

## REPORT

To. POLICY & RESOURCES (FINANCE) SUB COMMITTEE		Subject. AUDIT PLAN, 2001/2002 PROGRESS REPORT to 23 <sup>rd</sup> July, 2001
From. DIRECTOR OF FINANCE		
Date. 31st July, 2001	Ref. FI00R310701	

1 Introduction

Progress against the Audit Plan is monitored at four-weekly intervals, and progress for the year to date is described in this report and the Appendices.

2 Functional Allocation2.1 Regularity Audit

Activity is 134% of Plan. The principal activities in the period have been Payroll, Airdrie Benefits Office, Private Housing Benefits, the Municipal Bank, Catering Income and various follow-ups from previous year audits, notably to the Treasury Section. A major exercise on verification of Performance Indicators took place during the period, and has been completed since. There is continuing activity on Authorised Signatories and the annual review of the Financial Regulations and Contract Standing Orders is well advanced.

2.2 Stocks and Inventories

Activity for the period is 169% of the Plan, but this reflects the seasonal nature of the work. The largest individual items were the year-end stock attendance and subsequent queries regarding Fuel, Transport and Parks. There was also some activity regarding the standard inventory procedures.

2.3 Contract Audit

Activity is 63% of Plan. Activity during the period has covered the Building Cleaning DSO and Tender Opening.

2.4 Systems Reviews

Activity is 97% of Plan. During the period, the reviews of Housing and Council Tax Benefits, the Social Work Information system and the Chief Executive's department Grants were completed. Reviews of Arts and Venues, Transport DSO and Building Cleaning DSO are ongoing and the review of Purchasing and Creditors has commenced. There was follow-up and discussion on previous reviews of Risk Management/Insurance, Payroll and various smaller systems. Audit staff have also provided systems advice to departments and participated in the development and testing of new financial systems. More detailed information is shown in Appendix 2.

## 2.5 Value for Money Studies

Activity is 82% of Plan. The largest single exercise during the period was the Home to School Transport Study, which proved to be a much larger job than first envisaged, mainly because several departments, with different viewpoints, were involved. This has recently been completed and the report issued. There was follow-up work and discussion regarding some of the 2000/01 Studies, notably Insurance/Risk Management and the Management of Industrial Units. Work commenced on the Studies on Grants to Voluntary Organisations and Community Groups, on Non-Domestic Rating and on the Relationship between the Frontline Departments and the Centre. In addition, one officer is seconded 50% to the Modernising Government Project, now known as North Lanarkshire Direct.

## 2.6 Unplanned Work and Investigations

Activity is 110% of the allocation. By definition, the requirement cannot be foreseen and the Audit Plan includes an allocation of time so that incidents or allegations can be investigated as they arise. Specific items have previously been reported to the Chief Executive's Audit Group. Unplanned Work includes Non-Audit Work, on which 18 days were spent in the period, principally assisting in financial aspects of a Best Value review in Social Work.

## 2.7 Summary

The total number of actual productive days for the period was 1075, which is 107% of the Plan for the period.

## 3 Departmental Allocation

The allocation of work to departments is also shown in Appendix 1. Proportionally, the general level of work expected to be achieved in sixteen weeks is 30% of the annual Plan. This is the case in total but the actual figures for individual departments vary with the specific audits undertaken. Planning & Environment, for example has had only 10% of its annual allocation, as no major work has been done there this year so far, but an audit of Building Control has just commenced. Similarly, although Finance shows only 13% of allocation, systems reviews on Purchasing/Creditors and Council Tax have recently commenced. Housing & Property, conversely, has already had 76% of the allocation, but the work done includes the major review of the Benefits system and an audit of the Subsidy claim, both of which had to be done in the first part of the year in order to meet external constraints.

## 4 Performance of the Internal Audit Service

### 4.1 Overall Achievement of the Audit Plan

The total productive days achieved are 107% of the Plan for the year to date, which exceeds the internal performance indicator target of 90%.

### 4.2 Further Performance Indicators

These are shown in Appendix 3.

5 Other Audit Matters

5.1 Best Value

The Best Value review of Internal Audit in 2000 identified some areas for improvement and an Action Plan was drawn up to address these. Only two items remain to be addressed. The first, the automation of the recording and scoring of the Client Satisfaction questionnaires, is being addressed as a common interest by the new benchmarking group of five major authorities. The other was the production of an Audit Manual, which is currently in draft and will shortly be completed.

5.2 Audit Scotland National Study of Internal Audit

In November 2000, Audit Scotland carried out a study of all Local Authority Internal Audit Sections in Scotland. External Auditors completed extensive questionnaires with contributions from Chief Executives, Directors of Finance and Audit Managers. The results were collected, collated and analysed by Audit Scotland and the report has just been published. The major objective was to establish a national picture of the standards of Internal Audit, and in particular of how Councils' Audit services measure up to the Cipfa Code of Practice, which was published in October 2000. Councils have been placed in bands according to the degree of conformance. North Lanarkshire Council have been placed in the third band, indicating that there is scope for greater compliance with the Code. The report reflects the position in November 2000, but various improvements and changes have been introduced from 1<sup>st</sup> April 2001 and others will be introduced during 2001/2. For example, for the first time, the VFM programme for 2001/02 is deliberately related to previous Best Value Reviews and corporate crosscutting exercises for service improvement. A Council-wide Anti-Fraud Policy and a Whistle-blowing Scheme are currently under development. The study also provides some useful information on best practice that will be considered for future implementation. A copy of the report has been placed in the Members' Library.

5.3 Chief Executive's Audit Group

The Group meets quarterly and considers audit matters. It ensures that there is a corporate consideration of audit issues.

6 Recommendation

The Committee is invited to note this report.



Director of Finance

NORTH LANARKSHIRE COUNCIL - AUDIT PLAN, 2001/02

Progress against Plan for the 16 weeks to 23rd July, 2001

	Full Year Planned Days	Year to Date Planned Days	Actual Days	Variance in Days	Actual as % of Plan
<u>By Audit Function</u>					
Regularity Audit	944	261	348	87	134
Stocks and Inventories	93	26	44	18	169
Contract Audit	70	19	12	-7	63
Systems Reviews	1066	294	284	-10	97
Value for Money Studies	720	198	163	-35	82
Unplanned Work and Investigations	744	204	224	20	110
Total Days	3637	1002	1075	73	107

<u>By Department</u>	Full Year Planned Days	Actual Days	Actual as % of Full Year Plan
Departmental Allocation			
Administration	161	44	27
Chief Executive	250	40	16
Community Services	313	105	34
Education	231	51	22
Finance	820	105	13
Housing & Property	364	276	76
Planning & Environment	126	12	10
Social Work	248	93	38
Corporate and Misc	1124	349	31
Total Days	3637	1075	30

SYSTEMS REVIEW WORKAPPENDIX 2

<u>System</u>	<u>Current Position</u>	<u>Client Response</u>
Insurance/Risk Management	Report issued 5th April with 32 recommendations for improvement.	21 agreed, 11 under discussion.
Housing/Council Tax Benefits	Report issued 21st May with 228 recommendations for improvement.	94 agreed, 43 almost resolved, 68 require discussion. 23 replies awaited.
Social Work Information	Report issued 30th May with 38 recommendations for improvement.	Reminder sent 11th July.
Chief Executive's Grants	Report issued 13th July with 34 recommendations for improvement.	N/A
Section 10 Grants	Report issued 23rd July with 15 recommendations for improvement.	N/A
Benefits Subsidy Claim	Review nearing completion	N/A
Building Cleaning DSO	Review ongoing	N/A
Arts and Venues	Review ongoing	N/A
Transport DSO	Review ongoing	N/A
Council Tax	Review commenced.	N/A
Home Loans	Review commenced.	N/A
Purchasing/Creditors	Review commenced.	N/A

INTERNAL AUDIT - ADDITIONAL PERFORMANCE MEASURES

A number of performance measures, suggested by PriceWaterhouse Coopers in 1999, are now in place. Some are reported to the Policy & Resources (Finance) Sub-Committee, others, more detailed in nature, are reported to the Chief Executive's Audit Group, and all are used to assist Management.

<u>Performance Measure</u>	<u>Management Comment</u>
Progress against Annual Plan	This is part of the normal Progress Report to Committee.
Benchmarking	Following a benchmarking exercise in 2000 involving 17 authorities in Scotland, on planning and inputs, an exercise has now commenced involving five authorities of broadly similar size to North Lanarkshire Council, which will concentrate on outputs - actual achievements.
Customer Satisfaction	After each audit the customer is given a Satisfaction form to complete. Responses are examined and followed up if necessary. The average satisfaction rate is 97%
Total Audit costs - budget against outturn	These figures are regularly monitored throughout the year.
Productive time against planned	This is part of the regular Progress Report to Committee.
Estimated staff days against budget	This is part of the regular Progress Report to Committee.
Staff in post against those required	This is constantly monitored, and any difficulties are reported in the regular Progress Report to Committee.
Skills level	Staff qualifications and skills are recorded and used both for work allocation and to identify training needs.
Number of Trainees FTE	Trainees are rotated, and a trainee is attached to Audit for nine months of any year, providing a FTE of 75%.
Staff Turnover Rates	This factor is constantly monitored, and any difficulties are reported in the regular Progress Report to Committee.
Marking working papers against standard	Senior Auditors regularly review files to confirm the adequacy of working papers.
Average cost per productive audit day	This is already available, and has been used in Benchmarking.
Audit work as % of departments' needs.	This is part of the regular Progress Report to Committee.

Performance Measure

Management Comment

Recommendations implemented within six months of report

An analysis of results since December 1998 provides the following statistics on implementation:

	No.	
Within 6 months	607	(71%)
6 to 12 months	156	(18%)
over 12 months	96	(11%)
Total	859	

Long-outstanding issues are reported to the Chief Executive's Audit Group.

Productive Time against total staff time.

Annual Leave, Public Holidays, Sickness and any other authorised absence is defined as unproductive time. All other time, whether spent directly on audits or indirectly on such activities as supervision, training or research is classed as productive. In the year to date, the productivity achieved has been 107% of target.

Total time for an audit against planned time

Since 1st April, 2000, each job has been given a target time in working days. For the 74 jobs started and completed since that date, actual time has deviated from target as shown below. The largest variations are in VFM studies, which are difficult to estimate.

	No.	
under target by 4 days or more	10	(13%)
under target by 2 days but less than 4	4	( 5%)
under target by less than 2 days	19	(25%)
over target by less than 2 days	12	(16%)
over target by 2 days but less than 4	5	( 7%)
over target by 4 days or more	25	(34%)
Total	74	

Progress against long-term plan

This will be reported to the Chief Executive's Audit Group

Cost of an individual audit

The staff time applicable to each audit is recorded, and this, with an addition for overheads such as accommodation, is used to recharge departments for Audit services.

Days between draft and final report

Draft Reports are not normally issued. Where applicable, this will be reported to the Chief Executive's Audit Group.