

PROGRESS REPORT ON INTERNAL AUDIT PLAN 2004 - 2005

1. SUMMARY

An interim progress report has been prepared covering the audit work performed by Internal Audit up to the 22nd of October 2004. The objective of the report is to advise members of the progress of the annual audit plan. (See Appendix 1).

2. RECOMMENDATION

2.1 The Audit Committee is asked to approve the progress made with the annual audit plan for 2004 - 05.

3. BACKGROUND

3.1 The progress report contained in Appendix 1, lists the audits scheduled for the financial year 2004 –2005 and ordered by section and level of completion.

3.2 As at the 22nd of October 2004, of 20 core financial systems audits, 6 have been completed with reports issued. Of the remaining 14 audits, 7 have been started and 7 audits remain to be started and completed before the end of the financial year.

3.3 A total of 11 non-financial audit areas have been planned for this financial year. As at the 22nd of October 2004, a total of 6 audits have been completed with reports issued. This leaves 5 audits of which 3 audits have been started and 2 audits remain to be started and completed before the end of the financial year. Of the remaining 2 audits KPMG has been assigned one.

3.4 On reaching the end of the 2nd quarter it offered the opportunity to reevaluate the number of estimated audit days for Special Investigations and Other Areas. A total of 160 days were allocated within the Annual Audit Plan for Special Investigations. As at the 22nd of October 2004, a total of 30 days have been expended on 3 investigations. This leaves a balance of 130 days for the remaining 5 months. Other Areas - Follow-up work was assigned 101 days within the Annual Audit Plan and at the 22nd of October, it was noted that this area had used up more time than had been originally planned. In order to address this issue and at the same time establish a more reasonable contingency for Special Investigations, 50 days have been transferred to Other Areas. (See table below).

Days 2004/05	August	October	Diff.
Special Investigations	160	110	50
Other Areas	101	151	50

- 3.5 The transfer of days should provide Internal Audit with the required days for the remainder of this financial year for follow - up work, whilst still leaving Special Investigations with a reasonable contingency. The reviews carried out for the external audit reports are the subject of separate reports to the Audit Committee

4. SUMMARY OF AUDIT ACTIVITIES FOR 2004 - 2005

- 4.1 Two members of the audit team, an Auditor and Audit Assistant, applied for promoted posts out with Internal Audit. This has resulted in both achieving seconded posts within the Corporate Finance team. The duration of these secondments is for the Auditor, 12 months and for the Audit Assistant, 6 months. Action was taken to limit any progress issues with the Annual Audit Plan, by recruiting an experienced contract auditor to provide cover until March 2005, when the position will be reviewed again. Progress of the Annual Audit Plan and required resources will be looked at on a continuous basis.
- 4.2 In overall terms, good progress is being made with the Annual Audit Plan and the section is in a reasonable position to progress the rest of the audits.

5. CONCLUSION

Progress is being made on audits planned for 2004 – 05.

6. IMPLICATIONS

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| 5.1 | Policy: | Update on audit plan for 2004 – 05. |
| 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 |

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