.0	0.0	
Schools	2739	DBC Schools - IR35 Self Assessment	In Progress						0.0	0.0	
< None >	2740	Schools - High Clarence Primary	Not Started						0.0	0.0	
SBC Only	2741	Globe Project Assurance	Complete		0	0	0	0	0.0		-15.1
Contingency	2742	Risk Management	Complete		0	0	0	0	35.0		22.6
Contingency	2743	Procurement/Contract Management	Complete		0	0	0	0	62.0		58.7
Contingency	2744	ICT Individual Systems	Complete		0	0	0	0	66.0		47.8
< None >	2745	Schools - Harrowgate Hill Primary	Complete	Full Assurance	1	1	0	0	0.0		-11.1
SBC Only	2746	SBC Library Lost Property	Draft						0.0	0.0	