

AUDIT PLAN PROGRESS REPORT

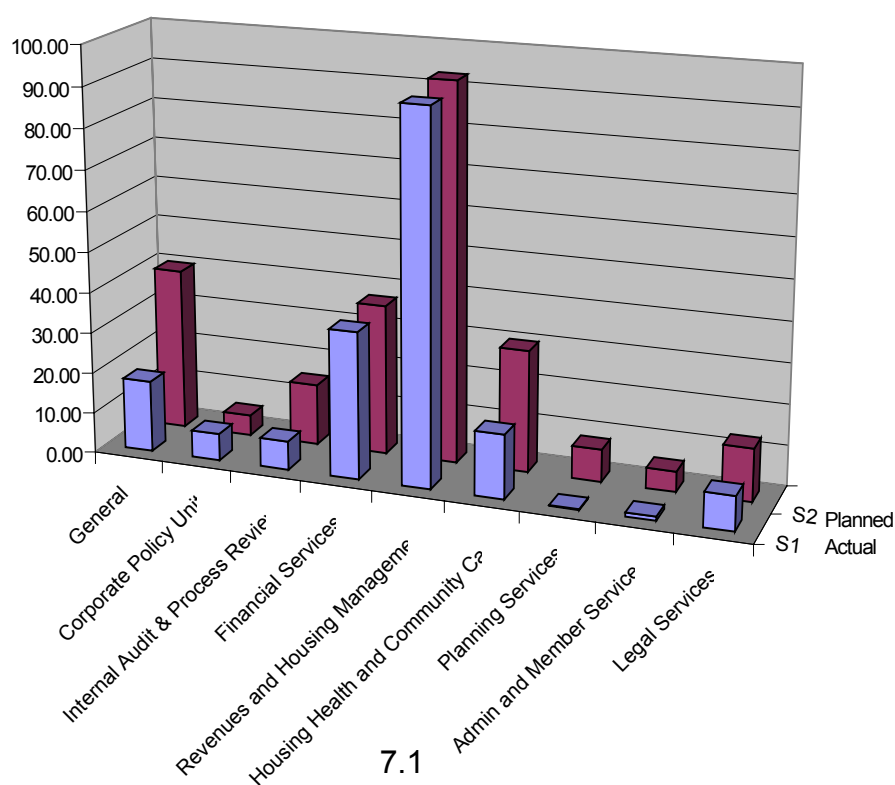
1 SUMMARY

- 1.1 To report on the performance of the Audit and Process Review Unit in meeting the 2001/02 audit plan.
- 1.2 The monitoring and completion of the Internal Audit Plan is part of the statutory requirement of ensuring there are sound systems of control.
- 1.3 To report on the results of a Benchmarking Exercise.

2 INTRODUCTION

- 2.1 Audit Committee originally agreed the Audit Plan for 2001/02 on 29th March 2001 and completion after six months was reported on 29th November 2001. It was noted at this time that we were unlikely to achieve the complete audit plan but agreed not to make any alterations following the appointment of a new member of staff.
- 2.2 The following chart compares the allocated time for the Audit Plan against actual time spent. Appendix 1 gives a more detailed breakdown of actual time against allocated time.

Visual 2



- 2.3 Progress in completing the Audit Plan is reported regularly on the Quarterly Performance Reports and a comparison to last year is shown below:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
2000/01	20%	38%	70%	97%
2001/02	22%	39%	59%	85%

- 2.4 We are pleased to have achieved 85% of the original audit plan.

3 AREAS OF THE AUDIT PLAN NOT COMPLETED

- 3.1 There were three main areas where work was not undertaken by Internal Audit:

- **Complaints system** – a new system was being piloted and during that time it was recognised that there were some problems with the computerised aspect of the system.
- **Building Control** – this formed part of the Best Value Review on Development Control/Building Control, which is the subject of a report to Environmental Services Committee on 9th April 2002.
- **Job Evaluation** – this procedure has not been completed as originally envisaged and is the subject of a report to Policy and Finance Committee on 11th April 2002.

- 3.2 The main areas where time was exceeded by more than 15% were:

- Rochford District Matters
- Performance Indicators
- Issues from 2000/01 Audit Reports
- Administration
- Vacancy

The significant increases were with Performance Indicators, this was recognised by External Audit who praised our work for this area. The other was administration, which is an area we will monitor as part of the benchmarking exercise.

Issues affecting the completion of the audit plan.

- 3.3 Overall 85% completion of the original audit plan is good considering it is accepted that 100% completion is unlikely and would not be considered flexible if it did not address the issues that arise during the year.
- 3.4 We have completed the core financial systems that are required of us by External Audit.
- 3.5 Some variance has been due to the replacement of the Audit Officer and the need to train a new member of staff. I am pleased to report that he is progressing well.
- 3.6 Administration time has been spent on developing the audit process to improve the information passed to the Managers and Audit Committee.

4 ANTI-FRAUD AND CORRUPTION STRATEGY

- 4.1 The Council's Anti-Fraud and Corruption Strategy requires Internal Audit to monitor the operation of the Anti-Fraud and Corruption Policy Statement and report to Committee as part of the annual report on the internal audit service.
- 4.2 Suspected benefit fraud by claimants is investigated by the Council's Revenue Investigation section and reported in summary form through the Quarterly Performance Report. No other types of fraud have been reported or identified during the year.
- 4.3 Assessment of the Authority's arrangements for preventing and detecting fraud are an integral part of the work carried out by Internal Audit and no significant weaknesses have been identified.

5 BENCHMARKING

- 5.1 Internal Audit took part in a Benchmarking Exercise co-ordinated by Wansbeck District Council. The results were based on the completion of a questionnaire, which was sent to 387 County Councils, District Councils, London Boroughs, Metropolitan Councils and Unitary Councils. 27% of the questionnaires were returned equating to 104 authorities.
- 5.2 The questions forming the benchmarking model were based on the following areas:

- **Organisational** – Who do you report to, Committee structure, Audit Charter
- **Professionally Qualified Staff** – Qualification and years of experience
- **Cost & Effectiveness** – Number of staff, percentage of productive time
- **Customer Consultation** – Surveys and follow-up work
- **Compliance with Professional Standards** – Written procedures, rotation of staff etc.

5.3 Each section was allocated between 40-80 points, giving a total for the model of 300 points. The questionnaires were accumulated and reported back to authorities on a confidential basis.

5.4 The table below gives a summary of the overall results for each area. Rochford came 35th out of 104, which is pleasing.

Summary of the Results

2000/01	Organisational Arrangements	Appropriately Qualified & Experienced Staff	Cost & Effectiveness	Customer Consultation	Compliance with Professional Standards	Overall Results
Points Available	60	60	80	40	60	300
Average Score	40	34	48	21	42	185
RDC	40	26	61	32	40	199
Average % of available points scored	67	57	60	53	70	62
RDC Average %	67	43	76	80	67	66
	Average	Low Score	High	High	> Average	35/104

5.5 There is room for improvement under each category to increase the overall score. The above table shows we scored low for qualified and experienced staff, points were lost with regard to audit experience. Apart from the Audit Manager no other member of staff has more than five years' audit experience. Also the size of the section has some effect and how the points are pro-rated across the total number of full time equivalent staff. Rochford scored average for organisational arrangements and compliance with professional standards, and high for cost & effectiveness and customer consultation. Further detail is provided in the table shown in Appendix 2.

Key Issues

- 5.6 The main area for improvement revealed from the Benchmarking exercise is in relation to the formalisation of current working practices in a working document that can be approved by Management and Members. This also fits with the need to continue to report to Members on a regular basis.
- 5.7 Other areas for consideration are:
- The continuation and development of customer satisfaction surveys.
 - Close monitoring of Audit Plan progress and working towards reducing the percentage of non-productive audit time.
- 5.8 The results may be slightly skewed due to the economies of scale between large and small Internal Audit Sections.

6 CONCLUSIONS

- 6.1 The Benchmarking exercise has given Rochford the opportunity to measure its performance against other Internal Audit Sections throughout the country. The information received can be used as a guide towards improving the service we currently provide to our customers.
- 6.2 The exercise will be carried out again in eighteen months.

7 ACTION PLAN

- 7.1 The following is an action plan highlighting the key areas for improvement following the results of the benchmarking exercise. Internal Audit is always looking at and considering ways to improve the service to its customers.

Area	Action	Date
Organisational arrangements	Report an Audit Charter to Members for approval	October 2002
	Prepare an annual report for Members on the overall position of the authority from an Internal Control point of view	Annually
	Continue to report to Members of the work and progress of Internal	Six monthly

Area	Action	Date
	Audit	
Cost & Effectiveness	Continue to monitor the productive audit time and work towards reducing non-productive audit time.	Ongoing report six monthly
Customer consultation	Develop the annual survey to incorporate Members and representatives of the Public.	December 2002
Compliance with Professional Standards	Produce a written policy for rotating Audit assignments.	June 2002
	Develop a skills register for audit staff	June 2002
	Developing a Service Level Agreement with audit clients.	December 2002
	Producing an Audit Manual that specifies policies and procedures to be followed.	March 2003

8 RECOMMENDATION

8.1 It is proposed that the Committee **RESOLVES**

- (1) That the report on completing 85% of the audit plan is agreed.
- (2) The position regarding the Anti-Fraud and Corruption Policy Statement is noted.
- (3) The action plan following the Benchmarking exercise is agreed. (CEX)

Paul Warren

Chief Executive

Background Papers:

Completed Questionnaire.

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Appendix 1

AUDIT PLAN 2001/2002	Allocated	Actual	Variance	Areas Covered
General	40	17.5	22.5	Health & Safety; Anti Fraud & Corruption
Corporate Policy Unit	5	6.6	(1.6)	RDM
Internal Audit & Process Review	15	7.0	8.0	Benchmarking
Financial Services	37	36.1	0.9	Payroll; Members Allowances; Treasury Mgmt; Creditors; Debtors
Revenues and Housing Management	93	91.0	2.0	HB; CT; Housing Rents; Car Parks; NNDR; Hackney Carriage; Cashiers
Housing Health and Community Care	30	15.7	14.3	Improvement Grants
Contracted Services	35	28.5	6.5	Service Contracts; Building Maintenance
Planning Services	8	0.2	7.8	Deferred Audit Work
Admin and Member Services	5	1.0	4.0	Deferred Audit Work
Legal Services	13	8.4	4.6	Land Charges
Performance Indicators	20	33.4	(13.4)	Good External Auditors Report
2000/01 Audits	30	35.0	(5.0)	Debtors; CT; Housing Rents; Recruitment; Communications; Flexitime; Financial Mgmt; Bank Reconciliation
Sub Total - Audits	331	280.6	50.4	85%
Provisions				
Ad-hoc/Follow up Work	13	8.9	4.1	Annual Checks; Flexi-form
Special Assignments	25	30.7	(5.7)	
Management Assignments	35	23.9	11.1	
Sub Total - Planned Audit	404	344.1	59.9	85.2%
Internal & External Working Groups	6	3.1	2.9	New Systems Developed
Reading and Awareness	20	16.7	3.3	
Adminstration	77	98.3	(21.29)	Shared with Best Value
Audit Admin Support	20	26.1	(6.08)	
Other Time				
Audit Management	74	72.2	1.77	Inc: Staff training; PDR; Audit planning; OPR/BVPP; Managing Audit; Estimates/Budgetary Control
Holidays/Sickness	125	127.6	(2.6)	Inc: Leave c/fwd; Compassionate
Lost time through vacant post	0	11.0	(11.05)	Audit Officer
Internal/External Meetings	18	18.6	(0.65)	
Non Audit Plan - Sub Total	340	373.6		110%

Total	744	717.7	96%
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Appendix 2

Findings from the specific areas

Area	Score	Areas of Non Compliance
<i>Organisational Arrangements</i>	40/60	
- Organisational Position	8/12	Reporting to a stand alone unit direct to elected members gained maximum points.
- Audit Committee	11/12	Do not produce an annual audit report to committee that provides assurance to management.
- Audit Charter/Terms of Reference	0/12	We do not have a formally approved Charter or Terms of Reference for Internal Audit
- Reporting	10/12	An annual report is not prepared and presented to Management
- Non-Audit Duties Performed	11/12	One point was deducted for collecting the performance indicators
<i>Appropriately Qualified and Experienced Staff</i>	26/60	Two areas, scores not split but lost marks for mainly experience
<i>Cost & Effectiveness of Internal Audit</i>	61/80	
- Productive audit time	25/40	90% was the highest we were 75%
- Cost per fte auditor	36/40	Good score some regional adjustment made.
<i>Customer Consultation</i>	32/40	Lost points for not consulting with Elected Members and Representatives of the Public and for not consulting on cost.
<i>Compliance with Professional Standards</i>	40/60	
- Objectivity		No written policy for rotating Internal Auditors assignments periodically No written policy regarding the audit of activities previously carried out by members of audit staff.
- Professional Proficiency		No skills register that is used to ensure staff allocated to audit assignments have the requisite knowledge, skills and disciplines to carry out the audit objectively.
- Management of the Internal Audit Section		Do not maintain an audit manual that specifies policies and procedures to be followed.
- Professional Standard		No Service Level Agreement to audit clients, detailing the level of service to be provided.