

2001 - 2002 ANNUAL REPORT

1. SUMMARY

A final report covering audits performed by Internal Audit during 2001 – 02 is appended. (See Appendix 1).

2. RECOMMENDATIONS

2.1 The contents of this report are noted.

3. DETAILS

3.1 The report appended lists the audits which were scheduled for the financial year 2001 – 02. The objective of the report is to advise members of the final status of each audit. The reference, the audit name, start date, percentage complete, annual plan audit days, used audit days, remaining days and comment are given for each audit. (See Appendix 1).

3.2 Our internal audit work for 2001 – 02 has been based on the requirements of the Code of Audit Practice. We are therefore required to provide the Council and management with assurance on the whole system of internal control of the Council. In giving our view it should be noted that we can not give complete assurance. The most that we can provide is a reasonable assurance that there are no major weaknesses in the whole system of internal control. In assessing the level of assurance given, we have considered:

- Internal audit work covered during 2001 – 02 and
- The completion of the annual internal audit plan.

3.3 A total of 22 audits were planned these can be broken down into the following categories:

- 5 Core Financial Systems Audits and
- 17 Departmental Audits.

Additional to the above special investigations, follow up reviews and external audit work was carried out by Internal Audit.

3.4 Out of 22 audits a total of 5 were deferred. Of the remaining audits:

- 3 Core Financial Systems Audit reports have been issued with implementation plans agreed by management.
- 11 Departmental Audit reports have also been issued with action plans agreed by management.
- 3 Departmental Audits in total, 2 by KPMG and one by Internal Audit remain at final draft stage and are being resolved.

3.5 Of the 5 audits deferred the following should be noted:

- 2 Core audits scheduled for the 4th quarter were deferred when staffing was

reduced to 2 clerical assistants. These are incorporated in the 2002 - 2003 audit plan.

- 3 Departmental audits were deferred. One was deferred due to extensive coverage of Housing & Social Work Department, Unified Benefits System at Core level. A Loans Fund audit scheduled for the 4th quarter was deferred due to an insufficient level of staffing. The remaining audit was deferred due to the IT department completing a similar review leading to a duplication of effort.

The deferred audits will be covered in the new 3-year internal audit plan.

- 3.6 Additional to the above Internal Audit completed a total of 12 special investigations. A total of 12 follow up reviews were also carried out in 2001 – 02 this was constrained due to staffing levels but will be picked up in the new 3-year audit plan.
- 3.7 Throughout 2001 – 02 Internal Audit resources were severely limited and in the second half of the financial year additional experienced resources were brought in on a contract basis. This allowed the internal audit plan to progress resulting in fewer audits being deferred.
- 3.8 Based on audit work carried out in 2001 – 02, Internal Audit are of the opinion that the Council's systems provide reasonable assurance regarding the effective and efficient achievement of the Council's objectives. We have indicated in our assignment reports certain matters, which we understand are being addressed by management; our opinion on the Council's systems is based on our recommendations being satisfactorily implemented.

4. CONCLUSIONS

The audit plan for 2001 – 02, was completed by the 31st May 2002, with the exception of 5 audits. The audit committee is asked to accept the assurance provided by Internal Audit, based on the 2001 – 02 work completed.

5. IMPLICATIONS

5.1	Policy:	None
5.2	Financial:	None
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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Internal Audit Manager 26 July 2002.
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AUDIT PLAN PROGRESS FOR 2001 - 2002

APPENDIX 1

REF.	AUDITS	% COMPLETE	Annual Plan Audit Days	Used Audit Days	Remaining Audit Days	Comment
EXTERNAL AUDIT WORKS						
External	Stock Taking Y/End 2001TPS / DES	100	92	88	4	Y/End 2002 work done report for TPS stock completed. DES Prices awaited.
External	Housing Benefit Grant Claim 2001	100	40	45	-5	Complete, accepted by PwC
External	Performance Indicators 2001	100	80	146	-66	Assistance with additional PI work for external audit.
TOTAL			212	279	-67	
CORE AUDITS						
Core	Capital Contracts	100	53	70	-17	Final report issued, recommendations accepted
Core	Creditors Payments	100	40	45	-5	Final report issued, recommendations accepted
Core	Housing & Council Tax Benefits	100	40	45	-5	Final report issued, recommendations accepted
TOTAL			133	160	-27	
DEPARTMENTAL AUDITS						
CE15	Car Leasing	100	30	15	15	Final report issued, recommendations accepted
ED20	Schools Income	100	30	17	13	Final report issued, recommendations accepted
DES01	Refuse Collection (Income)	100	40	35	5	Final report issued, recommendations accepted
HSW14	Elderly Accommodation & Income	100	30	14	16	Final report issued, recommendations accepted
TPS35	DLO Roads Job Planning & Manpower Allocation	100	20	22	-2	Final report issued, recommendations accepted
VFM01	Stock Holding v Direct Purchase	100	30	17	13	Final report issued, recommendations accepted
IT09	Review of Adhoc Systems in Front Line Departments	100	20	13	7	Superseded by IT department work
ED05	All Schools Review of Income & Controls Testing	100	30	42	-12	Final report issued, recommendations accepted
HSW15	All Homes Income & Control Testing	100	30	17	13	Final report issued, recommendations accepted
TPS28	Parking, Piers & Ferry Income	100	20	22	-2	Final report issued, recommendations accepted
CLS02	Collection of Fines & Fixed Penalties	100	20	20	0	Final report issued, recommendations accepted
IT06	Disaster Recovery Procedures Proposal	100	20	10	10	Final report issued, recommendations accepted
TPS51	Contract Vetting	100	20	10	10	KPMG Draft Report issued
TPS49	Contractors conditions Tendering etc	100	20	10	10	KPMG Draft Report issued
FD27	Fixed Asset Management	100	30	25	5	Draft stage with additional work requested by Directors in 2002/03 contingency.
TOTAL			390	289	101	
SPECIAL INVESTIGATIONS						
ASI16	Housing & Social Work Department investigation	100	0	1	-1	Complete final report issued and accepted
ASI18	TPS Catering SI	100	0	2	-2	Complete final report issued and accepted
ASI29	Vehicle Leasing	100	0	1	-1	Complete final report issued and accepted
ASI32	Asylum Seeker Grants	100	0	1	-1	Complete final report issued and accepted
ASI33	Phone Bills	100	0	45	-45	Complete final report issued and accepted
ASI34	Insurance Claim	100	0	8	-8	Complete final report issued and accepted
ASI35	Fuel Investigation	100	0	13	-13	Complete final report issued and accepted
ASI36	Materials - Islands	100	0	14	-14	Complete final report issued and accepted
ASI37	Revenues Investigation	100	0	5	-5	Complete final report issued and accepted
ASI39	HSW - Islay	100	0	4	-4	Complete final report issued and accepted
ASI40	DES - Campbelltown Victoria Hall	100	0	2	-2	Complete final report issued and accepted
ASI41	DES - DLO Building - Helensburgh	100	0	9	-9	Complete final report issued and accepted
TOTAL			120	105	15	
FOLLOW UP REVIEWS						
AAF01	Advice to Finance	100	0	2	-2	Advice to Income Section.
AFI01	Fraud & Irregularity - External Audit	100	0	2	-2	External report completed for PwC.
ASI19	PwC Letters to Members	100	0	11	-11	Recommendation progress reported to Audit Committee
ASI28	TPS Catering IS	100	0	2	-2	Complete.
ASI30	Registrar Funds	100	0	12	-12	Complete
ASI31	School Funds	100	0	1	-1	Complete
DES19	DES Stock & Material Control	100	0	15	-15	Complete
EDU07	DMR Unit Budgeting	100	0	1	-1	Complete.
HSW24	Specific Grant Applications	100	0	4	-4	Complete.
HSW25	Grant Mental Illness	100	0	8	-8	Complete.
HSW27	Social Work Grants	100	0	5	-5	Complete.
TPS12	Reports & Information	100	0	2	-2	Complete.
TOTAL			50	65	-15	
NEEDS ASSESSMENT						
			42	58	-16	
ADJUSTED AUDIT PLAN DAYS			947	956	-9	
CANCELLED AUDITS						
HSW09	Unified Benefits Systems - Housing		30		30	Considerable auditing of this function has already taken place.
TOTAL			30	0	30	
AUDITS DEFERRED						
Core	General Ledger Operations	*	40		40	Audit start date Jan - Mar 2002
Core	Budgetary Control	*	40		40	Audit start date Jan - Mar 2002
FD26	Loans Fund	*	30		30	Audit start date Jan - Mar 2002
TOTAL			110		110	
TOTAL AUDIT PLAN DAYS			1087	956	131	