
INTERNAL AUDIT PROGRESS REPORT 2004/05 & PROPOSED AUDIT PLAN FOR 2005/06

1 SUMMARY

- 1.1 Internal Audit is a statutory function under the Local Government Act 1972, Section 151. The following report provides Members with the opportunity to monitor the progress of the Internal Audit Plan for 2004/05.

2 INTRODUCTION

- 2.1 Progress of the 2004/05 Audit Plan is shown at 85% completed as at the end of the financial year. Some changes have been implemented within the Plan to accommodate additional work required within particular service areas and to reallocate work following the resignation of a Principal Auditor at the end of December.

3 PROGRESS ON THE 2004/05 AUDIT PLAN

- 3.1 The following table shows a comparison of the percentage of the Audit Plan completed for 2003/04 and the current year to date. As can be seen we were very much on target until the start of 2005.

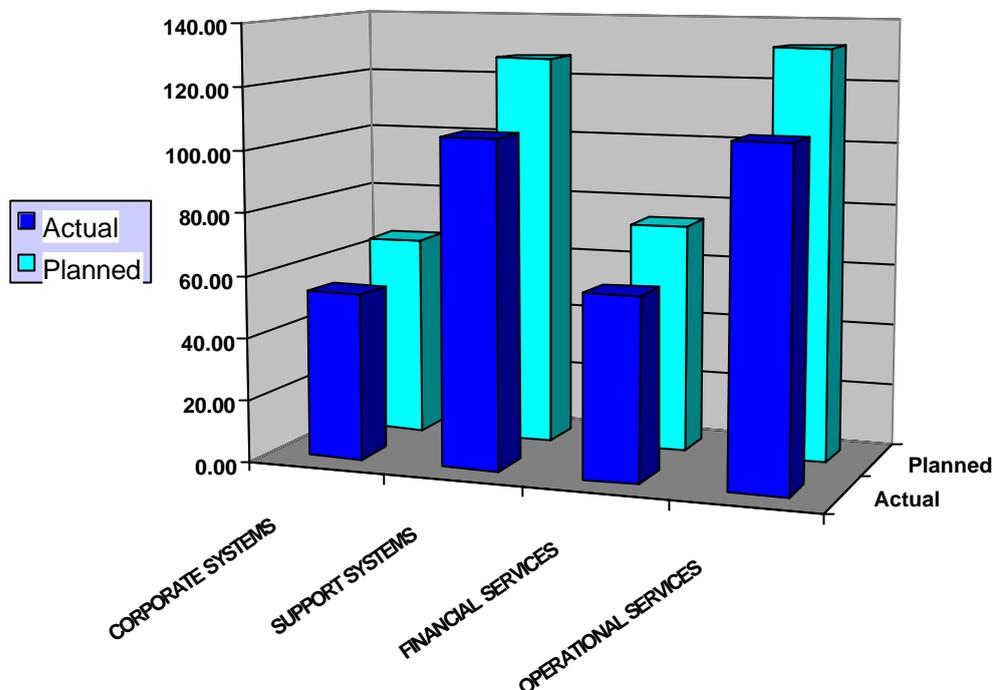
Quarter	1	2	3	4
2004/05	23%	47%	71%	85%
2003/04	24%	44%	71%	97%

- 3.2 The main reason for not achieving the target is having the vacant audit post since the beginning of January. We have now successfully recruited a replacement who will commence employment at Rochford District Council on the 29th March. As a consequence of the reduced audit time available, attention has been directed towards the completion of the audits considered as Core Functions by the External Auditors.

See Appendix 1 for detail of time allocation to date.

3.3 The following chart displays the audit time expended by audited area:

Audit Days



4 CHANGES TO THE 2004/05 AUDIT PLAN

4.1 Part of the reporting process for Internal Audit is to inform Members when an audit exceeds 20% of the allocated time. For the second six months there was one audit that fell into this category: NNDR. The Principal Auditor that has now left started the audit and additional work was required to finalise the report.

4.2 External Audit have also requested that Internal Audit provide far more evidence and detailed checking on the key financial areas to enable them to place reliance on our work. This point will continue to have a consequence on other areas covered by the Key Control Evaluation (KCE) sheets required by External Audit.

4.3 The audit areas that have not been completed for 2004/05 are:

- FM Contract & E-government
- Human Resources
- Business Continuity
- Procurement

4.4 The only area of work that will not be reviewed in 2005/06 is Business Continuity. This is an area Members should be receiving regular reports on following the requirements of the Civil Contingency Act 2004.

5 SURVEY RESULTS

- 5.1 Upon completion of each audit a survey is sent to the Head of Service and Line Manager to ascertain their views on whether the audit satisfied the requirements of the Manager and if they received a quality audit service overall. We are pleased to report that of the four surveys returned since last reported to Members in December 2004 three stated that they “received a quality audit service” with one reporting as “Fair”. For the year, eighteen of nineteen completed surveys were rated “Good” or better.

6 AUDIT PLAN FOR 2005/06

- 6.1 The proposed audit plan is attached for Members’ consideration as Appendix 2. The plan has been based on a full establishment. Any variation to the plan will be reported to Members on a six monthly basis and the quarterly performance reports will show how we are achieving the planned audit time against our target of 97%.

7 RISK IMPLICATIONS

- 7.1 If the Internal Audit section is under resourced there is a risk that assurance cannot be given on the Council’s Systems. The Audit Plan must reflect a fair cover of the key financial areas of the Council plus those areas that are high risk.
- 7.2 Due to the limit on resources there is always a risk associated with not covering all systems of internal control within the Council.

8 RECOMMENDATION

- 8.1 It is proposed that the Committee **RESOLVES**
- (1) To agree the changes to the 2004/05 Audit Plan and note the progress.
 - (2) To agree the Audit Plan for 2005/06.

P Warren
Chief Executive

Background Papers:

None

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APPENDIX 1

Internal Audit Plan for 2004/5					
Subject Area	Original No. Day	Actual No. Day	Revised No. Day	+/-	Comments
Corporate Systems					
Anti-Fraud & Corruption*	8	6	6	-2	Audit Completed (<i>Report 1</i>)
Business Continuity	5	0	0	-5	Not Audited
Corporate Governance / Internal Control*	10	10	10	0	Statement of Internal Control reported to Committee & External Audit.
CPA	20	16	16	-4	Extra work on Corporate Governance allocated here
Partnerships	10	6	6	-4	Background work completed
Risk Management	15	12	12	-3	Work associated with CRG ongoing
Whistle Blowing*	4	4	4	0	Completed (<i>Report 2</i>)
Section Total	72	54	54	-18	
Support Systems					
Annual Checks**	30	23	25	-5	Completed
Central Services	10	17	17	+7	Audit extended to complete a full review of mobile phone control. (<i>Report 5</i>)
Document Production	5	6	6	+1	Completed (<i>Report 14</i>)
Follow Up & Advisory	27	16	17	-10	Ongoing
Human Resources	10	0	0	-10	Not Audited
IT Services - IT Contract, Security & Access, e-Government	30	16	16	-14	IT Security & Access Audit Completed (<i>Report 3</i>) Other Areas Not audited
Monitoring Recommendations	6	3	4	-2	Ongoing
Performance Indicators*	20	21	21	+1	Completed
Procurement	5	1	1	-4	Not Audited
Section Total	143	103	107	-36	
Financial Systems					
Cash & Banking*	15	10	17	+2	Ongoing (<i>Report 15</i>)
Corporate Debt Policy	6	0	0	-6	<i>Deferred until 2005/6</i>
Creditors*	6	9	9	+3	Completed (<i>Report 17</i>)
Debtors*	6	14	14	+8	Revised time in view of extra work to ensure External Auditor Requirements met. (<i>Report 8</i>)
Main Accounting*	13	13	13	0	Completed (<i>Report 11</i>)
Payroll & Expenses*	10	12	12	+2	Completed (<i>Report 4</i>)
Section Total	56	58	65	+9	

Internal Audit Plan for 2004/5					
Subject Area	Original No. Day	Actual No. Day	Revised No. Day	+/-	Comments
Operational Services					
Housing Benefit/Fraud*	30	27	27	-3	Completed (<i>Report 13</i>)
Council Tax*	8	2	8	0	Ongoing (<i>Report 18</i>)
NNDR*	5	14	14	+9	Completed (<i>Report 12</i>)
Housing Rents*	15	8	15	0	Ongoing (<i>Report 16</i>)
Environmental Health Licensing	8		0	-8	<i>Deferred until 2005/6</i>
Service Contracts	12	9	9	-3	Completed (<i>Report 7</i>)
Woodlands	5	5	5	0	Completed (<i>Report 6</i>)
Decriminalised Parking Enforcement	10		0	-10	<i>Deferred until 2005/6</i>
Transportation	9	5	5	-4	Completed (<i>Report 10</i>)
Special Assignments	25	37	38	+13	HRA Reconciliation, minor queries
Section Total	127	107	121	-6	
Totals	398	322	347	-51	

Notes

* - External Audit places reliance on these work areas

** - Annual checks include complaints, inventory control, honesty boxes, petty-cash control, post room procedures, flexi-forms, sheltered scheme income procedures, access to interpreters, health & safety and controlled stationery

APPENDIX 2

PROPOSED ANNUAL AUDIT PLAN FOR 2005/06

CORPORATE SYSTEMS	AUDIT DAYS
Statement of Internal Control (SIC)	
The Accounts & Audit Regulations 2003 require a statement of internal control to be published and for the Council to review annually the internal control environment.	10
Anti Fraud & Corruption & Whistle Blowing Policy	
As part of the requirements of the External Auditors these policies need to be looked at annually. They also feed into the SIC.	10
Corporate Governance Arrangements	
This review will follow on from the groundwork undertaken during 2003/04 and forms a basis towards the SIC.	10
Partnerships	
The Authority has a number of partnerships and as part of the CPA Improvement Plan the overall arrangements for partnerships will be looked at. Internal Audit will feed into the review undertaken by the F&P O&S Committee.	10
Performance Indicators	
The Performance Indicators are audited annually	25
Risk Management Arrangements	
An annual review on Risk Management to determine how it is embedding within the Authority is required.	15
FINANCIAL SYSTEMS	
Payroll & Expenses	
Audited annually as part of the Managed Audit requirements for PKF, the Authority's External Auditor.	10

New Payroll System

A new financial system is classed as high risk and will need to be audited to ensure the controls are effective. **10**

Creditors

Audited annually as part of the Managed Audit requirements for PKF **15**

Debtors

Audited annually as part of the Managed Audit requirements for PKF **15**

Cash & Banking

Audited annually as part of the Managed Audit requirements for PKF **15**

Main Accounting System

Audited annually as part of the Managed Audit requirements for PKF. **10**

OPERATIONAL SERVICES

Housing Benefits

This will include the PKF Key Control Evaluations (KCE), Fraud Investigation & Overpayments **30**

Council Tax

Audited annually as part of the Managed Audit requirements for PKF **12**

National Non-Domestic Rates

Audited annually as part of the Managed Audit requirements for PKF **10**

Housing Rents

Audited annually as part of the Managed Audit requirements for PKF. **15**

Licensing

This was deferred from 2004/05 to allow time for the system to develop. It is a new system and will require auditing to ensure the correct procedures are followed **15**

Decriminalised Parking

This was deferred from 2004/05 to allow time for the system to develop. It is a new system and will require auditing to ensure the correct procedures are followed **12**

Corporate Debt Policy

This audit was deferred from 2004/05 Audit Plan. It is a new arrangement and will need to be audited this year. A focus will be placed on the recovery of rechargeable works. **15**

Procurement

Need to determine the position on procurement and consider new systems that have been introduced to ensure they are delivering the requirements identified. **10**

Human Resources

Review procedures in place. **9**

IT Services

A review of IT Security was undertaken during 2004/05. Work for 2005/06 needs to focus on **25**

- E-government
- Contract Payments
- Internet Usage

Annual Checks

Complaints, Inventories, Honesty Boxes, Post Opening, Petty Cash & Year end balances, Flexi-Forms, Health & Safety, and Controlled Stationery **30**

Follow-up and Advisory

Reports from 2004/05 may require some follow-up work to ensure recommendations have been implemented and systems are still operating effectively. **20**

Contingency

At this stage it is prudent to allow a number of days as contingency to ensure audit time will be available for new initiatives **40**

TOTAL DAYS ALLOCATED 398