

## **INTERNAL AUDIT PROGRESS REPORT**

### **1 SUMMARY**

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

### **2 INTRODUCTION**

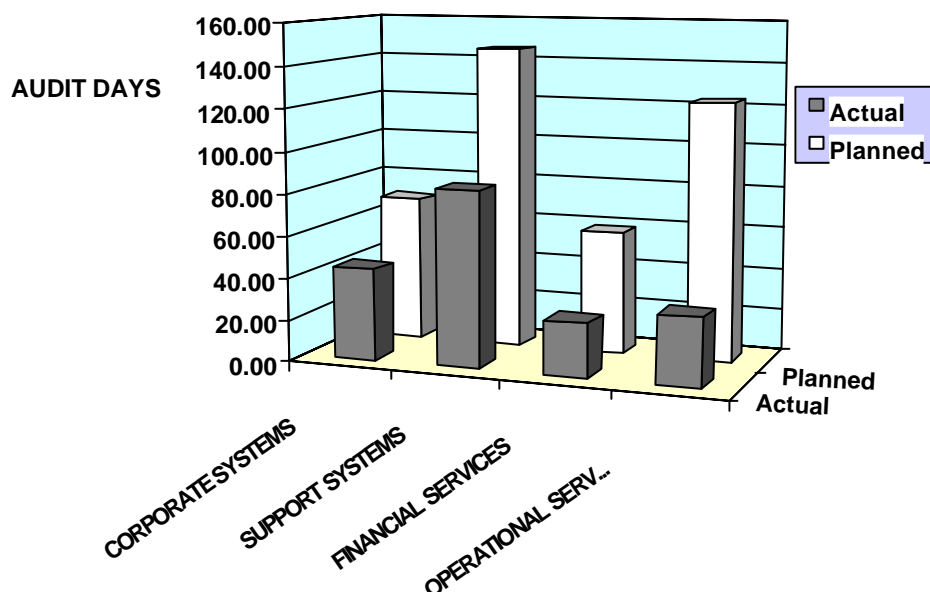
- 2.1 Progress of the 2004/05 Audit Plan is shown at 46.77% at the halfway stage of the financial year. Some changes are recommended to accommodate additional work required within particular service areas.

### **3 PROGRESS ON THE 2004/05 AUDIT PLAN**

- 3.1 Internal Audit has completed 46.77% of the Audit Plan with 50% of the year to go at the time of producing this report. We are confident that the target of completion of 97% of the audit plan will be achieved. See Appendix 1 for detail of time allocation to date.
- 3.2 The following table shows a comparison of the percentage of the audit plan completed for 2003/04 and the current year to date.

Quarter	1	2	3	4
2004/05	22.57%	46.77%	**	**
2003/04	23.83%	43.85%	71.02%	97.48%

- 3.3 The following chart displays the audit time expended by Audited Area



#### **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 first six months there were two audits that fall into this category. Central Services – Mobile Phones and Financial Services Debtors. The main reasons for these are:
- 4.2 Mobile phones: The control systems in place were not operating effectively and inconsistent information necessitated the auditor undertaking further checking.
- 4.3 Debtors: As part of the Internal auditor's training plan, Debtors was given as a new area of work. It therefore required further planning and research. 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 sheets required by External Audit.
- 4.4 Some of the additional time can be allocated from savings from areas where less time has been spent. A recommendation is also put to Members to defer the audit on Licensing, Decriminalisation of Parking Enforcement and the Corporate Debt Policy until 2005/06. These are relatively new service initiatives, which would benefit from being operational for a reasonable period before being subject to audit.

#### **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 all the surveys returned since last reporting to Members in December 2003 said they "received a quality audit service".
- 5.2 From the nine questions asked within the survey, most responses received were either "good" or "excellent". The question concerning the auditor's knowledge of the core business at the start of each audit received five "excellent", nine "good", three "fair" and one "not known" response, which related to Taxi Licensing. It was good to note that of the three "fair" assessments of the auditor's knowledge, two were advanced to "good" at the time of completion of the audit, as was the "not known".

**6 RISK IMPLICATIONS**

**6.1 Resource Risk**

If the audit section is not fully resourced this can have a drastic affect on the completion of the audit plan and coverage of high-risk areas.

**6.2 Operational Risk**

The annual audit plan needs to be closely monitored to ensure completion.

**6.3 Regulatory Risk**

Internal Audit is a means for giving assurance to the sound systems of control under the Local Government Act 1972, Section 151.

**7 RECOMMENDATION**

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

To agree the changes to the 2004/05 Audit Plan and note the progress to date.

P Warren

Chief Executive

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**Background Papers:**

None

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**Appendix 1**

<b>Internal Audit Plan for 2004/5</b>					
<b>Subject Area</b>	<b>Original No. Day</b>	<b>Actual No. Day</b>	<b>Revised No. Day</b>	<b>+/-</b>	<b>Comments</b>
<b>Corporate Systems</b>					
Anti-Fraud & Corruption*	8	6	6	-2	Audit Completed ( <i>Report 1</i> )
Business Continuity	5		5		Not Started
Corporate Governance / Internal Control*	10	9	10	-1	Statement of Internal Control reported to Committee & External Audit.
CPA	20	15	20		Extra work on Corporate Governance allocated here
Partnerships	10	4	10		Work in progress
Risk Management	15	10	15		Work associated with CRG
Whistle Blowing*	4	4	4		Completed ( <i>Report 2</i> )
<b>Section Total</b>	<b>72</b>	<b>48</b>	<b>70</b>	<b>-3</b>	
<b>Support Systems</b>					
Annual Checks**	30	18	30		Progressing
Central Services	10	17	12	+7	Audit extended to complete a full review of mobile phone control. Audit report to be presented to Members. ( <i>Report 5</i> )
Document Production	5		5		Not Started
Follow Up & Advisory	27	11	27		On going
Human Resources	10		10		Not Started
IT Services - IT Contract, Security & Access, e-Government	30	16	30		IT Security complete ( <i>Report 3</i> )
Monitoring Recommendations	6	2	6		Ongoing
Performance Indicators*	20	21	20	+1	Completed
Procurement	5		5		Not Started
<b>Section Total</b>	<b>143</b>	<b>85</b>	<b>145</b>	<b>+9</b>	
<b>Financial Systems</b>					
Cash & Banking*	15		15		Not Started
Corporate Debt Policy	6		nil	-6	Not Started <i>Defer until 2005/6</i>
Creditors*	6	1	6		Not Started
Debtors*	6	14	8	+8	Revised time in view of extra work to ensure External Auditor Requirements met. ( <i>Report 8</i> )
Main Accounting*	13	7	13		Progressing
Payroll & Expenses*	10	12	11	+2	Completed ( <i>Report 4</i> )
<b>Section Total</b>	<b>56</b>	<b>34</b>	<b>53</b>	<b>+4</b>	

Internal Audit Plan for 2004/5					
Subject Area	Original No. Day	Actual No. Day	Revised No. Day	+/-	Comments
<b>Operational Services</b>					
Housing Benefit/Fraud*	30	2	30		Not Started
Council Tax*	8		8		Not Started
NNDR*	5		5		Not Started
Housing Rents*	15		15		Not Started
Environmental Health Licensing	8		nil	-8	Not Started <i>Defer until 2005/6</i>
Service Contracts	12	9	10	-3	Completed ( <i>Report 7</i> )
Woodlands	5	5	5		Completed ( <i>Report 6</i> )
Decriminalised Parking Enforcement	10		nil	-10	Not Started <i>Defer until 2005/6.</i>
Transportation	9		9		Not Started
Special Assignments	25	20	25		HRA Reconciliation, minor queries
<b>Section Total</b>	<b>127</b>	<b>36</b>	<b>107</b>	<b>-21</b>	
<b>Totals</b>	<b>398</b>		<b>375</b>	<b>-11</b>	

#### 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