
PROGRESS REPORT ON INTERNAL AUDIT PLAN 2001/2002

1. SUMMARY

An interim progress report has been prepared covering the audit work performed by Internal Audit during the second quarter of 2001 – 02. The objective of this report is to advise members of the progress made with the annual audit plan. (See Appendix 1).

2. RECOMMENDATIONS

2.1 The Committee is asked to approve the progress made with the annual audit plan for 2001 - 02.

3. BACKGROUND

3.1 The report contained in Appendix 1 lists the audits scheduled for the financial year 2001 –2002 and details the progress that has been achieved to date with the annual audit plan. The report is set out under the following headings, planned audits with audit reference, the name of the audit, percentage complete, planned, actual and remaining audit days. The last column headed comment gives a commentary for each audit.

3.2 In the 1st quarter of the financial year the focus for Internal Audit was external audit work. This continued into the 2nd quarter when we were requested to cover additional work for external audit. Assistance was therefore given in respect of Performance Indicators.

3.3 Internal Audit in the 2nd quarter carried out Follow up Reviews and this lead in some cases to additional work and additional reporting. Internal Audit was also involved in a number of Special Investigations (See Appendix 1).

3.4 As indicated in the previous report to members Core Financial Systems and Departmental Audits were covered in the 2nd quarter. It is envisaged that for the remainder of the financial year Internal Audit effort will be predominately focused on Core Financial Systems and Departmental Audits. An indication of when audits will be covered is given in the comment column of Appendix 1.

4. SUMMARY OF 2nd QUARTER AUDIT ACTIVITIES FOR 2001 - 2002

4.1 Through the 2nd quarter Internal Audit staff numbers remained constant at 4. In addition 3 contract auditors were employed in the 2nd quarter to help deliver the audit plan. This gave the section a substantial boost in professional input. Their employment was initially for a period of two months however, 2 contract auditors were retained for the month of September.

4.2 As can be seen from the report set out in Appendix 1, the remaining audit day requirement for quarter's 3 & 4 totals 569. An analysis of available audit staff days

for quarter's 3 & 4 revealed that after consideration for maternity leave for a member of staff, deductions for holidays and an estimate for sickness, available staff days totalled approximately 443 for quarter's 3 & 4. This leaves a shortfall of 126 audit days. Two contract auditors have therefore been retained for the 3rd quarter.

- 4.3 A total of 212 days was set aside within the annual plan for external audit work. Of the 212 days a total of 92 days were allotted to Stock and Year End work, 40 days to Housing Benefit Grant Claim work and 80 days to Performance Indicators. In the 2nd quarter a further 20 days were incurred on stock in reviewing stock sheet and shelf accuracy across Council stores. This brought the total stock audit days used to 57 leaving a balance of 35 days for the second half of the year. Assistance on Performance Indicator work was provided to external audit out with the programme of 80 days. This resulted in an extra 56 days to that originally planned.
- 4.4 With regard to Housing Benefit Grant Claim, audit work is now scheduled to begin in November 2001 when the Housing & Social Work Department are promised to have finalised the claim. External audit has already carried out some systems testing of the grant claim and therefore this should reduce our level of audit work to less than the 40 audit days planned.
- 4.5 Of the 5 Core Financial Systems Audits scheduled for review this financial year, 2 have been carried out. In both audits actual days expended compared favourably to plan. The remaining 3 audits are scheduled for the 4th quarter. (See Appendix 1).
- 4.6 The 2nd quarter saw the commencement of Departmental Audits with a total of 87 audit days expended on 5 audits out of a total of 18 planned audits. Of the 5 audits 3 are now at draft stage with the remaining 2 due to reach draft stage by the end of October 2001. In 2 out of the 3 audits actual days used compared favourably to planned and the remaining audit reaching draft stage well ahead of plan. As can be seen from Appendix 1 further audits are scheduled for the remainder of the financial year.
- 4.7 A total of 120 days were set-aside in the audit plan for Contingency/Special Investigations. The actual days incurred for the 2nd quarter totalled 30 days thus bringing the total expended to 72 days for the first half of the financial year. This therefore leaves a balance of 48 days available for the second half of the financial year.
- 4.8 Audit days were incurred in carrying out Follow up Reviews in the 2nd quarter with some requiring additional work and reporting. (See Appendix 1). As a result the 50 days allocated within the audit plan was surpassed. There is no Follow up Review work identified for the 3rd quarter.
- 4.9 A total of 42 days was set-aside within the plan for a risk assessment review in partnership with the Council's external auditors. This review was not carried out due to year-end pressures. At present this task has been put on hold.
- 4.10 A small amount of staff training was delivered in the 2nd quarter. Training was secured for 2 staff members through the Council's own Personnel sections in house report writing course. The staff found this rewarding. Although we are interested to secure further professional Internal Audit training from the Institute of Financial Professional Accountants (IPFA), they have not progressed their

training package beyond the introduction stage, which the staff attended in the 1st quarter. IPFA have said that more advanced training will be available in the near future.

5. CONCLUSION

Progress is being made on audits planned for 2001 – 02.

6. IMPLICATIONS

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| 5.1 | Policy: | Update on audit plan for 2001 – 02. |
| 5.2 | Financial: | The audit plan is based on existing budgeted provision. |
| 5.3 | Personnel: | None |
| 5.4 | Legal: | None |
| 5.5 | Equal Opportunities: | None |

For further information please contact Ian Nisbet, Internal Audit Manager (01546 604216)

Ian Nisbet
Internal Audit Manager 8 October 2001.
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REF.	AUDITS	% COMPLETE	Annual Plan Audit Days	Used Audit Days	Remaining Days	Comment
EXTERNAL AUDIT WORKS						
External	Stock Taking Y/End TPS / DES	100	92	57	35	Y/End signed off. Additional assurance tests of stock accuracy at Council Depots.
External	Housing Benefit Grant Claim	*	40		40	Due to start when the claim is completed by Housing & Social Work Department in Nov.
External	Performance Indicators	100	80	138	-56	Assistance with additional PI work for external audit
TOTAL			212	193	19	
CORE AUDITS						
Core	Budgetary Control	*	40		40	Audit start date Jan - Mar 2002
Core	Capital Contracts	95	53	61	-8	Draft report stage. Four separate departmental reports will be issued.
Core	Creditors Payments	100	40	43	-3	Final report issued
Core	Housing & Council Tax Benefits	*	40		40	Audit start date Jan - Mar 2002
Core	General Ledger Operations	*	40		40	Audit start date Jan - Mar 2002
TOTAL			213	104	109	
DEPARTMENTAL AUDITS						
CE15	Car Leasing	95	30	11	19	Draft report stage.
TPS51	Contract Vetting	*	20		20	Audit start date Oct - Dec 2001
TPS49	Contractors conditions Tendering etc	*	20		20	Audit start date Oct - Dec 2001
CLSC02	Collection of Fines & Fixed Penalties	*	20		20	Audit start date Jan - Mar 2002
ED05	Secondary Schools	*	30		30	Audit start date Oct - Dec 2001
ED20	School Meals Income	*	30		30	Audit start date Oct - Dec 2001
DES02	Waste Disposal (Income)	*	20		20	Audit start date Oct - Dec 2001
DES01	Refuse Collection (Income)	*	20		20	Audit start date Oct - Dec 2001
FD27	Fixed Asset Management	*	30		30	Audit start date Jan - Mar 2002
FD26	Loans Fund	*	30		30	Audit start date Jan - Mar 2002
HSW14	Elderly Accommodation	*	30		30	Audit start date Oct - Dec 2001
HSW15	Home Care (Income)	*	30		30	Audit start date Oct - Dec 2001
HSW09	Unified Benefits Systems - Housing	95	30	33	-3	Draft report stage.
IT09	Review of Adhoc Systems in Front Line Departments	60	20	13	7	Ongoing to be finished in October.
IT06	Disaster Recovery Procedures Proposal	*	20		20	Audit start date Jan - Mar 2002
TPS35	DLO Roads Job Planning & Manpower Allocation	95	20	22	-2	Draft report stage.
TPS28	Parking, Piers & Ferry Income	*	20		20	Audit start date Oct - Dec 2001
VFM01	Stock Holding v Direct Purchase	40	30	8	22	Ongoing to be finished in October
TOTAL			450	87	363	
CONTINGENCY / SPECIAL INVESTIGATIONS						
ASI16	Housing & Social Work Department investigation review	100	*	1	*	Complete no report required. Review of HSW work.
ASI33	Phone Bills	100	*	46	*	Complete. Further work was done to establish that recovery of personal call costs was being carried out by Departments.
ASI34	Insurance Claim	100	*	8	*	Complete final report issued
ASI35	Fuel Investigation	100	*	11	*	Complete final report issued
ASI36	Materials - Islands	25	*	4	*	This investigation is live at present.
ASI37	Revenues Investigation	100	*	3	*	Complete final report issued
TOTAL			120	72	48	
FOLLOW UP REVIEW						
AAF01	Advice to Finance	100		1	-1	Advice to Income Section.
AFI01	Fraud & Irregularity - External Audit	100		2	-2	External report completed for PwC.
ASI19	PwC Letters to Members	100		11	-11	Follow up review of agreed implementation plans and preparation of reports.
ASI28	TPS Catering IS	100		2	-2	Follow up to ensure that Information Systems delivery is ongoing.
ASI30	Registrar Funds	100		11.5	-11.5	Follow up work for a Police investigation.
ASI31	School Funds	100		1	-1	Follow up of implementation plan.
DES19	DES Stock & Material Control	100		15	-15	Follow up of implementation plan. Further report issued.
EDU07	DMR Unit Budgeting	100		1	-1	Follow up of implementation plan.
HSW24	Specific Grant Applications	100		4	-4	Follow up of implementation plan.
HSW25	Grant Mental Illness	100		8	-8	Follow up of implementation plan.
HSW27	Social Work Grants	100		4	-4	Follow up of implementation plan.
TPS12	Reports & Information	100		1.5	-1.5	Follow up of implementation plan.
TOTAL			50	62	-12	
NEEDS ASSESSMENT						
TOTAL DAYS			1067	518	569	