

PROGRESS REPORT ON INTERNAL AUDIT PLAN 2002 - 2003

1. SUMMARY

An interim progress report has been prepared covering the audit work performed by Internal Audit during the first quarter of 2002 – 03. The objective of the report is to advise members of the progress with the audit plan. (See Appendix 1).

2. RECOMMENDATIONS

2.1 The Committee is asked to approve the progress made with the annual audit plan for 2002 - 03.

3. BACKGROUND

3.1 The progress report contained in Appendix 1, lists the audits scheduled for the financial year 2002 –2003. The objective is to advise members of the progress with this years audit plan.

3.2 A progress report relating to Audit Support is contained in Appendix 2 this gives a breakdown of the days used against estimated, the days for KPMG are shown separately.

3.3 Although a total of 28 audits have been planned for this financial year, the appended report shows that audits from both core financial systems and non-financial systems have been commenced.

3.4 Additional to the above, special investigation audit work has been performed in the first quarter covering two areas. Both of these investigations are still ongoing. (See Appendix 1).

3.5 Follow-up work on external audit management letters has been covered in the 1st quarter along with some internal audit follow-up work on the previous years audits for 2001 – 02.

4. SUMMARY OF 1st QUARTER AUDIT ACTIVITIES FOR 2002 - 2003

4.1 The focus for the section has been twofold in this 1st quarter of 2002 – 03, clarification of audit strategy with the finalisation of a 3-year audit plan and the recruitment and training of staff.

4.2 Recruitment has proceeded well and the section will be at full strength by the middle of July 2002. Out of a total complement of 6 staff 5 will be permanent and one contract.

4.3 A days training from KPMG our partners was delivered to audit staff and this was well received. The training allowed the introduction of practical examples for the

staff to work through regarding audit delivery.

- 4.4 A departmental audit for 2001 – 02 commenced in March 2002 was extended out into 2002 – 03. This additional work was the outcome of a meeting with both the Corporate & Legal and Development & Environment Director's concerning the points raised in the Draft report. This is detailed under Special Investigations Contingency

5. CONCLUSION

Progress is being made on audits planned for 2002 – 03.

6. IMPLICATIONS

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|-----|----------------------|---|
| 5.1 | Policy: | Update on audit plan for 2002 – 03. |
| 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)

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APPENDIX 1

As at 30/06/2002

Assessment of audit days: 2002-2003 strategic plan

AUDIT WORK	Last audited	Risk Ranking 2002 - 03	Name of Auditor	Estimated Audit Days 2002-03	Actual Audit Days 2002-03	Days Remaining	% Complete	Comment
<i>Core financial systems</i>								
Budgetary preparation and control	-	1		20		20		
Capital accounting	-	2		20		20		
Capital contracts	2001/02	3		30		30		
Car allowances	-	3		20		20		
Cash and income banking	2000/01	2	A Colligan	20	20	0	80	Draft Stage
Council tax and non-domestic rates	2000/01	2		30		30		
Creditor payments	2001/02	2		30		30		
Debtor accounts	2001/02	1		20		20		
Purchases of equipment and materials	2001/02	2		20		20		
Unified benefits system	2001/02	2		50		50		
Housing rents	2001/02	1		20		20		
General ledger operations	2001/02	2		20		20		
Government grants	-	1		20		20		
Payroll	2000/01	3		42		42		
Purchase ordering and certification	2000/01	3		30		30		
Tendering procedures	2000/01	3		20		20		
Treasury management	-	2		20		20		
Stock taking	2001/02	-	All Staff	15	20	-5	100	Complete
Subtotal core financial systems				447	40	407		
<i>Non-financial systems / Best Value / VFM</i>								
Education	-	3, 4, 11		40		40		
Transportation and property	-	2, 8		20		20		
Development and environmental services	-	3, 6		20		20		
DLO's	-	1	D Strong	20	2	18	10	Commenced
DSO's	-	4, 7, 9		35		35		
IT / MIS strategy and controls	2001/02	-	KPMG	30	15	15	90	Draft stage
Best Value reviews	-	-	D Strong	30	1	29	7	Commenced
Performance Indicators	2001/02	-	M Weldon	70	10	60	14	Commenced
Performance indicators (PMP)	-	-	D Strong	33	8	25	25	Commenced
Corporate governance compliance / risk	-	-		30		30		
Subtotal non-financial				328	36	292		
<i>Special investigations contingency</i>								
Vehicle leasing – special investigation	2001/02	-	I Nisbet	115	11	-11		Ongoing
Contractor Liquidation - DES			I Nisbet		3	-3		Ongoing
Fixed Asset Management Audit from 2001/02			M Weldon		27	-27		Final Draft
Administration			All Staff		15	-15		
Work for Corporate			A Colligan		9	-9		
Sub Total				115	65	50		
<i>Follow-up external audit management letter points</i>	-	-	All Staff	20	11	9		Ongoing
<i>Risk assessment, strategic plan, annual plans</i>	-	-		20	13	7		
<i>Internal audit follow up</i>								
Parking Piers & Ferries Income	2001/02	-	A Newlands	40	1	-1	100	Complete
Sub Total				40	1	39		
Total				970	166	804		

APPENDIX 2

AUDIT SUPPORT

	KPMG			ARGYLL & BUTE COUNCIL		
	KPMG Estimated Days 2002-03	KPMG Actual Days 2002-03	Days Remaining	Estimated Days 2002-03	Actual Days 2002- 03	Days Remaining
IA Management	32	25.5	6.5	140	25	115
Planning & Reporting			0	120	29	91
Training	35	12	23	12	6	6
Other Development			0	22	0	22
Seminars & Audit Meetings	8	3	5	38	0	38
Advisory	40	17	23	24	0	24
			0			
Total	115	57.5	57.5	356	60	296