

# CORPORATE RESOURCES OVERVIEW AND SCRUTINY COMMITTEE

## ***Committee Report***

Public

Date of Meeting: 13th June 2002  
Title: Internal Audit Out – Turn Report 2001-2002  
Report of: The City Treasurer  
Report reference: Financial Memo 2002-03 No. 19

### Summary:

This report summarises the work carried out by Internal Audit for the year 2001 – 2002 and gives reasons for variations.

### Recommendations:

Members are requested to receive the report and note the progress made on the 2001-2002 Audit Plan.

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CITY TREASURER'S DEPARTMENT  
AUDIT MANAGER'S FINAL REPORT  
2001 – 2002

1. INTRODUCTION

1. This report summarises the work carried out by the Internal Audit Section for the year 2001 – 2002. As will be seen from the details following, 2001/02 was the most demanding period for many years in respect of unplanned audits, special investigations, secondment and vacancies, all of which had a significant detrimental effect on the planned work of the Audit Team.
  2. In order to give Members a clear understanding of the staffing position faced by the Team during the year, the following is a summary of the staff movements.
- The full complement of the Audit Team is 5 staff, and the current permanent posts are Audit Manager; Senior Auditor; 2 Auditors; Audit Assistant.
  - We lost two very experienced and qualified members of audit staff during the year. The Senior Auditor and one of the Auditors both resigned from their posts on 7/1/02 to take up other positions outside the Authority
  - The Senior Auditor's post was vacant from 7/1/02 until 15/1/02.
  - One of the Auditors was in post until 15/1/02 – then promoted to Senior Auditor and the Auditor post was vacant until 28/1/02.
  - The second Auditor was in post until 7/1/02 – the post was then vacant until 28/1/02.
  - The Audit Assistant's post was vacant from 1/6/01 until 2/7/01 and again from 1/8/01 to 10/8/01.
  - Two new posts were filled internally and the staff concerned only worked part time for Internal Audit during the first month of their appointment.
1. As will be seen later in this report, the net effect of all of the above was a loss of 86 man – days due to vacancies.

1. AUDIT PERFORMANCE FOR THE YEAR 2001 - 2002

1. The analysis of actual time against budgeted time for the Section is shown below (rounded to the

nearest day) :-

<u>AUDIT AREA</u>	<u>DAYS ALLOCATED</u>	<u>DAYS TAKEN</u>	DIFFERENCE	NOTE
<u>DIRECT AUDIT TIME</u>				
Planned core systems	114	73	-41	i
Other planned chargeable	333	348	15	ii
Unplanned chargeable	81	141	60	iii
Computer Audit	80	50	-30	iv
Contract audit	60	15	-45	iv
VFM studies	50	44	-6	v
Follow up reviews	20	8	-12	
Best Value Audit	<u>50</u>	<u>20</u>	<u>-30</u>	vi
Total chargeable time (A)	788	699	-89	
<u>OVERHEAD TIME</u>				
Leave	191	173	-18	vii
Training	65	80	15	viii
Sickness	34	25	-9	ix
Management/admin etc	<u>222</u>	<u>262</u>	<u>40</u>	x
Total overhead (B)	512	540	28	
Grand total (C)	1300	1239	61	xi
Performance % A/C	60.6%	56.4%		
Vacant posts	0	86	86	

NOTES

Direct Audit Work

i Planned Core Systems. These are the fundamental systems on which the Authority is run and a major failure in one of these systems could seriously affect the operation of the Council, its staff, its suppliers and the public. Following adverse comments from the District Auditor relating to the progress made on the audit of the core systems for 2000/01, an action plan was agreed in October 2001 between Internal and External Audit to significantly strengthen existing arrangements. Part of this was an undertaking that all of the core systems would be reviewed by 31 March 2002. Due to staff vacancies, which could not have been foreseen in October 2001, however, the resulting loss of audit time meant that despite our best intentions, there was still some work to carry out on these systems at 31 March 2002. This was discussed with District Audit, who accepted that those reviews, which had not been fully completed by 31 March 2002, would be finished within the first few weeks of 2002/03. As will be noted from Appendix A to this report, all of the core work for 2001/02 will be presented to District Audit when they carry out their review of the 2001/02 accounts later in the year.

It has also been agreed with District Audit that the Core Systems reviews for 2002/03 will be carried out during the second half of the year. In order to ensure that reliance can be placed on these systems' operation for the full year, the appropriate officers will be contacted at the end of the year to confirm that there have been no significant changes to the systems since the earlier audit reviews.

Finally, it has been agreed with the Head of Financial Services that follow-up reviews will be carried out, for the core systems, after three months rather than after 6 months as at present.

*It should be noted that the introduction for 2002/03 of the Comprehensive Performance Assessment (CPA) and the "Statement of Internal Financial Controls" in the accounts, significantly increases the importance of Internal Audit and the need for them to provide timely assurance that the core systems are functioning properly.*

ii Other planned chargeable – This is planned systems work, which has overrun marginally due to guidance needed for inexperienced staff.

iii Unplanned chargeable - The figure for unplanned chargeable time includes the time spent on extra audits, reviews, fraud investigation and secondment, which were requested during the year. In 8 such cases, the time required was sufficient to warrant an individual Audit Brief. (See Appendix B). In all, these 8 reviews took 97 days to complete. The balance of 44 days is made up of numerous minor "extras" which did not warrant a formal Brief. (N.B. By its very nature, it is impossible to determine in advance how much demand there will be for unplanned Audit time within any given period). The "allowance" for unplanned chargeable time in the Audit plan is not based on any pre – judged figure, but rather is the balance of time remaining when all other demands have been assessed. Revised procedures have been put in place with effect from 1<sup>st</sup> April 2002, in that the Head of Financial Services will authorise any audit work, which is to be cancelled or postponed. The City Treasurer or the Head of Financial Services will also authorise, by means of a "Variation Order", any significant requests for unplanned Audit time.

iv Computer and Contract Audit - The time spent on Contract Audit and Computer Audit fell below the planned level, due to the loss of both the "Contract Auditor" and the "Computer Auditor" for the final three months of the year. It is to be determined, during 2002/03, how the provision of Contract and Computer audit will be resourced in future.

v Value for Money Studies – this was time taken on the studies relating to Central Purchasing, Wardens and Inspector Duties, and Administration.

vi Best Value Audit - The 50 days allocated to Best Value was intended to assist in supporting the Best Value Officer in obtaining background information for the "Thematic Reviews". It had been anticipated

that there would be four such reviews, but in the event Internal Audit's assistance was required on only two reviews (Customer Contact and Regeneration).

## Overhead Time

vii Leave was underspent by 18 days due to the effect of vacancies.

viii Training – This allocation of time covers both professional, ad – hoc and internal training. The greater than anticipated time taken was partly due to an individual member of the Section accelerating his programme of study for the M.I.I.A. qualification, and partly to extra training for new members of the Audit Team.

ix Sickness – Less than average sick-leave taken.

x Management and Admin. - The time allocated to "management and admin." covers a very wide range of non – chargeable activities, in particular the general planning, control and management of the section, Section and Team meetings, TIR meetings, attendance at courses, Benchmarking activities etc. .

This area of activity required more time than originally allocated due to the knock – on effects of the unprecedented number of vacancies during the year i.e. the selection, appointment and induction of new staff.

Nevertheless, the overall time charged to Management and Admin was 2 days less than in the previous year, and overall performance dropped by only 1.9%.

xi The overall variance of 61 days is due principally to the net effect of time lost through vacant posts (86 days) and time regained through overtime (34 days). The difference of 9 days is due to roundings.

The number of days lost through vacancies almost exactly accounted for the shortfall on total planned chargeable time.

## 2. ACHIEVEMENT OF THE AUDIT PLAN FOR 2001 - 2002

1. Due to the overall shortfall of 89 "chargeable" days – caused almost exclusively by the vacancies - it was not possible to complete the whole of the Audit Plan within the year. The situation was, however, kept under constant review during the year and Audit work was directed to those areas where the demand and/or risk was considered to be greatest. As in previous years, it was necessary to complete, during the first few weeks of the year, those audits, which were in progress at 31 March 2001. Again, as in previous years, there were inevitably several audits in various stages of progression at 31 March 2002, which will be completed during the early part of 2002.
2. The level of achievement of the Audit Plan over the past 4 years has been as shown on the following table :-

	1998/99	1999/00	2000/01	2001/02
Days achieved as % of days	86.4%	91.9%	88.4%	88.7%

planned				
Audits completed as % of audits planned	80%	74.6%	81.5%	81.5%

*N.B. Care should be taken when comparing the number of audits against those planned, as not all reviews carry the same allocation of time – failure to carry out*

*4 or 5 small audits may result in the same loss of time as one single larger audit.*

3. Appendices A and B attached give a full listing of every audit for which a Brief was written during the year.
4. The audits shown on the Appendices have been analysed over 5 headings :-
  - o "Completed" refers to audits for which a final report was issued.
  - o "Ongoing" refers to audits, which were still in progress at 31 March.
  - o "Draft issued" - responses to the Draft Report were still awaited at 31<sup>st</sup> March.
  - o "Cancelled" - reviews which were later cancelled at the request of Chief Officers.
  - o "Not done" - reviews to which no attention was given during the year. Each review was carefully considered – i.e. there were no "accidental" omissions. In each case, the decision to exclude the work was taken on a combination of factors, these being the perceived "risk" inherent within the system, the time which had elapsed since the previous Audit review, and the inclusion of audit/s in the succeeding year's Plan.

## 1. AUDIT REPORTS AND RECOMMENDATIONS

4.1 The Team issued 47 final reports, which between them contained 157 recommendations as detailed below. All recommendations contained in previous reports were followed up within the required period.

4.2 Analysis of recommendations: -

- o 10 at grade A – Lack of or failure to comply with a key control, leading to a fundamental system weakness.
- o 38 at grade B – Lack of or failure to comply with a key control, leading to a significant system weakness.
- o 83 at grade C – Lack of or failure to comply with a non key control, leading to a system weakness.
- o 26 at grade D – Action at Managers' discretion

It was not necessary, during the year, to bring to Members' attention any disputed grade "A" recommendations, nor to report any failures to implement agreed recommendations.

## 1. CLIENT SATISFACTION SURVEYS

1. When final reports are issued, the recipients of the reports are invited to complete a Client Satisfaction Survey, which is used by the Audit Manager to judge the perceived effectiveness of the Audit Team.
2. The results of the survey forms are converted into a "score". – our target is that our performance should be "above average" which equates on our scoring model to 80%. The surveys returned during the year averaged 88.3%, which is a small but encouraging increase over the previous year's average of 86.4%.

## 2. SUMMARY

1. Overall this has been a year of mixed fortunes. As stated in the body of this report:-
  - an unprecedented amount of time was lost through vacancies;
  - also due mainly to the above, performance has dropped from 58.3% to 56.4%;
  - the Team lost 51 days through secondment due to the Foot and Mouth crisis not all of which was recovered through overtime;

### ***BUT***

- the number of final reports increased from 42 to 47;
- client satisfaction rose from 86.4% to 88.3%;
- There was a minor decrease in admin time compared to the previous year
- in professional examinations, success was achieved by the previous Senior Auditor who completed the M.I.I.A. level exams – although unfortunately this expertise has now been lost to the Team.

I. Beckett

Audit Manager

6<sup>TH</sup> June 2002

IB/X41/Audit Plan 2001. – 2002

## APPENDIX A

### 2001 –2002 PLANNED AUDITS

#### CORE SYSTEMS

Audit Area Status at 31/03/02 Status at 31/05/02

-

Sundry Debtors Ongoing Note 1

Payroll Draft issued Note 1

N.N.D.R. Completed Note 1

Loans and Investments Completed Note 1

Housing Rents Draft issued Note 1

Council Tax Ongoing Note 1

Creditors Ongoing Note 2

Cash Collection Ongoing Note 2

Housing and C/Tax Benefits Ongoing Note 3

#### Status as at 31/5/02

Note 1 – All audit work has been completed, and the final report has been issued

Note 2 – All audit work has been completed – draft report issued – awaiting auditees' responses

Note 3 – Currently completing testing of transactions for 2001/02 – draft report pending..

*N.B. – as discussed an agreed with District Audit, all of the core work for 2001/02 will be presented to them when they carry out their review of the 2001/02 accounts.*

### 2001 – 2002 PLANNED AUDITS

#### ENVIRONMENT AND DEVELOPMENT DEPARTMENT

##### Audit Area Status at 31/03/02

-

##### ENVIRONMENTAL SERVICES

Licence fees/admin Completed

Pest Control Completed

Public Conveniences Completed

##### OTHER

Improvement Grants Completed

##### PLANNING SERVICES

Development Control Not done (Note 2)

Local Plans Ongoing

Building Control Ongoing

### DESIGN DIVISION

Right to Buy Completed

Insurance Claims (Highways) Completed

CCTV Operations Not done (Note 1)

Shop Rents Draft issued

Car Parks –Including Residents' parking Not done (Note 1)

### CARLISLE WORKS

Grounds Maintenance Not done (Note 1)

Transport and Plant Ongoing

Stores Not done (Note 1)

Car Parks Not done (Note 1)

Street Cleaning Not done (Note 2)

Note 1 – Audit planned for 2002/03

Note 2 – To be reviewed as part of revision of Strategic Plan.

## 2001 – 2002 PLANNED AUDITS

### LEISURE AND COMMUNITY DEVELOPMENT DEPARTMENT

#### Audit Area Status at 31/03/02

Tullie House Completed

Community Centres

Belah Completed

Botcherby Completed

Petteril Bank Completed

Yewdale Completed

Greystone Completed

Countryside Recreation Completed

Cemeteries Completed

Crematoria Completed

Sands Leisure Centre Completed

City Pools Completed

Bitts Park Recreation Completed

St. James' Park Completed

2001 – 2002 PLANNED AUDITS

HOUSING DEPARTMENT

Audit Area Status at 31/03/02

Garage Rents Completed

Allocation System Completed

PDU's Completed

Benefits Advice Centre Draft issued

2001 – 2002 PLANNED AUDITS

CITY TREASURER'S DEPARTMENT

Audit Area Status at 31/03/02

Stock and Controlled Stationery Not done (Note 1)

Assessment of H.B.O.P Cancelled

Insurances Ongoing

Car Loans Completed

Anti – Fraud initiatives Not done (Note 1)

Purchasing Working Group Completed

Review of Standing Orders and Financial Regs. Completed

Note 1 – Audit planned for 2002/03

2001 – 2002 PLANNED AUDITS

TOWN CLERK AND CHIEF EXECUTIVE'S DEPARTMENT

Audit Area Status at 31/03/02

Mayoral and Civic Expenses Completed

Town Twinning Completed

Licensing Completed

Legal Services Not done (Note 1)

Land Charges Completed

ECONOMIC DEVELOPMENT

Tourism Not done (Note 1)

Market Ongoing

Business Development Ongoing

Irthing Centre Completed

Enterprise Centre Completed

Note 1 - To be reviewed as part of revision of Strategic Plan.

APPENDIX B

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2001 – 2002 UNPLANNED AUDITS FOR WHICH BRIEFS WERE ISSUED

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Audit Requested Status at 31/03/02 Days

Authorised Signatures Completed	5
Foot and Mouth - Hardship Relief Completed	52
Theft from Car –Park machines Completed	12
Review of Officers' travelling and expenses Completed	7
Review of Members' travelling and expenses Completed	7
Revenues staffing review Completed	5
Leisuretime inventory Completed	2
Special Investigation – C.A.B. Completed	7
TOTAL	<u>97</u>