

REPORT OF THE ASSISTANT DIRECTOR (AUDIT)  
TO THE EXECUTIVE  
5 AUGUST 2005

**Internal Audit Plan – 2004-05 Out-turn**

**1.0 Introduction and Report Summary**

- 1.1 This report summarises the out-turn of the 2004/05 Internal Audit Plan, which shows a significant improvement since progress was reported in December 2004. This report also provides a summary of all assignments completed as part of the 2004/05 plan, and all unplanned assignments carried out.
- 1.2 This report also highlights any unactioned Internal Audit reports, i.e. those where the Action Plan containing the Internal Audit recommendations has not been returned to Audit with the proposed corrective actions.
- 1.3 The Contact Officer for this report is Sam Turner, Assistant Director (Audit), Tel: 01235 547615.

**2.0 Recommendations**

*To note the content of the report and the improved performance of Internal Audit in 2004/05.*

**3.0 Relationship with the Council's Vision, Strategies and Policies**

- (a) Vision strands A and C.
- (b) No specific strategy.
- (c) Anti Fraud & Corruption Policy

**4.0 Background**

- 4.1 The target for the out-turn (proportion of the audit plan achieved) in 2004/05 was 75%. The actual out-turn was 61%. There is a Local Performance Indicator (LPI) to monitor this performance. The proportion of the plan achieved is calculated on the basis of the number of audits completed as a proportion of the number of audits within the plan. This is therefore a somewhat crude measurement as audits are not of equal "size", the number of days planned for each audit being in proportion to its relative risk score. The target of 75% represents 43 audits out of a total of 57 audits.

**5.0 Explanation of Out-turn and Improved Performance**

- 5.1 The out-turn for 2004-05 of 61% represents 35 completed audits. This is the same percentage out-turn as in the previous year however this is in fact an improvement in performance, the reason for which is explained below.
- 5.2 In recent years there has always been a significant time lag whereby each year's audit plan slips into the following year. The 2004/05 audit plan has been cut off at a much earlier time than in previous years. Two audit reports were issued in May 2005 and the last audit report from the 2004/05 audits was issued in July 2005. This is two months sooner than the 2003/04 audit plan when several reports were issued in July 2004, one was issued in

August and one in September 2004. Therefore the year 2004/05 is effectively “shorter” than previous (and future) years. This adjustment was made as a deliberate move to bring the audit plans back into line with financial years. Members will note that the out-turn of the 2003-04 plan was reported to the Executive in December 2004.

5.3 Even taking into account the “shortened” year described above, the out-turn still represents below target performance, which is due to the following factors:

- (i) Sick leave (referred to in para 4.1 above) ceased to be a problem during the last few months of the year the time lost earlier in the year has still had an impact on the achievement of the audit plan. Similarly time spent on “management” including administrative issues improved during the second half of the year however the time lost earlier in the year has still had an impact on the achievement of the audit plan.
- (ii) Some audits took longer to complete than their planned number of days. We did not meet our target of completing 60% of audits within the planned number of days. Only 54% of audits were completed within the planned days and there were 16 audits that took longer than planned; this obviously affects the time available to complete other audits.
- (iii) Two unplanned audits were carried out and a further unplanned audit was commenced during 2004/05 and is to continue in 2005/06. It should be noted that in drawing up the 2004/05 audit plan there was no time allocated for “contingency” therefore all unplanned activity directly affects the time available to carry out the planned activity.

5.4 In addition to measuring the completion of the Audit Plan by the number of audits, as set out in paragraph 5.1, an additional LPI has been introduced for 2004/05 to measure the number of days spent on planned audits as a proportion of the number of days in the plan. This method of calculation was introduced because this is how the Audit Commission measures the achievement against the audit plan so this will give a figure which is comparable with other authorities. This shows achievement of the Audit Plan for 2004/05 as 81%.

5.5 The proportion of auditor days spent on “productive” (i.e. “chargeable”) work was 71%, which is better than the 65% target and better than performance in previous years. This LPI is important in the context of the below-target achievement of the audit plan because it demonstrates the extent to which audit resources are being spent on productive work. From 2004-05 this LPI has been amended to exclude overheads such as Annual Leave from the calculation to give a much more meaningful measurement of the productive v. non-productive time.

## 6.0 Schedule of Audits Completed (in descending order of Risk Score)

Audit	Date Final Report & Action Plan Issued	Date Action Plan Agreed	Outstanding Responses
Benefits (KFS)	07/03/2005	07/04/2005	
Debtors (KFS)	08/04/2005	10/05/2005	
Council Tax (KFS)	Dec-04	No Recommendations	
Main Accounting (KFS)	18/05/05	Due 05/08/05	
Business Rates (KFS)	Dec-04	15/02/2005	
Refuse & Street Cleansing	03/03/2005		Action Plan to be finalised by end of Aug 2005
Treasury Management (KFS)	09/03/2005	20/04/2005	

<b>Audit</b>	<b>Date Final Report &amp; Action Plan Issued</b>	<b>Date Action Plan Agreed</b>	<b>Outstanding Responses</b>
Benefit Fraud (KFS)	07/04/2005	27/04/2005	
Accounts Payable (KFS)	03/03/2005	No Recommendations	
Capital Accounting (KFS)	30/03/2005	01/06/05	
Payroll (KFS)	24/02/2005	03/06/05.	
ISO Audits	n/a	n/a	
VHA Contract	n/a	n/a	
Recycling	14/03/2005		Action Plan to be finalised by end of Aug 2005
Mobile Home Parks	14/04/2005	03/05/2005	
Sickness Reporting	Nov-04	03/06/2005	
Faringdon Cash Office	03/08/2004	30/09/2004	
Sports Development	Sep-04	07/12/2004	
Pollution	Dec-04	07/02/2005	
Arts Development	Sep-04	17/12/2004	
Staff Allowances	July-05	Due 31/08/05	
Health & Safety (internal)	22/04/2005	Due 31/07/2005	
Abingdon Guildhall	Sep-04	24/11/2004	
Excess Charges	10/05/2005	Due 05/08/2005	
HECA	Dec-04	04/02/2005	
Car Parks	10/05/2005	As Excess Charges	
Training & Recruitment	07/04/2005	03/06/2005	
Facilities Management	Feb-05	08/03/2005	
Seasonal Activities	Dec-04	22/12/2004	
Annual Leave	Nov-04	As sickness reporting	
Office Telephones	07/04/2005	29/04/2005	
Petty Cash	23/02/2005	n/a	
Wantage Civic Hall	03/08/2004	06/09/2004	
Members Allowances	04/08/2004	13/10/2004	
Inventories	n/a	n/a	
<b>Unplanned Audits 2004/05</b>			
Arts Promotion (OYAP)	15/03/2005	n/a	
Telephony Tender	Nov-04	13/01/2005	
Rent accounting	Continued in 2005/06	Report Issued July 05	

KFS = Key Financial System as defined by our External Auditors (the Audit Commission)

## **7.0 Internal Audit Action Plans**

- 7.1 Following each audit all the audit recommendations are issued in an Action Plan which the relevant managers are required to complete with their responses to the recommendations. The Action Plan is then signed off and returned to Internal Audit.
- 7.2 The table at section 6.0 is a schedule of the audits completed, the date each Action Plan was issued and then either the date the completed Action Plan was received or an explanation of the status.

**8.0 Effectiveness of Internal Audit**

- 8.1 The schedule of audits completed shows that, as at 26 July 2005, there are only 2 Action Plans outstanding, and in fact these have already been drafted and discussed with audit and are currently being finalised. Last year when the outturn for 2003-04 was reported to the Executive in December 2004 there were still 7 Action Plans outstanding.
- 8.2 This highlights the improvement in receiving responses to Internal Audit reports over the past year.

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STRATEGIC DIRECTOR

Background Papers: None