

REPORT

To: POLICY AND RESOURCES (FINANCE) SUB COMMITTEE		Subject: AUDIT PLAN 2002/2003 PROGRESS REPORT to 30 September 2002
From: AUDIT MANAGER		
Date: 9 October 2002	Ref: FI02R071002	

1 **Purpose of Report**

To report progress against the Audit Plan for the year 2002/2003.

2 **Background**

Progress against the Audit Plan is monitored at four-weekly intervals. Actual performance is compared with the Plan in each of the audit functions and any variances highlighted. Between Committee cycles, the report is presented to the Director of Finance.

3 **Considerations**

3.1 **Overall Productivity**

Planned activity in the current report is based on a simple proportion of the Plan for the year. The exceptions are Stocks and Inventories, activity on which mostly occurs immediately before and after the end of each financial year, and Value for Money, where work was not expected to commence until September. Productive days amount to 102% of the planned activity. Statistical details are shown in Appendix 1.

3.2 **Regularity Audit**

Activity is 127% of planned activity for the year to date. The principal activities undertaken during the period concerned Housing and Council Tax Benefits, the Municipal Bank, Creditors, Payroll and Travel and Subsistence. Activity is ahead of plan primarily due to work undertaken earlier in the year on Performance Indicators which took up considerably more time than planned.

3.3 **Stocks and Inventories**

Activity is 136% of Plan. Work during this period mostly consisted of finalising points from year-end work, attending stock counts at mid-year and work at Museums.

3.4 **Contract Audit**

Activity is 28% of Plan. Work in this area has been delayed primarily due to audit resources being diverted into regularity audit and unplanned work. Activity during the most recent period included work on the Roads PPP.

3.5 Systems Reviews

Activity is 78% of Plan. Slippage against plan occurred earlier in the year due to audit resources being diverted into other areas including regularity work and unplanned work and investigations. It is expected that activity will continue to revert nearer to plan in future periods. Activity in the period included the follow-up of disputed points and/or management comments arising from previous reviews. Reports on the Housing Repair Grant system and the Council's Fostering Procedures were issued during the period. System Review work ongoing, at various stages, includes work on Business Development Loans and Grants, Housing Improvement Grants, IT Network Security, Eurofunding, and participation in the Grants to Voluntary Organisations Working Group. The annual review of the Financial Regulations and Contract Standing Orders was also finalised during the period. Specifications for reviews which have not yet commenced have been prepared. Further details on systems work are shown in Appendix 2.

3.6 Unplanned Work and Investigations

Activity is 131% of Plan. Various incidents and allegations regarding possible improprieties have been investigated. No new major incidents have emerged during the period. Ad hoc advice given to departments on general control and risk issues and the correct application of the Financial Regulations and Contract Standing Orders also comes under the heading of unplanned work.

3.7 Value for Money

Following a tendering exercise, external consultants are being engaged to carry out VFM studies on Void Housing, Project Management, Geographical Information Systems and Disposal of Property/Capital Receipts. The work has commenced and is expected to be completed by early December. Two further studies are likely to flow from the 2001/02 VFM study on the relationship between Frontline departments and Central services. The exact scope of these studies is currently under discussion. In addition, the detailed scope for a further study, relating to PPP arrangements, is currently being finalised.

3.8 Performance of the Internal Audit Service

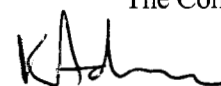
The total productive days achieved was 102% of the Plan for the year to date, which exceeds the internal performance indicator target of 90% of Plan. Additional Performance Measures are shown in Appendix 3.

4 Corporate Considerations

Although Internal Audit sits within the Finance Department, it fulfills a corporate role and provides a service to all Council departments. The Audit Plan, which sets out its activities, is approved by the Chief Executive's Audit Group and the Council.

5 Recommendations

The Committee is invited to note this report.


Audit Manager

NORTH LANARKSHIRE COUNCIL – AUDIT PLAN 2002-2003
 PROGRESS AGAINST PLAN for the six months to 30 September 2002

<u>By Audit Function</u>	Full Year Planned Days	Year to date Planned Days	Year to Date Actual Days	Variance in days	Actual as % of Plan
Regularity Audit	938	469	594	125	127
Stocks and Inventories	95	75	102	27	136
Contract Audit	157	79	22	-57	28
Systems Reviews	1400	700	544	-156	78
Unplanned work and Investigations	613	307	402	95	131
Total Days (In- house)	3203	1630	1664	34	102
Value for Money Studies	800	N/A	N/A	N/A	(Note 1)

Note 1 The Value for Money Study team is currently seconded to the Chief Executives Department to assist with progressing the Modernising Government agenda. The Chief Executive's Audit Group has approved a programme of value for money studies which will be outsourced.

NORTH LANARKSHIRE COUNCIL – AUDIT PLAN 2002-2003
SYSTEMS REVIEW WORK

<u>System</u>	<u>Current Position</u>	<u>Comment</u>
Housing/Council Tax Benefits	Report issued 21 May 2001 with 228 recommendations	3 points outstanding
Government Grants	Report issued 19 December 2001 with 34 recommendations	all points resolved
Creditors/Purchasing	Report issued 9 January 2002 with 35 recommendations	all points resolved
Home Loans	Report issued 27 March 2002 with 14 recommendations	2 agreed, 12 under discussion
Council Tax	Report issued 28 March 2002 with 24 recommendations	10 agreed, 14 under discussion reminder sent
Education DSM	Report issued 11 April 2002 with 11 recommendations.	10 agreed, 1 under discussion
Education School Funds	Report issued 11 April 2002 with 10 recommendations	6 agreed, 4 under discussion
Benefits - BFI follow-up		
(i) Claims and Fraud etc	Report issued 4 June 2002 with 26 recommendations	25 agreed, 1 under discussion
(ii) IT and Overpayments	Report issued 15 August 2002 with 21 recommendations	reply received and being reviewed
Cash Receipting	Report confirmed as 28 June 2002 with 9 recommendations	8 agreed, 1 point outstanding
Christmas Gifts	Report issued 28 June 2002 with 11 recommendations	10 agreed, 1 point outstanding
Fostering Procedures	Audit comments issued 18 July 2002	awaiting updated draft procedures from Social Work
Housing Repair Grants	Report issued 17 September 2002 with 13 recommendations	awaiting reply
Eurofunding	Draft Report discussed and agreed with department- report currently being finalised	N/A

NORTH LANARKSHIRE COUNCIL – AUDIT PLAN 2002-2003
SYSTEMS REVIEW WORK

<u>System</u>	<u>Current Position</u>	<u>Comment</u>
Business Development Loans and Grants	Review ongoing	N/A
IT Network Security	Review ongoing	Awaiting appointment of external consultants
Working Group on Grants to Voluntary Organisations	Ongoing participation	N/A
Tenancy Services Follow Up Review	Review ongoing	N/A
Sports Centres Review	Review ongoing	N/A

NORTH LANARKSHIRE COUNCIL – AUDIT PLAN 2002-2003
INTERNAL AUDIT – ADDITIONAL PERFORMANCE MEASURES

A number of performance measures, suggested in 1999 by the then Council's External Auditors, PriceWaterhouseCoopers, are 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. As part of the process of continuous improvement, the performance indicators used will be reviewed during 2002-2003 to ensure that they remain relevant to the Council's needs and circumstances and are being used effectively.

<u>Performance Measure</u>	<u>Management Comment</u>
Progress against annual plan	This is part of the normal progress report to Committee.
Benchmarking	A benchmarking exercise involving authorities of broadly similar size to North Lanarkshire Council is now ongoing and is concentrating on outputs and achievements.
Customer Satisfaction	After each audit the customer (department) is given a questionnaire to complete. Responses are reviewed and issues followed-up as necessary. The average satisfaction rate is 96%.
Total audit costs – budget against outturn	These figures are regularly monitored throughout the year.
Productive time against planned	This is part of the normal progress report to Committee.
Estimated staff days against budget	This is part of the normal progress report to Committee.
Staff in post against those required	This is constantly monitored and any issues arising are reported in the regular progress report to Committee.
Skills level	Staff qualifications and skills are recorded and used both in allocating work and to identify training and personal development needs.
Number of trainees FTE	Trainees are rotated within the Finance Department. Normally, there is one trainee attached to audit at any one time.
Staff turnover rates	This is constantly monitored and any issues arising are reported in the regular progress report to Committee.
Standard of working papers	Standard requirements for working papers are specified in the Internal Audit Manual. The Audit Manager reviews files to ensure audit files and reports meet the required standards. The Council's External Auditors also review Internal Audit working papers.
Average cost per productive audit day	This is computed and has been used as part of the benchmarking exercise.
Audit work as % of departments' needs	This is part of the normal progress report to Committee.

NORTH LANARKSHIRE COUNCIL – AUDIT PLAN 2002-2003
INTERNAL AUDIT – ADDITIONAL PERFORMANCE MEASURES

<u>Performance Measure</u>	<u>Management Comment</u>																		
Recommendations implemented within six months of report	<p>An analysis of results since December 1998 provides the following statistics on implementation:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">Within 6 months</td> <td style="padding-right: 20px;">1185</td> <td style="text-align: right;">(76%)</td> </tr> <tr> <td>6 to 12 months</td> <td>247</td> <td style="text-align: right;">(16%)</td> </tr> <tr> <td>Over 12 months</td> <td>121</td> <td style="text-align: right;">(8%)</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td>1553</td> <td></td> </tr> </table> <p>Long-standing issues which are not implemented are reported to the Chief Executive's Audit Group.</p>	Within 6 months	1185	(76%)	6 to 12 months	247	(16%)	Over 12 months	121	(8%)	Total	1553							
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Productive time against total staff time	<p>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 102% of target.</p>																		
Total time for an audit against planned time	<p>Since 1 April 2000, each individual audit job is given a target time in working days for completion. For the 244 jobs started and completed since that date, actual time has deviated from target as shown. It should be noted that it is not always easy to estimate the time required particularly for new jobs or where the scope of work changes. 66% of jobs have been completed in no more than 4 days than target.</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">Under target by 4 days or more</td> <td style="padding-right: 20px;">31</td> <td style="text-align: right;">13%</td> </tr> <tr> <td>Under target by 2 days but less than 4</td> <td>19</td> <td style="text-align: right;">8%</td> </tr> <tr> <td>Under target by less than 2 days</td> <td>53</td> <td style="text-align: right;">22%</td> </tr> <tr> <td>Over target by less than 2 days</td> <td>42</td> <td style="text-align: right;">17%</td> </tr> <tr> <td>Over target by 2 days but less than 4</td> <td>16</td> <td style="text-align: right;">6%</td> </tr> <tr> <td>Over target by 4 days or more</td> <td>83</td> <td style="text-align: right;">34%</td> </tr> </table>	Under target by 4 days or more	31	13%	Under target by 2 days but less than 4	19	8%	Under target by less than 2 days	53	22%	Over target by less than 2 days	42	17%	Over target by 2 days but less than 4	16	6%	Over target by 4 days or more	83	34%
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Progress against long-term plan	<p>This will be reported to the Chief Executive's Audit Group.</p>																		
Cost of an individual audit	<p>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.</p>																		
Days between draft and final report	<p>Draft reports are not issued in all cases. Where applicable, this will be monitored and reported to the Chief Executive's Audit Group.</p>																		