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BEST VALUE SERVICE REVIEW – INTERNAL AUDIT

Toolkit – Stages 4 – 14

**Members are requested to bring this document to the
appropriate meetings of the:**

Cabinet:	21 March 2001
Scrutiny (Audit & Performance Review) Committee:	17 April 2001
Policy and Services Committee:	24 April 2001
Council:	25 April 2001

Service Review or Cross-Cutting Theme: Internal Audit		
Service Review Completion Date: May 2001 (Target is Cabinet on 2 May 2001)		
Timetable	Start Date	Completion Date
Stage 1 – Initiation (Draft)	13 October 2000	18 October 2000
Stage 2 – Initiation	13 October 2000	29 November 2000
Stage 3 – Challenge	13 October 2000	29 November 2000
Stage 4 – Challenge	13 October 2000	6 December 2000
Stage 5 – Challenge	13 October 2000	6 December 2000
Stage 6 – Challenge and Consult	13 October 2000	6 December 2000
Stage 7 – Challenge and Compare	13 October 2000	6 December 2000
Stage 8 – Challenge and Baseline	13 October 2000	6 December 2000
Stage 9 – Challenge and Consult	29 November 2000	4 January 2001
Stage 10 – Challenge	29 November 2000	4 January 2001
Stage 11 – Challenge	11 December 2000	30 January 2001
Stage 12 – Consult	15 January 2001	14 February 2001
Stage 13 – Challenge	05 February 2001	14 February 2001
Stage 14 – Challenge and Compare	05 February 2001	21 February 2001
Stage 15 – Challenge and Competition	22 January 2001	28 February 2001
Stage 16 – Business Plan	01 March 2001	04 April 2001
Stage 17 – Action Plan	01 March 2001	04 April 2001
Stage 18 – Review and Summary Report	01 March 2001	04 April 2001
Stage 19 – Director's Comments/Sign Off	04 April 2001	06 April 2001
Stage 20 – Follow Up Action	30 April 2001	

Stage 4 – Challenge

TASK: Summarise current service provision. Assess number of current users and provide trend data.

How is the service currently provided

(Include staffing levels and management structure. File any relevant supporting material clearly marked as stage 4)

See attached organisation chart (Stage 4 – Organisation Chart)

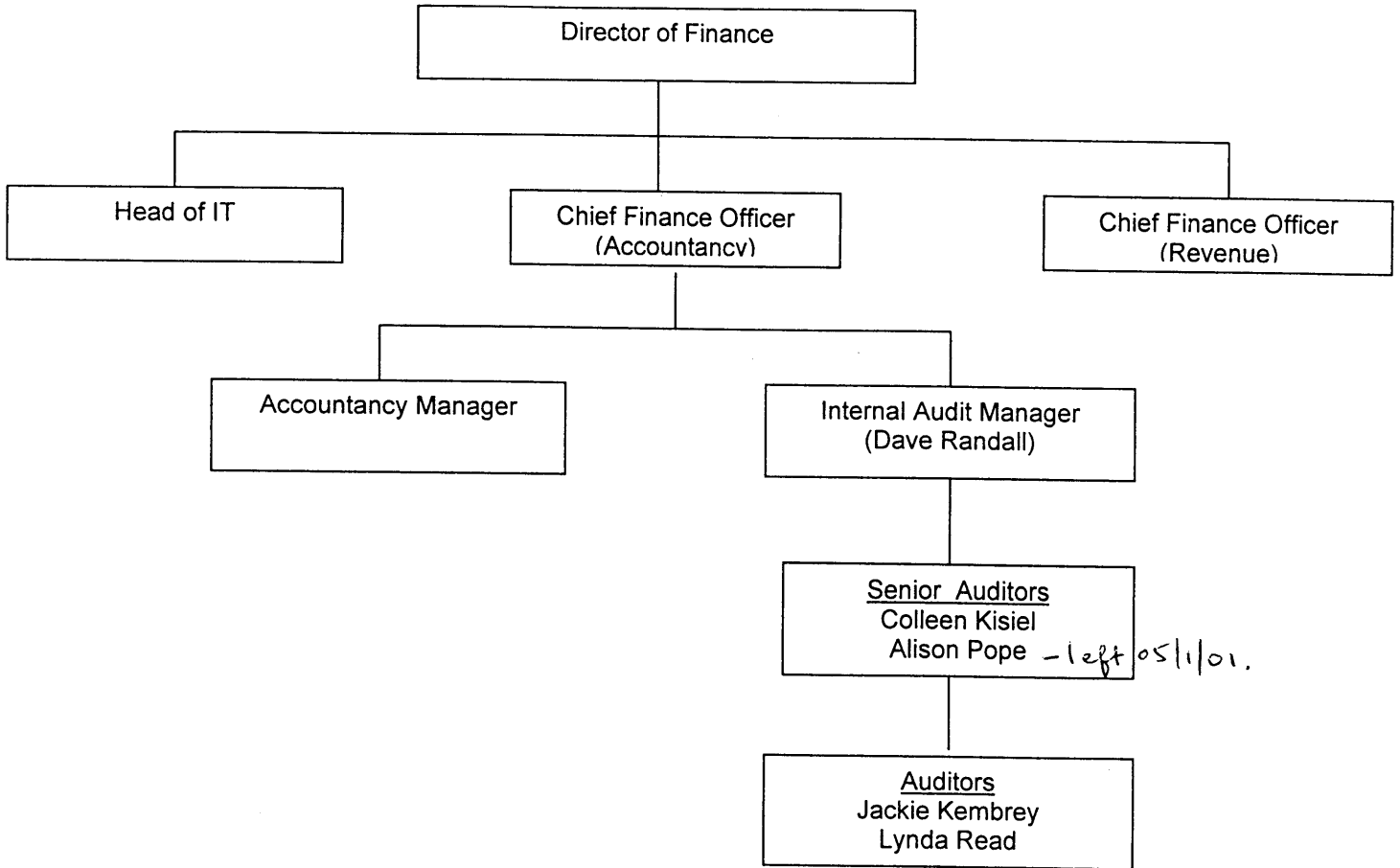
Who uses the service

(Identify the number and as appropriate categories of service users and the level of service usage)

The 1999/2000 programme of audit work encompassed many elements of the council's activities. The attached (stage 4 – Appendix) provides summary details of the audit work undertaken during the year. It demonstrates a range of audit activity across the authority.

Time Recording data for 2000/2001 (to 30 November 2000) is provided at Appendix 2 and 3. This highlights the wide range of audit activity during 2000. In particular Management Consultancy (Debt Management) and Special Projects (Cabling).

AUDIT RELATIONSHIP WITH THE FINANCE DEPARTMENT



Dover District Council – Audit Plan 1999 – 2000		
Audit Activity	Budget Days	Actual Days
Follow Up from Previous Year		
<u>Finance</u>		
Debtors	3	3
Creditors	3	3
Income/Revenue – Accountancy	5	0
Grants	5	0
Car Leasing	2	4
Car Loans	2	3
Loans and Investment (Treasury Management)	2	0
<u>P&TS</u>		
Contract management – Sports and Leisure Centres	5	8
<u>H&H</u>		
Housing – Lettings	3	3
<u>Total Follow Up Days</u>	30	24

Dover District Council – Audit Plan 1999 – 2000		
Audit Activity	Budget Days	Actual Days
Audit Reviews		
<u>Core Systems</u>		
Contracts – Project Management (fact finding)	50	10
Specific Contract(s) Review	20	20
IT Strategy	8	4
IT Communications (fact finding)	12	3
Procurement – General	25	32
Procurement – IT	20	20
Capital Expenditure	15	31
LA21 – Strategy	10	10
<u>Chief Executive Systems</u>		
Payroll (Central control)	15	15
Personnel – Recruitment	15	25
Members Services – Chairman Approval	20	0

Dover District Council – Audit Plan 1999 – 2000		
Audit Activity	Budget Days	Actual Days
Audit Reviews (continued)		
<u>Finance</u>		
Housing Benefits – Benefit Fraud Investigations	20	29
Housing Benefits – Recovery of Overpayments	20	25
NNDR – Collection Fund (Central Government)	25	(inc. NNDR Recovery) 32
NNDR – Recovery	10	0
Council Tax – Assessment and Collection	15	5
Council Tax – Property	10	0
Information feeds to FMS	0	10
Grants	0	15
Income	0	10
Car Leasing	0	5
Assisted Car Purchase Scheme	0	5

Dover District Council – Audit Plan 1999 – 2000		
Audit Activity	Budget Days	Actual Days
Audit Reviews (continued)		
<u>P&TS</u>		
Car Parks Admin – Car Parks Computer Systems	15	0
Planning – Development Control	25	0
<u>TED</u>		
Town Halls (Dover and Deal)	20	0
White Cliffs Countryside Projects	15	0
Estates Management	15	0
<u>H&H</u>		
Re – Chargeable Work	25	25
Housing – Rents	20	20
Housing – re-development project (Airey Housing)	15	28
<u>Total Audit Review Days</u>	460	379

Dover District Council – Audit Plan 1999 – 2000		
Audit Activity	Budget Days	Actual Days
Key Control Reviews		
<u>Finance</u>		
NNDR – Revenue	5	5
Council Tax – Revenue	15	15
<u>P&TS</u>		
Contract Management – Parks Open Spaces/Land Maintenance (Deal)	15	25
<u>TED</u>		
Single Regeneration Budget	5	10
<u>H&H</u>		
Dover Port Health	10	17
<u>Total Key Control Days</u>	50	72

Dover District Council – Audit Plan 1999 – 2000		
Audit Activity	Budget Days	Actual Days
System Development Reviews		
<u>Core Systems</u>		
Y2K	40	40
Euro	0	14
Project management	0	4
<u>P&TS</u>		
Refurbishment of Western Heights	0	6
<u>TED</u>		
Special Events – Millennium Clocks and Carnival	15	25
<u>H&H</u>		
Housing – Repairs and Maintenance	10	10
Grants (renovation and repairs)	10	4
<u>Total System Development Audit Days</u>	75	103

Dover District Council – Audit Plan 1999 – 2000		
Audit Activity	Budget Days	Actual Days
Audit Advice and Guidance		
Business Continuity	20	20
Open Revenue System	5	9
Premises Management (Security – Card Key Access Control)	5	0
Unplanned	20	20
Commissioned by Directors	80	73
<u>Total Advice and Guidance Days</u>	130	122
Other Audit Resource		
Audit Planning, Annual Reporting and Audit Committees	20	25
Fraud, Special Investigations and NFI	20	25
Legal – Section 38 cases	0	5
Cabling Contract	0	26
Contingency	15	
<u>Total Other Days</u>	55	81
TOTAL AUDIT DAYS – 1999/2000	800	781

Dover District Council - Annual Audit Plan Progress/Monitoring Report at 30 November 2000

Type of Audit Activity	Dept	Audit Activity	Budgeted Days	Actual Days	Comment
Follow up from previous year	CE	Personnel - Recruitment	3		c/f to 2001/2002
	F&CS	Income and Revenue	5	3	
	F&CS	Loans and Investments (Treasury Management)	2		c/f to 2001/2002
	F&CS	Grants	5	4	
	F&CS	Housing Benefits - Benefit Fraud Investigations and Recovery of Overpayments	6		c/f to 2001/2002
	F&CS	Council Tax - Assessment and Property	5		c/f to 2001/2002
	H&H	Re - Chargeable Work	5	5	
	H&H	Housing - Rents	5		follow up addressed by the Debt management review
	H&H	Housing - re-development project (Airey Housing)	6	3	ongoing work with H&H
H&H	Port Health	2	3		
Audit Reviews	Core System	Corporate Governance	30	1.75	Quarter 4
	Core System	Contracts - Project Management	50	38	ongoing
	Core System	Specific Contract(s) Review	20	7.75	ongoing
	Core System	Environmental Audit	30		Quarter 4
	Core System	Year 2000	5		Post Implementation review completed during December 2000
	Core System	Medium Term Financial Planning - Managing Resources	70		resource redirected to other projects
	Core System	Medium Term Financial Planning - Debt Management	60	68	ongoing work on Housing and Sundry Debtors
	Core System	Performance Indicators	40	11	inc. workshops, Audit of the BVPP PIs in Quarter 4
	CE	Payroll (devolved responsibilities)	12		possibly a joint review with District Audit in 2001/2002
	CE	Recruitment (c/f from 1999/2000)	0	4	
	F&CS	Bank and Cash Handling	20	42.5	
	F&CS	CCTV at Whitfield	0	16	draft report issued
	F&CS	Rechargables - Printing	0	5.75	
	F&CS	Mortgages	15		c/f to 2001/2002
	F&CS	VAT	20		c/f to 2001/2002
	F&CS	Council Tax - Assessment and Revenue	10	4.5	continuing during Quarter 4 as a key control review
	F&CS	HB - Recovery of Overpayments	0	6.25	
	F&CS	NNDR - Property	10		c/f to 2001/2002
	F&CS	Council Tax - Property	15		Quarter 4 as a key control review
	P&TS	Car Parks Admin - Car Parks Computer System	10	10.5	Implementation of Credit Card Payments
	P&TS	Re - Chargeable Work	20	13.5	Add days from Dec 2000
	P&TS	Direct Labour Organisation	15		c/f to 2001/2002
	H&H	Rents (c/f from 1999/2000)	0	16	
H&H	Grants - Improvement and renovation	20		Quarter 4	
H&H	White Cliffs Care Line	5		Work completed during December 2000	
Key Control Reviews	CE	Legal - Accreditation	5	2	Further audit work in 2001/2002
	F&CS	Verification Framework	5		Quarter 4
	TED	Single Regeneration Budget - Partnership Agreement	15	6.75	Financial Management arrangements
System Develop Reviews	Core System	EMU/euro	10	3	ongoing
	Core System	Price Is Right - Fees and Charges	20	2	lead responsibility from Corporate Team, minimal audit input
	Core System	IT Communications	20	8	Implementation of Internet access
	Core System	DP Act 1998	5	1.75	ongoing
	Core System	Management Information System/ Performance Indicators database	20	3.25	lead responsibility with Corporate Team
	Core System	Communications - Telephones and Radios	5	3.25	
	F&CS	FMS System	20	18	ongoing
Audit Advice and Guidance	TED	Millennium Events	5		as required
	CE	Unplanned	15	2	inc. Price is Right
	F&CS	Unplanned	15	35	inc. Capital appraisal, credit card payments, catering at Whitfield, Financial Regulations
	P&TS	Unplanned	15	3	inc. Car Parking, Play Areas
	H&H	Unplanned	15	6	inc. Boilers, WCCL
Other Audit Resource	TED	Unplanned	15	4	inc. Museum and Stock Write Off
	Core System	Audit planning, monitoring and reporting to Audit Committees	20	19.25	ongoing
	Core System	Special Investigations	30	9.25	inc. whistleblowing, surveillance policy, NFI2000
	Core System	Project Management Working Group	0	1.25	ongoing
	Core System	Re-Cabling Of Whitfield Site	50	67.25	ongoing
Non Productive Audit Days	Core System	Best Value	50	50	ongoing
		General Management including meetings, briefings etc	24	27	inc. DA liaison, Kent Audit Group
			68	79.5	includes readjustment work for auditor when first returning from LT sick - Audit Manual updates, Library system for Audit Commission publications
		GOW/ Administration			
		Training	64	5	
		Holidays	154	127	
	Public Holidays	50	25		
	Sickness	55	55		
	Other (study and special leave)	9	18		
Total of budget/actual days for 2000/2001			1300	845	

Category	Type	Description	Total	Notes	
Productive Audit Days	Audit Reviews	Advice and Guidance	20.75	Car Parking / Price is Right/ BABT/ Boilers/ Museums stocks and w/o / Play Areas/ Boiler Leasing/ WCCL External Funds	
		Follow Up Audits	18	Airey/ Rechargeables - H&H/ Grants/ Income/ Port Health/ Lettings	
		Housing Benefits Recovery and Overpayments Reviews	6.25		
		CCTV at Whitfield Offices	16		
		Bank and Cash Handling	42.5	inc Dover Gaol	
		Project/Contract Management Audits	45.75		
		Corporate Governance	1.75		
		Rechargeables - P&TS	13.5		
		Rechargeables - F&CS (Printing)	5.75		
		Rents - H&H	16		
		Debt Management Audit	19.75		
		Recruitment Audit	4		
		Key Control - Legal Accreditation	2		
		Car Parks - Credit Card Payments	10.5		
		CT Assessment and Revenue	4.5		
		System Development - IT Communications (Internet)	8		
		Systems Development - FMS	18		
	Financial Management - SRB	6.75			
	Total number of audit days	259.75			
	Management Consultancy	Housing Debt Management	12		
		Sundry Debt Management	36.5		
		Capital Appraisal	8.5		
		Project management	1.25		
		Whistleblowing	3		
		Credit Card Payments	9.75		
		Mobile Telephones	3.25		
		Total number of Management Consultancy days	74.25		
		Best Value	Best Value Toolkit	12	
			BVPP Project Plan	2.5	
			AC/BV Pls	15.25	inc 99/00 audit commission return
			Best Value Service Review Programme - Year 2	2	
			BV Service Review Team Progress and Monitoring Meetings	6	
			Best Value Service Review Cleansing	13.25	
			Best Value Service Review Audit	7.5	
			Benchmarking	6.75	Exeter Benchmarking Club
Total number of Best Value days		65.25			
Other Productive	Audit Committee	14.75			
	Audit Planning/Monitoring	4.5			
	District Audit liaison	4	inc S&FP		
	KAG	8.5			
	Total number of other productive work days	31.75			
Special Projects	Surveillance	4.25			
	Cabling	67.25			
	Euro/EMU	3			
	Catering at Whitfield	8.5			
	Financial Regulations	3.25			
	NFI2000	2			
	DP Act	1.75			
Total number of Special Project Days	90				
Non Productive Audit Days	Administration	General Management	11.5		
		GOW/ Administration	79.5	includes readjustment work for auditor when first returning from LT sick - Audit Manual updates, Library system for Audit Commission publications	
		Training	5		
		DDC business including meetings, briefings etc	3		
		Total number of administration days	99		
	Holidays and Other Absences	Annual Leave	127		
		Public/Official Holiday	25		
		Sick leave	55	Long term sick April to June 2000 and from November 2000	
		Other leave	18	Study Leave and Special Leave	
	Total number of Days for Holidays and Other Absences	225			
Grand Total of all days			845.00		
Overall Productivity (Productive days/total days)			61.66%		

Stage 5 – Challenge

TASK: Describe how the service supports delivery of the Council's Key Themes (see Chapter 6)

Which elements of the Key Themes does the service support

Through its risk based programme, Internal Audit works across the authority and aims to support all of the key themes.

Stage 6 – Challenge and Consult

Task: Describe what the service aims to achieve, what value it brings and how it is generally perceived. (File any relevant material clearly marked as stage-6)

<p>Aims</p>	<p>To provide an efficient and effective Internal Audit service, supporting management in achieving the goals and objectives of Dover District Council</p> <p>Main Objectives</p> <p>Provide an independent and meaningful assurance on the adequacy, reliability and effectiveness of the internal control systems</p> <p>Promote risk awareness and more effective internal control</p> <p>Identify opportunities to achieve better value for money</p> <p>Specific Objectives</p> <ol style="list-style-type: none"> 1. Deliver an effective Internal Audit service through a risk based audit programme agreed by the Scrutiny (Audit and Performance) Committee 2. Provide audit advice and guidance to management 3. Recruit, retain and develop a professional audit team 4. Continue to review the audit service to match the requirements of Dover District Council 5. Report audit progress, key findings and results to the appropriate client; the Director of Finance and Central Support; and the Scrutiny (Audit and Performance) Committee
<p>Value</p> <p><i>(Consider the importance of the service to the District)</i></p>	<p>Internal Audit team works diligently and provides an effective service to the Council, supporting and advising management on a range of issues, whilst undertaking audit reviews from the audit programme. Through its work it indirectly provides a service to the community of the district, examining systems and processes to ensure that risks are suitably managed and controls operate as intended.</p>

Stage 6 – Challenge and Consult (continued)

TASK: Describe what the service aims to achieve, what value it brings and how it is generally perceived. (Use any relevant material clearly marked as stage 6)

General perceptions

(Use existing data to identify internal and where appropriate external opinions).

Audit at Dover District Council receives regular requests for assistance and advice from departments across the authority. This is provided in a timely and effective way and the view from within the audit team is that we provide a worthwhile service, assisting management to achieve its objectives.

Post Audit Customer Satisfaction Questionnaires are issued at the completion of an Audit Review. These seek to ascertain management's views on the delivering of the audit review, in particular audit planning, audit's approach and professionalism, the findings and recommendations, communication, reporting style and the focus of the review.

Copy of the Post Audit Questionnaire is attached – Stage 6 Appendix

A Summary of responses to the Post Audit Questionnaires from 1999/2000 and 2000/2001 is provided at Stage 6 – Appendix 2. This analyses customer satisfaction responses against the tone of the report. The analysis shows that apart from report number 7 managers are at least satisfied with the service provided.

DOVER DISTRICT COUNCIL INTERNAL AUDIT

FEED BACK QUESTIONNAIRE

Name:..... Department:.....

Auditor(s):

Internal Audit Assignment Topic:..... Ref:

Internal Audit wishes to ensure that we provide an effective service to our customers. We would appreciate your time in completing this post audit customer questionnaire. All customer feedback will be carefully reviewed and will be periodically reported to the Audit and Performance Committee.

Tick appropriate box

Strongly agree

Strongly disagree

1. **Planning and Consultation** – your views were effectively considered in agreeing and setting the objectives of the assignment.

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2. **Approach** – Internal Audit demonstrated a professional approach. Internal Audit was constructive and, where appropriate, sensitive to any operational requirements in your department.

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3. **Findings** – the audit findings and recommendations were based on appropriate evidence and were discussed to ensure factual accuracy.

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4. **Communication** – Internal Audit maintained an ongoing dialogue during the course of the audit. The audit findings and recommendations were communicated in a timely manner via the draft audit report.

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5. **Report** - the format of the report was informative understandable, constructive and balanced.

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6. **Recommendations** – the recommendations and action plan were practical in assisting you in your management of the areas covered?

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7. **Focus** – the review was helpful in assisting you and your department in developing your approach to (and/or understanding of) controls in the key risk areas relevant to the assignment?

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FEED BACK QUESTIONNAIRE

8. **Future Review Areas** – please let us know of any other area(s) within your management scope that you would like to discuss as a potential topic for a future Internal Audit review.

and

9. **Comments** - if you wish, please amplify your comments on any of the questions overleaf.

Signed: Date:

Job Title:

Please return the completed form to David Randall, Audit Manager.

For Internal Audit Use

Outgoing:	Incoming:
Date questionnaire sent out:	Noted by Audit Manager
Internal Auditor conducting assignment:	Noted by Assignment Internal Auditor

ASPECT OF REVIEW	REPORT REFERENCE											MEAN				
	11	10	9	8	7	6	5	4	3	2a	2b		2c	2e	2f	1
Planning & Consultation	N/A	2	2	1	2	2	1	3	1	1	1	3	1	2	2	1.6
Approach	1	2.5	2	1	2	2	1	2	1	1	1	2	1	2	1	1.567
Findings	1	2.5	2	1	3	1	2	2	1	1	1	2	1	2	2	1.633
Communication	1	2	2	1	3	1	1	1	1	1	1	2	1	1	2	1.4
Report	1	2.5	2	1	3	2	2	2	2	1	3	1	1	1	1	1.7
Recommendations	1	2	2	2	3	1	2	2	2	1	2	1	2	1	2	1.733
Focus	1	2	2	1	3	2	2	4	1	1	2	1	2	1	1	1.733
Department	TED	CE	Fin	H&H	CE	Fin	H&H	H&H	Fin	CE	CE	Fin	H&H	TED	PTS	

Tone of report X X OK X OK X X OK X X OK X X OK X X OK X X OK X X

1= strongly agree
 4=strongly disagree
 X= critical report
 OK= no major recommendations
 √=clean bill of health

Stage 7 – Challenge and Compare

BASIC: Identify the national and local indicators that assess current performance and competitiveness, support effective monitoring and measure future service delivery/improvement. Use these findings to measure the productivity, cost, quality, and output of the current service against local and national targets. (The local indicators should support the monitoring and measurement of the service, and/or giving greater depth and analysis to national indicators/targets).

National and Local Indicators

Please see attached sheet detailing local performance indicators for 1999/00. The local indicators were developed by the Exeter Benchmarking Group

Summary (assess performance against family group and national targets)

The results are for 1999/00. Prior to this date the Audit Team worked to the previous Audit Manager under a radically different regime. The indicators developed and used during 1999 reflect the performance and direction of the "new" audit service and indicate a strong performance on quantity and quality of service, which is comparable with the better performing Audit Teams.

Comparison with Exeter Benchmarking Club is shown at Stage 7 – appendix

Main findings for 1999/2000:

DDC – Systems audit coverage is below average with benchmarking partners, identified need to examine coverage of IT and Housing Benefits

DDC – high output on ad-hoc projects and miscellaneous work

DDC – low audit management costs

Amendment 2

Dover District Council – Internal Audit				
Local Performance Indicators for 1999/2000				
PI No	Measure	Detail	Target	Actual
1	Analysis of audit time Available audit days as a % of total days	Planned (800/1240 x 100) = 64.5% Actual (785/1240 x 100) = 63.30%	64.5%	63.3%
2	Analysis of audit time Available audit days as a % of total available days	Planned (800/1038 x 100) = 77% Actual (785/1032 x 100) = 76.07%	77%	76.07%
3	Achievement of the Annual Audit Plan Percentage of available audit days spent on audit reviews and key control reviews	Planned (520/800 x 100) = 65% Actual (451/785 x 100) = 57.45%	65%	57.45%
4	Efficiency of the audit service Draft audit reports issued within 10 working days of completion of the audit fieldwork		100%	100%
5	Efficiency of the audit service Final audit reports issued within 10 working days of agreement of the draft audit report by management		100%	100%
6	Relevance of the audit findings Percentage of high or medium level recommendations that are accepted	Actual 73 recommendations 3 not accepted by management following the issue of the final report	90%	95.89%
7	Value of audit input Percentage of accepted high or medium level recommendations implemented in the agreed timescale	Actual 49 recommendations due to be implemented by 31.3.2000. 47 recommendations had been implemented. Revised implementation dates for the 2 outstanding recommendations had been agreed.	95%	95.92%
8	Variance of actual audit coverage against planned coverage: Available Days	Available Days (785/800 x 100 = 98.13%)	95%	98.13%

Exeter Internal Audit Benchmarking Group - Fundamental Systems

Fundamental Systems	1999/2000 Estimate (Days)	1999/2000 Actual (Days)	2000/2001 Estimate (Days)	Comments
Accounting				
Exeter	10	*24	10	*Delayed due to Academy system balancing problems done in 2000/1 * includes 31 days for capital expend ** includes 20 days for syst develop support for the new FMS system Left to External Audit incl Grants, VAT, HRA, Highways Agency
Dover	20	*51	**25	
Worcester	22	22	32	
Ipswich	0	0	0	
Bedford	29	24	20	
Cheltenham				
Creditors				
Exeter	24	34	24	Supplemented by 20 days compliance checks
Dover	3	3	0	
Worcester	17	20	15	
Ipswich	25	27	15	
Bedford	25	22	25	
Cheltenham				
Payroll				
Exeter	30	27	30	Supplemented by 11 days compliance checks
Dover	15	15	12	
Worcester	17	20	15	
Ipswich	25	26	15	
Bedford	41	29	40	
Cheltenham				
Hsg Benefits				
Exeter	100	*59	120	*Delayed due to new Academy HB system. In 2000/1 = 83 days spent so far to 30/9/00 * includes Ben. Fraud Investigations and Recovery of Overpayments ** Follow up / reviews / light touch due to IBS problems
Dover	40	*54	** 6	
Worcester	60	56	60	
Ipswich	70	65	65	
Bedford	75	80	80	
Cheltenham				
Housing Rents				
Exeter	12	15	12	
Dover	20	20	5	
Worcester	22	28	20	
Ipswich	25	32	15	
Bedford	N/A	N/A	N/A	
Cheltenham				

EXETER INTERNAL AUDIT BENCHMARKING GROUP

Internal Audit Questionnaire

	ECC	WCC	IBC	DDC	BBC
A Organisational Structure:					
1	Y	Y	Y	Y	Y
2	Y	Y	Y	Y	Y
3	Y	Y	Y	Y	Y
B Audit Independence:					
1	Y A1	N B1	N	N	N
2					
C Rights of Access:					
1	Y	N	Y	Y	Y
2	Y	N	Y	Y	Y
3	Y	Y	Y	Y	Y

D Professional and Quality Standards:		ECC	WCC	IBC	DDC	BBC
1	Have professional standards been adopted by internal audit? (If yes, please specify).	Y APB	Y IIA	Y APB	Y IIA	Y
2	Does internal audit operate in accordance with other standards such as ISO 9000?	N	N	N	N	Y
3	Has the organisation attained accreditation in 'Investors In People'?	Y	N	N	Y	Y
4	Does the organisation operate an annual appraisal system for all of its employees? (If limited coverage, please specify).	Y	Y B4	Y	Y	Y
E Audit Planning:						
1	Does internal audit produce annual action/business plans?	Y	Y	Y	Y	Y
2	If yes, do these plans link with corporate and committee objectives?	Y	Y		Y	N
3	Who constructs the strategic and annual audit plans, and on what basis?	HIA Risk	HIA Risk	HIA Risk	HIA HIA Consul	HIA HIA
4	Are the strategic goals of the organisation, and threats to their achievement, taken into account in developing the audit plan?	Y	N	Y	Y	N
5	Do the plans include significant non-financial areas, e.g. the environment?	N	Y B5	N	Y	N
6	Who approves the audit plan? (Please specify).	Ctte	CFO/ Ch/Off /P&R	Man+ Panel	Man+ Ctte	Dir/ Ext Audit
7	Are personal targets for internal audit employees developed from these plans?	Y	Y	Y	Y	N
8	Are there regular effective meetings between internal and external audit to avoid duplication of work, and to develop joint workings?	N	Y	Y	Y	Y
F Conducting Internal Audit Reviews:						
1	Are clients consulted as to the scope of reviews?	Y	Y	Y	Y	N
2	Are clients given an opportunity to raise any concerns prior to the commencement of the audit?	Y	Y	Y	Y	N
3	Is there regular dialogue between auditors and the clients both during the review and on other occasions?	Y	Y	Y	Y	Y
4	Do audit briefs contain control objectives?	Y	Y	Y	N	Y
5	Are computer assisted audit techniques used in the course of review work (e.g. IDEA software)?	Y	Y	Y	Y	Y

G	Audit Reporting:	ECC	WCC	IBC	DDC	BBC
1	Do internal auditors issue reports direct to clients in the head of audit's/their own name without prior reference to the internal audit's chief officer (e.g. director of finance)?	Y	Y	Y	Y	Y
2	If yes, but with some exceptions, please specify the exceptions (e.g. politically sensitive reviews, reports likely to cause controversy/dispute on issues to the director, etc).					
H Audit Committees:						
1	Does your organisation have an audit committee (or equivalent)?	Y	N	Y	Y	N
2	Has the audit committee's terms of reference been clearly defined?	Y		Y	Y	
3	Does the committee meet on a regular basis? (If yes, please specify, e.g. quarterly).	Y HALF		Y QTR	Y QTR	
4	Who attends the committee (i.e. what is the membership of the committee)?	A3		C2	D2	
5	Does the head of audit report direct to the audit committee?	Y		Y	Y	
6	If yes, on what basis (e.g., quarterly)?	HALF		QTR	QTR	
7	Does the head of audit report without chief officers being present?	Y/N A4		N	N	
8	Can ad hoc meetings of the committee be called as and when required?	Y		Y	Y	
9	If yes, who has the authority to convene such additional meetings of the committee?	ANY A3		ANY C2	D3	
10	Has an ad hoc meeting of the committee ever been called? (If yes, please specify the circumstances).	N		N	N	
11	Please specify the types of reports presented to the committee relating to audit work.	A5		C3	D4	
12	Are committee members advised of managers' responses to major audit recommendations?	Y		Y	Y	
I Fraud and Irregularities:						
1	Does your organisation have a formal, documented, Anti-Fraud and Anti-Corruption Strategy?	Y	Y	Y	Y	Y
2	Does the organisation provide guidance on fraud, irregularities and corruption in, for example, financial regulations and standing orders?	Y	Y	Y	Y	Y
3	Are employees and members subject to codes of conduct, whether locally or nationally set?	Y	Y	Y	Y	Y

Fraud and Irregularities (continued):		ECC	WCC	IBC	DDC	BBC
1	Does the organisation participate in any national anti-fraud initiatives? (If yes, please specify).	Y	Y	Y	Y	Y
4	Does your Organisation have a separate Housing Benefit Fraud team?	NAFI	NAFI	NAFI	NAFI	NAFI
5	If yes, is the HB Fraud team responsible to the head of audit?	Y	Y	Y	Y	Y
6	Does your Organisation have other fraud teams, e.g. Housing?	N	N	N	N	N
7	If yes, are these teams responsible to the head of audit?	N	N	N	N	N
8	Audit Recharges:					
J	Does internal audit make recharges to its clients?	Y	Y	Y	N	Y
2	If yes, how are the recharges calculated?	DAYS	DAYS	HOUR		CTRL EST
3	Are audit's recharges classified according to the type of work performed, e.g. section 151 work? (If yes, please specify basis used).	N	N	Y	C4	N
4	Does internal audit have just one client (e.g. the director of finance re: section 151)?	N	N	N	N	Y
5	If no, are its clients specific committees and/or trading accounts? (Please specify).	TR. A/C	TR + CTTE	N	N	
6	How are the recharges recovered, e.g. Service Level Agreements with one or more clients?	SLA	N B6	SLA	N/A	
K	Internal Audit coverage:					
1	Does internal audit undertake:					
	• Probity/regularity audit work?	Y	Y	Y	Y	Y
	• Systems Based Auditing? (If yes, is a recognised approach used?)	Y	Y	Y	Y	Y
	• Contract auditing?	CIPFA	SAS			
	• Value-for-money work?	Y	N		Y	N
	• Best Value work? (If yes, please specify audit's involvement).	Y	N	Y	Y	N
	• Reviews involving auditing performance indicators?	Y	N	Y	Y	N
	• Housing benefit fraud investigations?	N	N	N	N	N
	• Other investigations i.e. suspected fraud and/or irregularity?	Y	Y	N	Y	Y
	• Other special projects/ad hoc reviews as requested by, the audit committee, internal audit's chief officer, chief executive, etc?	Y	Y	Y	Y	Y
	• Computer auditing?	Y	Y	Y	Y	Y

K	Internal Audit coverage (continued):	ECC	WCC	IBC	DDC	BBC
2	If computer auditing is not provided in-house, please give details of any 'external' provision.	N/A	N/A	N/A	N/A	N/A
3	Does computer auditing cover:					
	• main computer installation?	Y	Y	Y	Y	Y
	• network?	Y	Y	Y	Y	Y
	• Internet and external e-mail?	Y	Y	Y	Y	Y
	• PCs?	Y	Y	Y	Y	Y
	• development and acquisitions of computer systems?	Y	Y	Y	Y	Y
	• computer audit support for systems audit?	Y	Y	Y	Y	Y
	• existing systems?	Y	Y	Y	Y	Y
	• management issues, e.g. IT/IS strategy, disaster recovery, security?	Y	Y	Y	Y	Y
4	Does internal audit undertake the following work associated with the Managed Audit approach:					
	• completion of External Audit's systems matrices including fundamental accounting systems?	Y	Y	Y	Y	Y
	• completion of systems control checklists applicable to other areas where there is potential for fraud and corruption (e.g. renovation grant, cheque control, stores, etc)?	Y	Y	Y	N	Y
	• grant claims?	Y	Y	N	Y	N
	• final account work?	Y	Y	N	N	N
	• performance indicators?	Y	Y	N	Y	N
	• any other work? (If yes, please specify).		Y B7			N
5	Is external audit provided by District Audit? (If no, please specify).	Y	Y	Y	Y	N
6	What is the 1999/200 External Audit fee?	*	*	82.47K	*	106K
7	How many days do External Audit charge for the following:					
	• Operational/systems/regularity?	*	*	116	*	*
	• Grant work?	*	*	45	*	*
	• Value-for-Money?	*	*	59	*	*
	• Other - Perf. Indicators, Fraud & Corruption, Best Value, etc?	*	*	29	*	*
	• Total number of days	*	*	249	*	*

K Internal Audit coverage (continued):		ECCG	WCCG	IBCG	DDCG	BBCG	BBG
8	Does internal audit undertake pro-active work, such as:						
	• provision of advice and guidance (e.g. the issue of guidance notes)?	Y	Y	Y	Y	Y	
	• communication of best practice across the organisation?	Y	N	Y	Y	Y	
	• training and development of the organisation's staff regarding financial regulations requirements, contract standing orders, etc?	Y	Y	Y	Y	N	
	• participation in user groups/officer working groups?	Y	Y	Y	Y	Y	
	• regular meetings with clients and IT unit to keep up-to-date with new initiatives, systems changes, etc?	Y	Y	Y	Y	N	
9	Does internal audit:						
	• undertake any non-audit work (e.g. insurance admin, financial vetting of contractors, maintenance of contracts register, etc)?	Y	N	N	N	Y	
	• undertake work for other organisations (e.g. chartered trusts, parish councils, schools, etc)? (If yes, please specify).	N	Y	Y	N	Y	
	• investigate queries, etc, raised by external audit, members, etc?	Y	Y	Y	Y	Y	

L Internal Audit staff for 1999/2000 Actuals:		ECC (FTE)	WCC	IBC	DDC	BBC
1	• audit posts per the establishment	5	4	5.5	5	5
2	• actual number of audit staff (i.e., full-time equivalent).	5	4	4.6	5	5
3	• CCAB/IIA qualified staff	1	1	2	2	2
4	• QICA qualified/IT qualified staff		1	1		1
5	• AAT qualified staff	3 (2=p/l)		2		1
6	• other audit/accountancy qualified staff (please specify).		1	0	1	
7	• other qualified staff (e.g. quantity surveyor - please specify).		1	0		
8	• non-qualified staff.	2		0.5	2	1
M Information Technology for 1999/2000 Actuals:						
1	Number of personal computers by type:	5	5	5	5	
2	Number of printers by type:	2	2	2	2	

N	Staff Training and Development for 1999/2000 Actuals:	ECC	WCC	IBC	DDC	B&C
1	Please show the number of internal audit staff in receipt of audit/accounting qualification training.	1 AAT	1 IIA	0	1	0
2	Non-qualification training undertaken, please specify type and total number of days (e.g. conferences, courses, seminars, etc).	18	20	17	9	20
O	Running Costs 1999/2000 Actuals (but show full annual salaries):	£	£	£	£	£
1	Direct (please indicate in 'Comments' column if any are temporary):					
	• Head of Audit	33,682 SM1	28,626 PO4	35,466 IA=0.4	36,500	36,600
	• Principal/Senior Auditor	21,549 PO1/2	22,881 PO2	31,389 IA=0.7	31,000	28,149
	• Principal/Senior Auditor			32,062	22,085	22,194
	• Principal/Senior Auditor					22,194
	• Auditor	15,696 5/6/SO1	19,167 S6/SO1	18,672	18,000	16,680
	• Auditor	14,766 5/6/SO1	17,838 S6/SO1	23,180	15,333	
	• Auditor	12,912 S4/5/6		8,489 0.5 FTE		
	• Auditor					
	• Auditor					
	• Auditor					
	• NI chargeable to IA - actual	6,883	6,524	9,210	9,914	9,436
	• Super chargeable to IA - actual	19,051	15,458	13,650	12,205	15,475
	• Total	124,539	110,194	139,422	145,037	150,728
2	Other employee related expenses:					
	• professional subscriptions	518	437	563	520	NO
	• private medical fees					
	• other (please specify if significant)					CHRG
	• advertising of vacant posts	1,315			2,220	
	• liability insurance	2,060				
3	Premature retirements payments					

4	Training:																		
	• qualification	1,362	2,264			950	NO												
	• non-qualification	145	1,142	1,271	4,881	CHRG													
	• conferences																		
5	Transport related:																		
	• lease vehicles (include all organisation's costs, insurance, etc).		2,660	1,560	3,273														
	• essential user lump sums plus essential/casual user mileage.	2,802		590	4,517	5,693													
	• car park permits (where re-charged).	53			60	925													
	• other travel and subsistence.	177	903		500	989													
6	Miscellaneous supplies and services (e.g. books, postage, office telephones, stationery, etc).	1,157	658	3,190	2,522	4,647													
7	• Office accommodation charge.	8,640	7,640	7,710	12,294	12,783													
	• Basis of charge (e.g. charge is re: square feet/metres used)	SQUAR		SQ MT	SQ MT	SQ MT													
8	• Computer costs (include. IT support, software, connection charges, maintenance, etc).	9,578	2,890	9,375	15,788	NO CHRG													
	• Basis of charge (e.g. charge based on hardware and usage)	H+USE		H+USE	H+USE														
9	• Other support service charges (e.g. personnel, accountancy, payroll, etc).	4,258	18,266	4,843	13,701	5,759													
10	• Chief/assistant chief officer on-costs			2,190															
11	• Other costs (please specify).																		
12	Total cost	156,604	147,054	170,714	206,263	181,524													
P	Productive and Non-Productive Time 1999/2000 Actuals:	ECC	WCC	IBC	DDC	BBC													
1	Total audit days available (i.e. total FTE posts per the establishment x net days available, excluding weekends and bank holidays).	1,246	1,005	1,236	1,190														
	• annual/flexi-time leave/ extra statutory/discretionary days	170	138	166	83														
	• sick leave	42	5	27	75														
	• maternity leave																		
	• vacant posts (days lost)	81			60														
	• qualification training (college attendance, revision, exam leave).	34	34		40														
	• non-qualification training (conferences, seminars, in-house courses, etc).	17	18	23	13														
2	Total Productive days available	902	810	1,020	919	1,013													

AW Allow for 16 in 1999/2000 taken as maternity leave in 1999

Q	Comparison of Planned against Actual time for 1999/2000:	ECC Plan	ECC Act	WCC Plan	WCC Act	IBC Plan	IBC Act	DDC Plan	DDC Act	BBC Plan	BBC Act
1	Systems reviews, probity and regularity (excl. housing benefits).	490	454	352	328	500	515	281	332	626	587
2	Capital contract audit, probity and regularity.	35	9	above	above	35	2	70	30	40	35
3	Computer auditing.	140	85	129	78	107	99	40	27	50	50
4	Fraud/irregularity (excl. housing benefits).	40	72	67	69			20	25		39
5	Housing benefits systems, probity, regularity and fraud work.	100	60	60	56	70	58	45	54	75	80
6	Other special/ad hoc projects.	40	67	30	44	58	34	75	103	80	80
7	Value-for-Money work.										
8	Best Value work.	12	27			42	55	0	78		
9	Performance Indicators.	5	8					0	30		
10	External/Managed Audit work (e.g. grants, final accounts, etc).	30	27			10	18	5	15		
11	Non-audit duties.	36	27	25	35						
12	Work for other organisations.				40	80	89			50	50
13	Audit management (includes planning, control, etc).	36	29	70	66	50	68	20	25	92	92
14	General departmental management (and servicing non-audit committees, for example).	36	37	35	34	68	82		52	in 13	
15	Other miscellaneous work (please specify any significant areas).			40	61			130	148		
16	Total days.	1,000	902	808	810	1,020	1,020	979	919	1,013	1,013
							D\$				

R. Audit Performance:		ECC	WCC	IBC	DDC	BBC
1	Is internal audit's output monitored?	Y	Y	Y	Y	Y
2	Is an annual report produced reviewing the work of internal audit?	Y	Y	Y	Y	Y

3	<ul style="list-style-type: none"> • who sees the report? • what is included in the report? 	A6	B9	C7	D6	E3	
4	Is performance against the operational audit plan regularly reviewed with management and/or the external auditor?	N	Y	Y	N	Y	
5	If yes, on what basis?		OIR			6 wks	
6	Are performance indicators used to monitor internal audit's work?	Y	Y	Y	Y	Y	
7	If yes, are the performance indicators based upon: <ul style="list-style-type: none"> • % of draft audit reports issued within X days of the completion of the audit work? (If yes, please give details) • % of final audit reports issued within X days of the discussion of draft audit reports? (If yes, please give details) • % of follow-up audits (to ensure recommendations are implemented) undertaken within X months against those due? (If yes, please give details) 	Y	Y	Y	Y	N	
	<ul style="list-style-type: none"> • achievement of the audit plan, e.g. % of fundamental systems work, % of regularly work, etc? (If yes, please give details) • acceptance of recommendations? • income received from providing IA work to other organisations? 	Y	Y	Y	Y	Y	
	WBS re: IA Hsg Benefit visit?	N	N	Y	N	N	
	satisfaction survey?	N	Y	Y	Y	N	
	cost per population/expenditure, etc?	N	N	N	N	N	
	other performance indicators? (If yes, please specify)	Y-A7			Y-D7	Y-E5	
8	Are 'external' indicators (i.e., originated outside of internal audit) used to gauge the extent and quality of internal audit's work?	Y	Y	Y	Y	Y	
9	If yes, are the indicators: <ul style="list-style-type: none"> • client satisfaction surveys? • external audit's assessment of internal audit (e.g. the extent of reliance placed upon the work of internal audit)? • benchmarking with other organisations? (If yes, please specify types of organisations and performance indicators used). • other initiatives? (If yes, please specify). 	N	Y	Y	Y	Y	
		Y	Y	Y	Y	Y	
						N	

10 Are the following CAATs undertaken by Internal Audit:		A8	Y	Y	Y	Y	Y	Y
• Duplicate Creditor payments			Y	Y	Y	Y	Y	Y
• Council Tax single occupiers to Electoral Registration			Y	Y	Y	Y	Y	N
• Housing Repair properties to Housing Rent properties			N	Y	Y	Y	Y	N
• Housing rent below the average rent for that street by £x			N	Y	Y	N	Y	N
• All employees' bank accounts to Housing Benefit BACS payments			Y	Y	Y	Y	Y	Y
• Taxi system to Housing Benefit			N	Y	Y	N	Y	N
• Creditors to Housing Benefit			Y	Y	Y	Y	Y	N
• Sequence number check on Debtors invoices			Y	N	Y	Y	Y	N
• Obtain random samples of updates on an audit trail to use for authorisation and accuracy checks			Y	N	Y	Y	Y	Y
• Checking system audit trails for failed access where user name does not match the department where the workstation was used (possible hacking attempt)			Y	Y	Y	Y	Y	N
• Totalling transactions to prove systems' controls are accurate			Y	Y	Y	Y	Y	Y
• Council Tax properties set to VOID 1 status for more than 6 months			Y	N	Y	Y	Y	N
• Downloading the bank statements to identify direct bank transfers			N	N	Y	Y	Y	N
• Payroll testing			Y	Y	Y	Y	Y	Y
• Council Tax - reconciliation to bailiff's records			Y	N	Y	Y	Y	Y
• Payroll check of payments with set parameters			Y	Y	Y	Y	Y	Y

ECC-A		QUESTIONNAIRE DETAILS
1	IA and finance separate since 1996. HIA responsible direct to Members and to Strategic Dir CS in management terms	
2	Car leasing admin	
3	6 members incl Leader of Council and the SDCS	
4	SDCS only, no others may attend	
5	Audit plan, performance, Perf Indicators, frauds and significant audits	
6	Support Services. Actuals against planned, Perf Indicators	
7	IA % work on HB : LA's % spend on HB	
8	Due to staff turnover, computer auditors are on a learning curve	

WCC-B	
1	The decision was based upon CIPFA's advice
2	However an attitude cascades downwards that a/cancy staff do not have to co-operate and audits have been delayed
3	Servicing an accounts panel where Members review paid invoices
4	But it is voluntary
5	Equality auditing
6	On the basis of a formulae devised by Accountancy
7	Fraud and Corruption annual return
8	40 audit days to neighbouring councils
9	CFO then Cte then summary to P&R. Report = budget per system and outturn
10	IA must achieve an annual budget set by the Council
IBC-C	
1	The CIA manages the IA & Tech Sect which comprises teams dealing with HB fraud and insurance, leasing, etc but the work of these is kept separate from IA work.
2	2 senior Members, Corporate Dir., Dist Audit and CIA
3	Strategic plan, perf monitoring against plan, summaries of audit reports & agreed actions, anti-fraud issues, DA report
4	Systems audit, Compliance, Computer, Contract and Special Investigations
5	See C1 above
6	80 days computer audit for 2 neighbouring DCs, and 25 days general audit for 1 neighbouring DC
7	Audit Panel. Breakdown of audit plan, planned and actual days, with narrative summarising any major issues during year, e.g. high level of sickness, frauds, etc.
DDC-D	
1	HIA also project managing the re-cabling of council offices
2	8 Members, Dir of Finance, HIA, Dist Audit and CX
3	Dir of Finance
4	Annual report, progress report, ad hoc reports, annual/strategic audit plans
5	Ed has had to estimate this figure
6	Management Team and Audit Cte. Summary of findings, assurance statement, challenges facing IA
7	Analysis of audit time
BBC E11	
2	Financial control and reconciliations
3	Housing association, community centres, municipal charities, crematorium company
4	Director and Members
5	Areas audited
5	External audit opinion

Stage 8 – Challenge and Baseline

TASK: Identify whether the current service been subjected to a recent consultation or inspection report.
(For consultation information, contact the Communications Team who are co-ordinating the Council's consultation strategy and surveys).

Has consultation been undertaken on all or part of the service, within the last 2 years?

(If yes, please provide brief details and file relevant materials, clearly marked as Stage 8)

In setting the 1999/2000 and 2000/2001 audit programmes, Audit consulted with each director to ensure that the audit programme addresses their key risks. Within each department's audit programme audit advice and guidance has an unallocated allowance of 20 days for audit work commissioned by the department. This provides a contingency for audit support on emerging smaller scale projects, developments or issues during the year.

Post Audit Questionnaires are issued at the completion of audit reviews (see analysis at stage 6)

Stage 8 – Challenge and Baseline (continued)

TASK: Identify whether the current service been subjected to a recent consultation or inspection report. (For consultation information, contact the Communications Team who are co-ordinating the Council's consultation strategy and surveys).

Has an audit or inspection been undertaken on all or part of the service, within the last 2 years?

(If yes, please provide brief details and file a copy of the relevant reports, clearly marked as Stage 8)

Yes – External Audit Inspection in June 1999.

Extract from the Executive Summary:

External Audit assessment of Dover District Council Internal Audit

The audit assessed the following aspects of the internal audit service provided:

- Objectives and scope
- Independence
- Staffing and training
- Relationships
- Due care
- Planning
- Controlling
- Recording
- Evaluating internal controls
- Evidence
- Reporting and follow up

Objectives and scope

Generally the objectives and scope of Internal Audit, as set out in the Council's Standing Financial Regulations, are satisfactory. The main weaknesses identified were that there is no requirement to comply with best practice Internal Audit guidelines, and there is no formal review process to ensure Internal Audit provides value for money.

Independence

Internal Audit is considered sufficiently independent to make professional judgements, which are effective and impartial.

Staffing and training

Internal Audit has suffered a high staff turnover in the last year (1998). However, the staffing position has stabilised, and all posts should soon be filled. The only area of concern is whether the status of the Audit Manager as a third tier officer is sufficient to provide an affective service.

From June 1999 the audit team has been fully staffed (see stage 4 – organisation chart)

Stage 8 – Challenge and Baseline (continued)

TASK: Identify whether the current service been subjected to a recent consultation or inspection report. (For consultation information, contact the Communications Team who are co-ordinating the Council's consultation strategy and surveys).

Has an audit or inspection been undertaken on all or part of the service, within the last 2 years?

(If yes, please provide brief details and file a copy of the relevant reports, clearly marked as Stage 8)

Relationships

The Audit Manager has made good progress towards establishing constructive working relationships with senior management, in part through the development of Internal Audit's strategic plan.

Due care

At present there is no ethical or professional standards set for Internal Audit staff, nor is there a mechanism for declaring conflicts of interest. An effective quality assurance system must also be developed if consistent and high quality work is to be produced.

Ethical/professional standards for Internal Audit staff (IIA) and a mechanism for declaring conflicts of interest in place and included in the audit manual.

Planning

With the recent introduction of a three year strategic plan and supporting operational plans and risk assessments, Internal Audit have a robust high level planning framework. This is now being carried through into lower level planning for individual assignments.

Controlling

Having established operational plans, Internal Audit need to ensure that they are delivered through effective monitoring, which will require the development of monitoring tools. A formal review is also required.

A time recording system has been developed to monitor the audit programme and a quality assurance process to monitor the quality of audit reviews.

Recording

A review of Internal Audit's 1998/99 files found that in most cases it was difficult to ascertain what work had been carried out, and how that work supported the conclusions reached.

Since the review a revised documented audit trail system has been introduced for files. Terms of reference, working papers, control evaluation and reports are clearly indexed and where applicable cross-referenced.

Stage 8 – Challenge and Baseline (continued)

TASK: Identify whether the current service been subjected to a recent consultation or inspection report. (For consultation information contact the Communications Team who are co-ordinating the Council's consultation strategy and surveys).

Has an audit or inspection been undertaken on all or part of the service, within the last 2 years?

(If yes, please provide brief details and file a copy of the relevant reports, clearly marked as Stage 8)

Evaluation of Internal controls

The high level audit planning process identified and assessed all systems within the Council. However, no criteria have been established to evaluate whether controls are adequate and assist in achieving the objectives of the system. It was not possible to assess the appropriateness of tests performed due to lack of recording already mentioned.

As part of each audit review, key risks and associated controls are identified. A control evaluation sheet is completed for each review and the findings form the basis for the audit report.

An audit assurance model has been developed and was implemented from September 1999.

Evidence

From the review of files it was not possible to make an assessment whether sufficient evidence has been obtained on which conclusions and recommendations are based. This is primary due to weaknesses in recording the audit processes.

See above. An improved audit rail has been introduced within the audit files.

Reporting and follow-up

Generally reporting is satisfactory, and reports are agreed with and accepted by management. A programme of follow-up reviews is to be implemented from April 1999

Action Plan attached stage 8 – appendix 1

Assurance Model attached – stage 8 – appendix 2

Key Priority ••• High •• Medium • Low

Date 00.00.00 Target completion date 00.00.00 Actual completion date

Page	Recommendation	Priority	Responsibility	Agreed	Comments	Date
Objectives and scope						
5	R1 The Internal Audit Manual should be based on some form of best practice internal audit standards, and incorporate a review mechanism to ensure Internal Audit services provide value for money.	••	Audit Manager	Yes	The Audit Procedures Manual will be appropriately amended (see also recommendation 4)	Dec 99
Relationships						
8	R2 Internal Audit and District Audit should continue to develop joint working practices where appropriate opportunities exist.	•••	Audit Manager / District Audit	Yes		Ongoing
Due care						
9	R3 Internal Audit should introduce procedures to ensure: <ul style="list-style-type: none"> • ethical standards exist for staff • conflicts of interest are declared annually. 	•••	Audit Manager	Yes	Procedures will be incorporated into the audit manual.	Dec 99
9	R4 The Internal Audit procedure manual should continue to be updated.	•••	Audit Manager	Yes	This exercise is on-going and should be completed by December 1999.	Dec 99
9	R5 Selected files should be periodically subjected to an in depth quality review, with the results formally reported with any other quality issues that may arise.	••	Audit Manager	Yes	A new quality assurance process is currently being developed.	Sept 99

Page	Recommendation	Priority	Responsibility	Agreed	Comments	Date
Planning						
10	R6 For each audit assignment a job sheet / planning memo should be prepared detailing objectives and scope, time budget and staff allocation, supervision and allocation of responsibilities and methods, procedures and reporting.	•••	Audit Manager	Yes	In place from April 1999.	
Controlling						
11	R7 A control function should be developed that will allow the monitoring of audit inputs (time) and also audit outputs (final reports etc).	•••	Audit Manager	Yes	A simple but robust monitoring system suitable to a small department is being developed.	Oct 99
11	R8 All audit files should be subject to a formal review process by a senior officer, with all points raised answered by the auditor and cleared by the reviewer.	•••	Audit Manager	Yes	At present in-depth team meetings are used as a review process. A more formal system of review will be developed as part of the quality assurance system.	Oct 99
Recording						
12	R9 Best practice standards should be set for the use of all Internal Audit files. These standards should cover: <ul style="list-style-type: none"> the layout and expected content of files, including correspondence evidencing of audit planning, evaluation of key controls, audit objectives, audit approach, information obtained, problems encountered, testing completed, judgements made and conclusions reached standard forms and working papers, and cross referencing Supporting District Audit in discharging our Code of Audit Practice responsibilities. Maintenance of permanent files 	•••	Audit Manager	Yes	Changes are being implemented to work towards best practice audit files.	Dec 99

Page	Recommendation	Priority	Responsibility	Agreed	Comments	Date
Evaluation of internal controls						
13	R10 Internal Audit should continue to develop appropriate criteria to determine whether controls to be assessed are adequate, and assist in achieving the objectives of the system.	•••	Audit Manager	Yes	The first stage in developing a controls assurance model - a control evaluation matrix - has now been implemented.	Sept 99
Evidence						
14	R11 Where sampling techniques are used, sample sizes and methods should be appropriate, and both should be recorded.	•••	Audit Manager	Yes	This will form part of the development of the controls assurance model.	Sept 99

AUDIT ASSURANCE

Definition of Audit Assurance Statements

Full Assurance

Evaluation: There is a sound system of control designed to achieve the system objectives; and

Testing: The controls are being consistently applied and are operating as intended.

Substantial Assurance

Evaluation: While most of the necessary controls of the system are in place, there are weaknesses which put some of the system objectives at risk; and/or

Testing: There is evidence that the level of non-compliance with some of the key controls may put some of the system objectives at risk.

Limited Assurance

Evaluation: Only some of the necessary controls of the system are in place, putting the system objectives at risk; and/or

Testing: There is evidence of substantial non-compliance with many key controls not operating as intended, leaving the system at risk.

Nil Assurance

Evaluation: Substantial number of the necessary key controls of the system are absent or weak leaving the system open to significant error or abuse; and/or

Testing: There is evidence of significant non-compliance with the basic controls leaving the system open to error or abuse.

Stage 9 – Challenge and Consult (staff)

TASK: Consult with all staff/contractors directly affected by the review to obtain their views, comments and observations on potential areas of improvement for the current service provision.

(if appropriate, use SWOT and PEST analysis techniques, examine service structures, identify opportunities to combine or separate service delivery and consider lessons from benchmarking exercises)

Areas where the service could be developed

A conscious decision was made to issue a questionnaire to a sample of 10 front line staff recently audited. Comments from Managers are received as part of the ongoing Post Audit Assessment process and indicate satisfaction with the service. It was felt important to establish the opinions of staff who have actually been recently audited.

The responses indicated that staff who had been audited would like to be kept informed of recommendations made to their management and involved in agreeing realistic timetables for implementation.

10% of respondents felt that audit didn't fully explain the reason for the audit, didn't tell them what was happening next and that the auditor wasn't easy to talk to. All respondents felt that Internal Audit was professional and mutually convenient times were arranged for discussions. All respondents also felt that they were given the opportunity to make suggestions and/or discuss possible recommendations, and all found the final recommendations either practical or useful.

A third didn't discuss the possible outcome of the audit with the auditor

Other comments received included requests for more feedback on how other departments work and how staff can improve their own work.

These are issues that Internal Audit will address through the review, and also raise some issues for line managers.

Stage 9 – Challenge and Consult (Partners)

TASK: Consult, as appropriate, with **other authorities and/or business sector and/or voluntary bodies** about service alternatives and improvement opportunities.

(Review any recent benchmarking analysis. Before commencing any new benchmarking exercise contact the Best Value Team that is co-ordinating the Council's benchmarking).

<p>Bullet point examples of good practice</p> <p><i>(please file any working papers, clearly marked as Stage 9)</i></p>	<p>See attached stage 9 – appendix 1, 2 and 3</p> <p>Appendix 1 provides details of a partnership workshop at the Kent Audit Group (KAG). It highlighted and debated service alternatives, which in turn could lead to improvement opportunities</p> <p>Appendix 2 is the results of a recent benchmarking exercise across the KAG.</p> <p>Examples of good practice:</p> <ul style="list-style-type: none"> External Audit assessment of IA work being of a high standard with proper procedures Audit's reporting line – CFO/Section 151 and Audit Committee Risk analysis methodology and management approved strategic/annual audit plans Monitoring of plans/ well developed local indicators Direct Audit Days available/high productivity levels <p>Appendix 3 is the Exeter Benchmarking Club – comparable data</p> <p>Positives include:</p> <ul style="list-style-type: none"> Strong level of audit independence Consultation on audit planning and audit reviews Report quarterly to Audit Committee with terms of reference More than one audit client (Scrutiny + all directors) Good coverage of audit work Sharing of audit skills and knowledge across the organisation High audit output on special/ad-hoc projects and Best Value = use of skills base Good audit monitoring and measurement
<p>Bullet point examples of improvement opportunities</p> <p><i>(please file any working papers, clearly marked as Stage 9)</i></p>	<p>Appendix 2 is the results of a recent benchmarking exercise across the KAG:</p> <ul style="list-style-type: none"> Quality assurance standard (ISO etc) Slightly high day rate (but with high productivity levels) <p>Appendix 3 is the Exeter Benchmarking Club – comparable data:</p> <ul style="list-style-type: none"> Improve output on system reviews, IT audit, HB audit and reporting to committee

Kent Audit Group – 9th January 2001

Partnership Workshop

Objective: To identify ways of achieving effective partnership working

Characteristics of Partnerships

- Trust and agreement
- Shared responsibilities
- Specific responsibilities
- Ownership
- Contribution to the partnership
- Resolution process
- Contract/SLA
- Apportioned payment and costs
- Joint decision making
- Shared assets

Strengths and Weaknesses to a Partnership Approach for Audit Services

Strengths	Weaknesses
Contract/SLA	Practicalities of a Model
Learning from each other/ skills and knowledge transfer	Potential for the loss of local knowledge
Utilise spare resource (if any is ever available)	Conflict resolution – differing priorities and plans
Joint risk assessment and planning/ Co-ordination of audit reviews	Risk assessment and planning needs may differ/ difficulty in co-ordinating audit reviews
Audit Management Co-ordination	Agreeing Audit Management Arrangements
Standardisation of work/ Use of universal audit tools	Quality control
Specialist knowledge of audit area, which can be utilised across the partnership/develop specific skills	Boredom due to repetition of audit tests / failure to fully develop auditors skills
Reduce risk of staff losses, due to increase job satisfaction/personal development opportunities	Increase risk of staff loss due to lack of development
Loyalty to the partnership/ increase quality of staff	Cover for leave and other absences/ cost implications
Economy of scale – developing audit tests/Internal Control questionnaires	Generality of approach – may dilute the effectiveness of the audit work
Competitive salary (consortium) improves staff retention/ removed competition between authorities for finite resource	Training responsibilities/ poor staff off loaded to unsuspecting authority and not developed

A brief analysis of the above clearly shows that for most strengths there is a potential weakness. It demonstrates the need for a well constructed agreement that promotes the strengths and addresses the weaknesses.

Differing Partnership Models

These were briefly discussed during the workshop, the commentary has been added by myself as a personal view.

1. Consortium (outside the LA)

Set up requires care, could save on recharges and reduce day rate, standardise approach, but coverage/equality issues would need to be addressed and all audit teams and authorities would need to be on an equal footing. Risk of losing a tender exercise and having all eggs in one basket. South Coast Audit in the NHS operate under a similar regime – discussion with them on 12/01/01.

2. Consortium (group of authorities work together – possibly under one employing body)

North Yorkshire Authorities have a similar model. Issue of how you provide adequate coverage at each authority. Using a risk based planning approach, some authorities may not need a great deal of coverage in a particular year. CFO/CEs may have difficulty with this issue. Also risk of loss of local knowledge.

3. Joint working (2 or more authorities agree protocols)

Preferred model at this stage. Use step changes of Best Value to gradually develop a common approach to audit reviews, share knowledge, skills and audit tests/ICQs etc to provide economies of scale.

4. Secondment/Staff swap exchange

Historically, swapping has rarely proved to be successful, major co-ordination problems. However secondments from the main service departments could be an excellent way of developing knowledge/skill transfers and offer development opportunities for future senior managers (LGC reporting on skills shortages – therefore a strong argument for developing our own)

5. Joint Purchasing (e.g. Computer Audit)

If each authority has the same requirements, this may be a useful way of buying in expensive resources and sharing the cost.

6. Complete Outsourcing (Long Term or Short Term)

Outsourcing was the “in thing” in the 1980s and early 1990s. Often proved to be unsuccessful as local knowledge and “on tap” auditors capable of investigating etc is often lost. Service variations can prove expensive and the private sector can suffer similar recruitment difficulties.

7. Partial Outsourcing (Long Term or Short Term)

Long Term partnership with the private sector is now accepted as more beneficial to both parties. Differing skills and experience can be brought together, but contract terms need to be carefully agreed to ensure control over quality, presence and coverage.

8. Individual Audit assignments tendered

A good short term solution, which can be time consuming, but allows control over the quality and output.

9. Status Quo

In the current environment, it is difficult to demonstrate step change improvements if the status quo is maintained.

Preferred Approach

A vote was taken at the end of the workshop. Each authority was given a first second and third vote.

Eight first votes and four second votes were given to Joint Working. This approach was therefore the preferred option for many of Kent's 14 authorities. KCC and Medway Unitary Authority preferred a consortium approach, which perhaps reflects their slightly different status.

It was also recognised that it may be prudent to use a different model for the delivery of different parts of the audit service.

David Randall

11th January 2001

No.	Questions asked from the KAO - Good Practices Benchmarking Questionnaire	Ashford BC	Canterbury CC	Dartford BC	Dover DC	Gravesend BC	Maldstone BC	Se 1 DC	Shapway DC	Swale BC	Thanet DC	Tonbridge & Malling BC	Tunbridge Wells BC
1	Do you use a formal risk analysis methodology?	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	Is your audit coverage based on:-												
2a	Risk analysis assessment of need	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
2b	Available audit resources	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
3	Do you produce an annual audit plan?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4	Do you produce a long-term (strategic) plan?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	If yes, what is the cycle length for:-												
4a	High risk systems	1 Year	1-2 Years	3 Years	1 Year	1 Year	Annually	1 Year	1 Year	Annually	1 Year	1 Year	1 Year
4b	Medium risk systems	2 Year	2-3 Years	3 Years	3 Years	Twice in 3 Years	2 Years	2 Years	2-5 Years	5 Years	3 Years	2-4 Years	2 Year
4c	Low risk systems	3 Year	5 Years	3 Years	3 Years	3 Years	3-4 Years	3 Years	5 Years	5 Years	3 Years	5 Years	3 Year
5	Is progress against plans formally monitored on a regular basis?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Frequency of monitoring -												
5a	Annual Plan	Monthly	Monthly	Monthly	Quarterly	Quarterly	Monthly	Quarterly	Quarterly	Annually	Quarterly	Monthly	Monthly
5b	Strategic Plan	Annually	Quarterly	Annually	Annually	Annually	Annually	Quarterly	Annually	Annually	Annually	Monthly	Annually
6	Do clients review their internal audit requirements?	No	Yes	Yes	Yes	Yes	No	No	Yes	No	No	Yes	Yes
6a	Frequency of review		Ad Hoc	Six Monthly	Annually	Annually			Annually			Annually	Limited Consultation
7	What proportion of direct audit work is:-												
7a	System based	86%	60%	24%	80%	38.5%	70%	69%	80%	42.5%	52%	60%	54%
7b	Compliance/probity	2%	20%	24%	10%	36.5%	20%	14%	12%	42.5%	14%	5%	10%
7c	Irregularity	2%	10%	19%	10%	12%	5%	14%	8%	7.6%	6%	5%	10%
7d	Value for money		10%	3%			5%						9%
7e	Other (please specify)	10%		30%		15%		4%		7.4%	28%	30%	17%

No.	Questions asked from the KAAG - Good Practice Benchmarking Questionnaire	Ashford BC	Canterbury CC	Dartford BC	Dover DC	Gravesham BC	Maldstone BC	Seaside DC	Shepway DC	Swale BC	Thames DC	Tonbridge & Malling BC	Tunbridge Wells BC
8	What is your authority's -												
8a	Net Revenue Expenditure	10.2m	£15,356,100	£10,822,560	£12,518,000	£9.2m	£15,521,750	£19.65m	£15.5m	£13,019,850	£19,034,210	£1.3m	£11.125M
8b	Gross Expenditure (including capital)	46.8m	£100,703,630	£39,071,510	£18,290,000	£50m	£7.5m	£41.5m	£55.0m	£53.6m	£71,850,193	£35.5m	£53.438M
8c	Gross income	36.7m	£85,347,530	£15,345,950	£13,440,000	£40.8m	£80m	£19.6m	£41.3m	£36.3m	£43,240,650	£22m	£35.402M
8d	Housing Revenue Account			£28,712,480									
9	Number of direct audit days available per year	355	620	928	785	760	1080	660	688	655	717	689	641
10	Has your external auditor assessed your section's performance as being reliable and of a high standard?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
11	Is there sufficient flexibility to ensure that experienced staff can be redeployed quickly in the event of any suspected fraud or corruption?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
12	Is time spent on fraud or corruption investigations monitored, controlled and reported?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13	Who does the CIA report to?	Corporate Planning & Review Manager	Director of Finance	Managing Director	Director of Finance via Chief Finance Officer (Accountancy)	Financial Services Manager	Director of Finance & Housing	Central Services Director (S151 Officer)	Chief Executive	Chief Executive	Director of Finance	Director of Finance and Management Team	Director of Finance & Audit and Performance Chief
14	Does the CIA report to their line manager regularly on progress against the plan?	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
14a	Frequency of reporting		Monthly	Monthly	Ongoing	Quarterly	Monthly	Quarterly	Quarterly	Monthly	Quarterly	Six Monthly	Six Monthly
15	If the line manager is not the Section 151 officer, what communication links remain with S151 officer?	Quarterly meetings with District Audit and Section 151 Officer			Director of Finance via S151 Officer as Line Manager above CFO	Line Manager as S151 Officer			Direct Link As Required	Bi-Monthly Meetings with S151 Officer			
16	Does the CIA report to an 'audit committee'?	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No	Yes
16a	Frequency of reporting	Quarterly	Six Monthly	Quarterly	Quarterly	Annually	Six Monthly			Bi-Annually	Quarterly		Two Monthly
17	Who approves the audit plan?	The Standards & Audit Committee	Audit Committee	Managing Director, External Audit and Audit & Standard Chief	Scrutiny Chief	Chief Executive/Management Team	Director of Finance & Housing and Audit Committee (Resources & Review Chief)	Management Team (Chief Officers)	Management Team	Audit Committee	Director of Finance	Management Team	Director of Finance & Audit Chief
18	After the formal approval of the audit plan, are service departments consulted to agree the audit brief?	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes
19	Do you have -												
19a	Proper working procedures documented in a manual or similar document?	Yes	Yes	Yes	Yes	No	Yes	Partial	Yes	Yes	Yes	Yes	Yes
19b	The ability to insist on a particular audit being undertaken?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
20	Does audit possess a quality assured standard or does it intend to be quality assured in the future?	No	No	Yes	No	No	No	No	No	No	No	No	Yes
20a	Which standard?			ISO 9001									iiP

No.	Questions asked from the KAO - Good Practice Benchmarking Questionnaire	Ashford BC	Canterbury CC	Dartford BC	Dover DC	Gravesham BC	Maldstone BC	Se DC	Shepway DC	Sveale BC	Thanet DC	Tonbridge & Malling BC	Tunbridge Wells BC
21	Do you monitor the performance of the audit section against standards and targets?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
21a	If so, is this performance reported formally to line management?	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes
21b	Frequency of reporting		Annually	Monthly	Quarterly	Quarterly		Quarterly	Quarterly	Annually		Six Monthly	Six Monthly
22	What performance indicators do you use? (PLEASE SEE SEPARATE SHEET/TABLE)												
23	What is your expenditure on the following -												
23a	Staff (including car allowances, lease cars etc)												
23a	Annually	£152,000	£143,580	£143,700	£168,525	£185,000	£189,345	£103,788	£137,000	£129,000	£90,037	£134,000	£91,280
23a	Per Chargeable Audit Day	£240	£219	£155	£215	£197	£178.80	£53	£196.28	£197	£201	£185	£154.45
23b	Information Technology												
23b	Annually	£3,000	£4,500	£7,000	£17,837	£9,000	£10,000	£3,233	£3,500	£7,000	£8,217	£5,000	£4,320
23b	Per Chargeable Audit Day	£4.80	£7	£7	£23	£12	£9.40	£5	£5.01	£12	£16	£12	£7.31
23c	Accommodation												
23c	Annually	£7,000	£5,140	£8,000	£12,984	£22,500	£15,000	£2,004	£4,500	£9,200	£5,571	£9,000	£3,560
23c	Per Chargeable Audit Day	£11.00	£8	£9	£17	£30	£14.20	£3	£8.45	£14	£12	£13	£6.07
23d	Training												
23d	Annually		£2,100	£2,000	£7,075	£4,000	£5,500	£470	£5,000	£600			£1,500
23d	Per Chargeable Audit Day		£3	£2	£9	£5	£5.20	£1	£7.16	£1			£2.54
23e	Other												
23e	Annually	£5,000	£9,000	£4,300	£18,069	£9,000	£22,000	£9,777	£7,300	£7,300	£4,815	£23,000	£11,450
23e	Per Chargeable Audit Day	£7.80	£14	£5	£23	£12	£20.80	£14	£11	£11	£11	£33	£19.37
24	What is the average cost per available direct audit day?	£470	£251	£181	£286	£256	£228.20	£175	£215	£235	£151	£253	£189.74
24a	Total cost	£187,000	£184,320	£168,000	£224,480	£184,500	£241,845	£119,272	£150,000	£154,000	£106,480	£174,000	£112,140
24b	Number of chargeable days available	633	655	927	785	780	1060	680	688	655	448	689	591
25	How many days per FTE (per annum) are spent on:-												
25a	Chargeable audit days	177	187	189	157	152	183	189	175	164	183	157	197
25b	Sickness	6.2	5	4.5	11	7	5	1	5	5	6	5	4
25c	Training (external)	5.4	2	4	6	9	3	6	5	4	7	1	3
25d	Training (internal)	8	5	4	6	4	2	5	5	4		2	3
25e	Other non-productive	4	35	5	41	52	25	23	52	28	73	39	
25f	Section management	10.6	12	6	25	16	9	14	9	4	8	25	9.67
25g	Planning		6	8	4	14	9	6	9	4	4	15	9.66
25h	Other unchargeable works		8	5	14		5	11					16.67
25i	Other non-audit related work (eg. management of other units)	59.2		5		6				11		15	

99/00

No.	Questions asked from the KAG - Good Practice Benchmarking Questionnaire	Ashford BC	Canterbury CC	Derford BC	Dover DC	Gravesham BC	Malden BC	Sr	DC	Shepway DC	Swale BC	Thanet DC	Tonbridge & Malling BC	Tunbridge Wells BC
26	What charges are included in your non-productive time, ie. annual leave? (PLEASE SEE SEPARATE SHEET/TABLE)													
27	What is the average annual salary cost (including employer on-costs) per FTE?	£42,000	£48,949	£27,551	£30,388	£24,750	£28,830	£29,552	£24,972	£32,250	£29,941	£43,500	£30,426.66	
28	What is the annual expenditure on training?	£5,000	£2,100	£2,050	£7,075	£4,000	£5,500	£470	£5,000	£600	Part of Personnel Budget	£3,950	£1,500	
29	Do all staff complete timesheets?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
29a	Are reports produced showing the levels of direct, indirect and unproductive days?	Yes	No	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	
29b	Are draft audit reports produced for discussion with the client?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
29c	Are reports discussed formally at Audit management meetings?	Yes	No	Yes	No	Yes	Yes		No	No	No	No	No	
30	Number of staff in section (FTE)	4	3.5	4.5	5	5	6.5	3.6	4	4	4	2.75	4	3
31	Staff max:													
31a	Chief/ Internal Auditors	1	0.6	0.5	1	1	1	0.6			1	1		
31b	Managers	1		1								1	1	
31c	Senior Auditors	2	2		2	1	2	0.6				1	1	
31d	Auditors			2.4	2	2	3	1	2	2	3	1	1	
31e	Assistant Auditors		0.4			1	0.5	1	2			2		
31f	Clerical Support		0.5	0.6								0.54		
32	Staff Grades:													
32a	P.O. and above	2	2	1.5	1	2	1	1.6	2	2	1	2	2	
32b	S.O.	2	1	2.4	2		2	2				1	1	
32c	Below S.O.		1.4	0.6	2	3	3.5		2	2	3	2.54	1	

Authority	Question 22 - What performance Indicators do you use?	APPENDIX 1
Ashford BC (1 Indicator)	Percentage of completion of Audit Plan.	
Canterbury CC (2 Indicators)	Cost of service per £m NRE and HRA. Percentage of Plan completed in year.	
Dartford BC (6 Indicators)	Audits undertaken/Planned. Audits days taken/Planned. Audit recommendations/Management Action Plan. Six month review of Plan. End of year report on Plan. Team target/Performance Management.	
Dover DC (8 Indicators)	Available audit days as a percentage of total days. Available audit days as a percentage of total available days. Percentage of available audit days spent on audit reviews and key control reviews. Draft audit reports issued within ten working days of completion of the audit fieldwork. Final audit reports issued within ten working days of agreement of the draft audit report by management. Percentage of high or medium level recommendations that are accepted. Percentage of accepted high or medium level recommendations implemented in the agreed timescale. Variance of actual audit coverage against planned coverage - Available days.	
Gravesham BC (9 Indicators)	External audit assessment of Internal Audit - Annually. Percentage of annual plan completed - Quarterly. Percentage of audits completed within budgeted time - Annually. Percentage of recommendations adopted - Annually. Cost of Internal Audit of Gravesham BC's gross expenditure - Annually. Cost of audit per chargeable hour. Percentage of audits completed by target deadline - Quarterly. Number of recommendations made, agreed and implemented - Quarterly. Customer/Client satisfaction survey - Every three years.	
Maidstone BC (4 Indicators)	Output - Reports issued against target. Quality - Annual customer survey. Quality - External auditors' opinion. Use of time - Percentage of chargeable time/work.	
Sevenoaks DC (6 Indicators)	Satisfaction questionnaire responses. External audit assessment of work. Percentage of recommendations accepted. Percentage of recommendations implemented. Time spent on audit on percentage of total time available. Elapsed time between audit work finished and draft report issued.	
Shepway DC (3 Indicators)	Number of audits completed to plan. Percentage of productive to non productive work. Audit review questionnaire.	
Swale BC (4 Indicators)	Annual Audit Plan achievement - Percentage of planned audits. Annual Audit Plan achievement - Percentage of planned days. Audit cost per direct labour hour. Direct audit hours achieved as a proportion of total audit hours available.	
Thanet DC (6 Indicators)	Proportion of annual plan completed. Proportion of time spent on special investigations. Chargeable time as a proportion of available productive time. Percentage of recommendations accepted by management. Variation in actual time on planned work against planned time. Average time overrun on planned audits.	
Tonbridge & Malling BC (6 Indicators)	Actual time/Planned. Percentage of audits completed on time. District Auditor's opinion. Recommendation acceptance/implementation . Number of reports. Questionnaire on accuracy/coverage/attitude/true & fair/comprehension/practicality/satisfaction/use to management.	
Tunbridge Wells BC (5 Indicators)	Performance against Audit Plan. No adverse comments/remarks - re. audit in management letter. Setting out reports to Members twice monthly. Reports issued/no recommendations made/agreed/repeat recommendations/response times and audit gradings (opinions). Timescales from issue to agreement of reports. Service given maximum three months to respond, failure to do so results in managers being called to Audit Committee.	

Authority	Question 26 - What charges are Included in your non-productive time, ie. annual leave? APPENDIX 2
Ashford BC	Annual Leave/Meetings/Sickness/Training.
Canterbury CC	Annual Leave/Audit Administration/Audit Management/Sickness/Training.
Dartford BC	Annual Leave/Appraisals/Health and Safety/Jury Service/Maternity Leave/Sickness/Training.
Dover CC	Annual Leave/Audit Administration/Internal Management/Sickness/Training.
Gravesham BC	Annual Leave/Audit Administration/Staff Vacancies.
Maidstone BC	Audit Administration.
Sevenoaks DC	Annual Leave/Audit Administration/Audit Management/Meetings/Planning/Sickness/Training.
Shepway DC	Annual Leave/Audit Administration/Audit Management/Audit Planning/Sickness/Training.
Swale BC	Annual Leave/General Overheads/Sickness/Training.
Thanet DC	Annual Leave/Election Duty/General Administration.
Tunbridge & Malling BC	Annual Leave/Clerical Work.
Tunbridge Wells BC	[REDACTED]

Ref. W6/Audit/KAG_Quest Results_GP Benchmarking

Stage 10 – Challenge

TASK: Identify current/potential problems or issues affecting service delivery.

(Consider contractual and partnership commitments, special budget provisions, any hidden costs, etc)

Problems/issues

(File relevant material clearly marked as stage 10)

A detailed report on current staffing difficulties and conflicting priorities has been prepared for Cabinet on 10th January 2001 and Scrutiny (A&P) on 23 January 2001. In particular a senior auditor left on 5th January 2001 and a replacement will not be considered before 5th March 2001, when a clear service delivery direction should be available from this review. Another auditor remains long term sick at 11th January 2001.

The Audit Manager met with the Director of Finance and Central Support and Chief Finance Officer on 4th January 2001 to discuss the pressures of Corporate Work and Audit Work. We agreed that good audit coverage has been provided to date, but staffing difficulties would impact on service delivery during Q4 2000/2001. Audit would take a lesser role in delivering Best Value Service Reviews, but as many of the other projects involving audit input are currently ongoing, audit will strive to provide the necessary support and coverage.

The BVSRT at its meeting on 4th January 2001 agreed that the audit team provides a wide range of coverage across the authority and customers who come into contact with IA recognise their value. However there was concern expressed that audit plans can often be badly disrupted by operational priorities. Felt that finite audit resources should be focused on key areas of risk.

Potential customer base/stakeholders

(Use existing data to identify potential customer base).

All departments across the authority are potential customers. Risk based audit plans will determine highest priorities.

Stage 11 – Challenge

TASK: Using, as appropriate, the information obtained at Stages 3 to 10, brainstorm all realistic service options/alternatives that would achieve the strategic business needs of this service (refer to Stage 3).

Provide summary details of the realistic models – please list your three or four best options, providing a cost/benefit analysis for each. File any relevant working papers, clearly marked as Stage 11

*(Consider innovative approaches, including the **type and level** of service required. Provide a medium to long term perspective and where appropriate ensure that you consider **equitable** service provision)*

Stage 11 – Challenge

Statutory Instrument 1996, Local Government, England and Wales -The Accounts and Audit Regulations 1996 states that "A relevant body shall maintain an adequate and effective system of internal audit"

Current Level Of Provision, which equates to the current scope of audit work:

Making a difference to the organisation/adding value, providing an Audit Assurance on the system of internal control via a cyclic review of the Council's activities, alerting management to risk / control weaknesses, helping management to operate as risk managers, promoting a consistent process for managing risk across the whole Authority, ensuring strong internal controls, providing advice and guidance on control issues, acting as a safeguard during times of change, advisors/policeman, specialist audits – Computer/Contract, System Development/Implementation audits, special Investigations, audits which initiate change – VFM audits, sharing Best Practice techniques, fire fighting and management consultancy as a "free" service.

Client View: of what audit should provide: Advice and guidance work, a level of accountability to the public, prevention/investigation of fraud, a control mechanism, trouble shooters, reviews where the money goes and to curtail extravagance.

The Audit and Performance Review Sub-Committee approved the current Terms of Reference of the Audit Committee, including the Audit Charter on 22nd September 1999. These form part of the new Scrutiny (Audit and Performance) Committee's terms of reference. They state that "***The duties of the Scrutiny (A&P) Committee are the oversight of Financial Reporting, Internal Control, External Audit and Internal Audit***".

The Audit Charter states that "*The main responsibility of Internal Audit is to provide assurance and advice on the internal control system of the authority. Internal Audit reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and recommend improvement. They also support management in developing systems, providing advice on matters pertaining to risk and control.*

Internal Audit evaluate controls established by management to establish that Council objectives are being achieved; the economical and efficient use of resources; compliance with policies, procedures, laws and regulations; the safeguarding of council assets; and the integrity and reliability of information and data

The scope of audit activity encompasses all of the authority's systems and the internal controls established to achieve the Council objectives. Audit activity also covers value for money, including efficiency, economy and effectiveness in the use of resources, and management arrangements to prevent and detect fraud.

It is clear that the current audit coverage and activities far exceed the audit role and scope as detailed within the audit charter. The IA team risks having insufficient resources to achieve all of these objectives and if spread too thin could risk failing to provide an effective internal audit provision, resulting in External Audit increasing its own coverage (and charge) to provide the necessary assurance. However, a great deal of the additional services provided by IA are to support management in achieving their objectives, these are well received and regularly used services by Management across the authority. Therefore it is important to either redefine the scope of audit coverage to match the resources available or increase the audit resource to enable internal audit to continue to provide the full range of support and consultancy activities across the authority.

Stage 11 – Challenge (model 1)

1. East Kent Consortium (Group of authorities working together for one employing body)

The audit service for a number of Local Council's in East Kent could be provided by an external consortium. The NHS has a similar arrangement with their internal audit service provided by South Coast Audit.

Strengths: A formal contract with each authority to provide an effective IA service. In the longer term there could be savings on recharges, improved productivity and a reduced day rate. This approach ring fences the internal audit service, which will operate similarly to the External Auditors (District Audit) in that a programme of audit reviews, systems development audits and advice and guidance support will be agreed annually with each authority in the consortium. Audit productivity levels will be very high, as non-audit duties will not be undertaken.

With the benefits of a much larger IA team the audit service will have a larger skills base, specialist auditors and specialists knowledge of audit areas, increased skills and knowledge transfer and will benefit from a standardised approach. The consortium should improve quality control, operate a uniform approach to risk assessment and planning, will be able to achieve economies of scale in developing audit tests, internal control questionnaires etc and will be able to share best practice techniques gleaned from other authorities.

A consortium would reduce the risk and impact of staff losses, due to increased job satisfaction and personal development opportunities within the large team. The large team would allow for greater training and CPD, which would ultimately lead to a stronger audit service. A competitive salary would improve staff retention and the consortium would remove competition between individual authorities for the finite audit resource. In the longer term the consortium could bid for new work across Kent, Sussex and even in the London Boroughs.

Weaknesses: There would be a great deal of time and effort required in setting up a Consortium. Using performance indicators, benchmarking and other measures coverage/equality issues would need to be addressed to ensure that all audit teams joining the consortium are operating on an equal footing. Legal contracts would need to be drawn up, operating premises hired, equipment purchased or loaned and staff recruited. The salary and pension issues would also have to be addressed as at present each authority operates a different salary structure. Once operating as a separate consortium, there is a real risk of losing the audit contract at the tender stage as in the early stages all the consortium eggs will be in the one basket, with no other customers or client base.

There is a potential for the loss of your local auditor and their local knowledge, as the consortium could send an auditor with the appropriate skills but without local awareness. The LA would also need to agree a minimum level of audit coverage. The coverage provided to each authority may be greater or less than at present, year on year as the risk assessment and audit planning process may highlight greater priorities at another authority, as a result the Director of Finance/CE may have difficulty with this issue. However, these issues would be for the consortium and LA management to resolve and may be a point for negotiation and clear specification. The Audit management arrangements may require a Contract Manager for the LA, to act as a liaison point, contract monitor and to deal with any conflict resolution. However, in the future, if a Contract Manager was responsible for a number of the Council's contracts subject to outsource/consortium arrangements, economies of scale could be achieved.

The consortium approach does carry a risk of boredom for the specialist auditor repeating audit tests at a number of authorities. This in turn could lead to an increased risk of staff loss due to lack of development opportunities. In the early stages of a consortium there is also the risk of poor audit staff being off loaded to an unsuspecting authority.

As IA would not be employed by the authority it would not be available to undertake corporate and other non audit duties, such as Best Value support, consultancy work and specialist projects. The LA may therefore need to look elsewhere for this in-house support, unless it specifies accordingly.

Financial Implications: Set up costs shared by authorities. Minimal difference in the cost charged by a consortium against in-house. However recharges to internal audit would have to be absorbed by other business areas unless absorbed by a Contract manager who would impose an additional charge to the total cost of the audit service.

Stage 11 – Challenge (model 2)

2. Partnership Joint working (2 or more authorities agree protocols)

Similar to the Consortium approach at model 1, but use the step changes of Best Value to gradually develop the partnership approach across East Kent. Start by agreeing common audit methodologies, convergence of risk assessment and audit planning, leading to joint audit reviews, sharing of knowledge, skills and the development of audit documentation, tests and internal control questionnaires. Next stage would be to start to identify audit experts within the partnership to deliver specific topics, which could lead to economies of scale and more in depth auditing. Through the Exeter Benchmarking Club and the East Kent Partnership, Dover District Council can work with authorities to develop and share best practice techniques. The East Kent Partnership linked with the Exeter Benchmarking Club could provide a powerful and influential voice for Internal Audit in Local Government. At the time of the next BV service review in 2006, the partnership will be strong enough to withstand an outsourcing option.

Strengths: A service level agreement with each authority to provide an agreed number of audit days. Improved productivity through sharing resources, convergence of risk assessment and audit programmes. The step change approach will enable each stage to be carefully considered before an authority "buys in to it". The larger IA resource will enable IA to have a greater skills and knowledge base and will benefit from a standardised approach. IA will be able to share documentation, development costs and training with the specialist knowledge of an audit area utilised across the partnership. There will be a reduced risk of staff losses due to increased job satisfaction, personal development opportunities and removed competition between partnership authorities for finite resource. Audit productivity levels will increase as the SLA clarifies non-audit duties that will not be undertaken.

Weaknesses: If other East Kent Authorities don't wish to participate in the step change towards a partnership. The time and effort involved in setting up and then developing the partnership. Coverage/standardisation issues would need to be addressed and all audit teams and authorities would need to begin to operate on an equal footing. Potential for the loss of local knowledge. Conflict resolution between authorities, how to handle differing priorities, plans and crisis. Difficulty in co-ordinating audit reviews and agreeing reporting arrangements.

How to ensure adequate coverage at each authority to enable a meaningful assurance statement to be provided. Using a risk based planning approach, some authorities may not need a great deal of coverage in a particular year, this will be a difficult concept to sell to the CFO/CE.

Audit Management arrangements would need addressing to agree lines of command. There is a risk of boredom and loss of quality for specialist auditors due to repetition of audit tests. Loss of loyalty to the "home" authority by auditors. Difficulty in agreeing arrangements for cover for leave and other absences. Poor staff off loaded to an unsuspecting authority

Although working to a SLA and still employed by the authority, for the partnership to work effectively, IA would not be available to undertake corporate and other non audit duties, such as Best Value support, consultancy work and specialist projects, unless this was programmed into the SLA and annual programme. The LA may therefore need to look elsewhere for this in-house management support.

Financial Implications: Set up costs shared by authorities. Minimal difference in the cost of a partnership arrangement against in-house.

Stage 11 – Challenge (models 3 & 4)

3. Joint Purchasing of Specialist Skills (combined with a partnership or in-house approach)

A good example is computer audit, where Dover District Council's audit team do not have sufficient expertise to audit IT and the associated business risks to the level required, but can't afford to employ a Computer auditor full time.

Strengths: If each authority has the same requirements (e.g. Computer Audit), this may be a cost effective way of buying in expensive resources. It also offers the opportunity for skill transfer to existing audit staff and the sharing of best practice techniques. This could be a good starting point in developing a partnership arrangement with other authorities.

Weaknesses: Agreeing who will procure the service, ensuring agreement on each authority's requirements and the equality of input and benefit. It may also prove difficult to find authorities with the same requirements.

Financial Implications: The purpose of the agreement is to find cost effective solutions, which can be shared by authorities. No extra cost as procured services would come from within existing budget provision

4. Outsourcing (Total or Partial)

There are an increasing number of private sector firms capable of tendering for Internal Audit Services within Local Government. These firms offer economies of scale, high productivity levels and continuity of service. However, the small size and specialist nature of much of Local Government Internal Audit work means that the bigger private sector firms are usually only interested in committing resources to bid for an audit service that is seen as failing.

Strengths: Partial outsourcing via a long term partnership with the private sector is now accepted as beneficial to both parties (Council and Private Sector). Differing skills and experience can be brought together, but contract terms need to be carefully agreed to ensure control over quality, presence and coverage.

Independence can be increased by the use of private sector internal auditors. The Council is not responsible for their training, development or sick leave, resulting in higher productivity levels. In a partnership arrangement, the private sector auditors can commit 100% productive time to direct audit work, leaving the in-house staff to deal with day to day queries and advice.

A formal contract for an outsourced or partially outsourced service brings the benefits of access to a much larger pool from which to supply the IA service. The audit service will therefore potentially have a larger skills base and specialist auditors. The company should have strong quality control and be able to achieve economies of scale in developing audit tests, internal control questionnaires. An outsourced service would reduce the risk and impact of staff losses.

Weakness: Outsourcing is seen as the "in thing" from the 1980s and early 1990s. Productivity may be higher than in-house, but quality may suffer. Service variations can prove expensive and the contractors can suffer similar recruitment difficulties. Often the staff provided are relatively junior and the LA is in effect training the auditors. The contractor can be perceived as outsiders and may find that auditees are less open and friendly, although this may only be a short term effect. There may be difficulties with confidence and approachability, which the in-house maintain by their day to day contact with staff. There may be a loss of continuity, and knowledge of the business, especially the bigger picture. Audit staff may not be on site when management actually require their input, especially on short notice A&G issues. If staff continuity is not maintained there can be a major loss of the understanding of the operation and culture of the organisation. The current IA has a good working relationship with District Audit which the contractor would need to quickly reinstate. A Contract manager may be required for the client side.

Financial Implications: Minimal difference in the cost charged by a private sector bidder against in-house costs. Contractors day rates = £220, in-house = £240. However at the re-tendering exercise there will be no in-house provision to bid against the private sector and costs have historically increased. Variation costs are expensive and the LA must be careful when specifying the service. Any recharges to internal audit would have to be absorbed by other business areas and if a contract manager was appointed this would impose an additional charge to the total cost of the audit service. Charges in a contractor partnership arrangement can be better controlled within existing budget provision.

Stage 11 – Challenge (model 5 & 6)

5. Status Quo (In-house)

The current in-house team has a good reputation at Dover District Council, providing the audit assurance on the systems of internal control to senior management and members, whilst supporting management on a range of initiatives. A broadening of audit role may imply greater audit responsibility.

Strengths: Continuity, and knowledge of the business, especially the bigger picture. Independence and objectivity in its work, approachable, professional, dedicated and experienced team with a good track record. Good support to management through its advice and guidance work, especially at short notice. Confidentiality and discretion in its work. IA has a good working relationship with District Audit.

Weakness: In the current environment, it is difficult to demonstrate step change improvements if the status quo is maintained. Current scope is too wide for the size of the team. The in-house team is relatively small, but still manages to provide a wide range of audit services. However, staff vacancies and corporate pressures can impact on service delivery. With the growth of Corporate Governance and Risk Management the current audit team may find difficulty in fully supporting management to deliver audit assurance right across the Council's control system.

Financial Implications: None if status quo remains

6. Secondment/Staff swap exchange

Between IA staff at neighbouring authorities and/or IA staff and operational management

Strength: Operational management secondments from the main service departments could be an excellent way of developing business knowledge and in providing skill transfer. This approach could offer development opportunities for future senior managers and internal auditors.

Weakness: Historically, swapping has rarely proved to be successful, major co-ordination problems. Risk of poor staff being off loaded to another authority.

Financial Implications: None if equality of exchange

TASK: On completion of this Stage please submit Stages 4 to 11 to Management Team via the Best Value Team Leader. (Management Review 3)

(After Management Team these stages will be considered by Cabinet and Scrutiny (Audit and Performance) Committee)

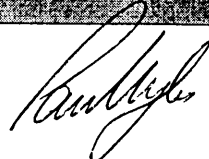
Amendment 2

Management Review 3

TASK: Best Value Team Leader to review Stages 4 to 11

Stages 4 to 11 considered

Signed:



Date:

27 February 2001

Comments:

TASK: Management Team to review Stages 4 to 11

Stages 4 to 11 considered

Signed:

Date:

Comments:

TASK: Cabinet and Scrutiny to consider Stages 4 to 11

Stages 4 to 11 considered

(Attach Cabinet and/or Scrutiny Report clearly marked as Stage 11)

Signed:

Date:

Comments:

Stage 12 – Consult (Public)

TASK: Using the service options/alternatives identified in Stage 11, consult with the community, service users and members. Review any recent consultation data (e.g. MORI) and file working papers, clearly marked as Stage 12 (Public). This Stage will help to establish the type and level of service required and how current service delivery is perceived.

(Cabinet and Scrutiny (A&P) members will have been consulted as part of Management Review 3. Before commencing any formal consultation exercise with the community, consider the relevance and value of consultation that has already been recently undertaken and contact the Communications Team who are co-ordinating the Council's consultation strategy and surveys).

<p>Bullet Point key customer requirements</p> <p><i>(please file any working papers, clearly marked as Stage 12)</i></p>	<p>Service Users and Member views obtained from the awayday on 29/1/01. (Findings and comments from the awayday are at Stage 12 – Awayday)</p> <p>Deliverables of Internal Audit - Client view</p> <ul style="list-style-type: none"> • Fraud prevention • Financial control • Control mechanism. • Advice and Guidance work. • Officer see this service as an important area of support to management • Members less convinced of this role as leads to less audit reviews and less assurance for members (educational issue)
<p>Bullet point areas of good and poor performance</p> <p><i>(please file any relevant working papers, clearly marked as Stage 12)</i></p>	<p>Service Users and Member views obtained from the awayday on 29/1/01</p> <p>Good: Quality Aspects Of The Service</p> <ul style="list-style-type: none"> • Independence and objectivity in the work of Internal Audit • Added value to the Council • Independence/objectivity • Good audit planning • Strong skills mix • Professionally qualified, dedicated and approachable team • Risk assessment/Control evaluation • Management and Audit - Modern partnership, good relationship, discuss issues • Relevant Experience • Audit could be used as a training ground for future managers <hr/> <p>Service Users and Member views obtained from the awayday on 29/1/01</p> <p>Poor:</p> <ul style="list-style-type: none"> • Members see IA a policeman (although this can be a good point at times) • Members do not always fully understand implications of audit reports • The committee structures are not quite right – no formal links between the Portfolio for Finance & Scrutiny (A&P) and therefore no formal link to IA • IA v EA – what is the difference? (Training Issue) • Still the perception that if the auditors are here, there must be something wrong

Amendment 2

Stage 12 – Consult (Staff/Current Service Provider)

TASK: Using the service options/alternatives identified in Stage 11, consult as appropriate with staff/current service provider to establish their views on the models and the type and level of service that can be provided.

Bullet Point key staff/current service provider requirements

(please file any working papers, clearly marked as Stage 12)

Consulted with Internal Audit staff from Dover, Ashford and other public services across Kent at the awayday on 29/1/01 (*Findings and comments from the awayday are at Stage 12 – Awayday*)

Key Deliverables of Internal Audit

- Making a difference to the organisation/adding value
- Alerting management to risk / control weaknesses
- Helping management to operate as risk managers – audit start by asking managers how they assure themselves that their controls work
- Control Risk Self Assessment (CRSA) – facilitate workshops to bring risk to managers attention (Risk Managers)
- Promoting a consistent process for managing risk across the whole Authority
- Ensure strong internal controls
- Safeguard During Times Of Rapid Change
- Audit Assurance
- Advisors/Policeman
- Specialist audits – Computer/Contract
- Systems Development/Implementation Audits
- Special Investigations
- Audits which initiate change – VFM audits
- Management consultancy

Bullet point areas that can be positively addressed and areas seen as potential difficulty

(please file any relevant working papers, clearly marked as Stage 12)

Positives:

- Increased assurance provided to Management and Members
- Continue to provide an effective coverage otherwise District Audit may charge to provide the necessary assurance and coverage
- Audit programme commensurate with risk
- Produce a clear and realistic scope for the IA function
- Educating managers on risk management/corporate governance
- Involvement/training of Councillors – especially Audit Committee members
- Widen Skills – Individual and links outside – reciprocal arrangements
- Greater contact within organisation and outside the Council
- Partnership work with neighbouring authorities
- Performance measures to be appropriate to show value added to the organisation
- Market the audit service

Difficulties:

- Could some of the work delivered by IA be done elsewhere within the organisation?:
- Consultancy – but audit have the necessary skills and are cost effective
- Corporate Review Work - audit have the skills, but input impacts on audit programme
- Too much support/hand holding for management
- Greater coverage – resource impact
- Self-standing, reporting directly to committee – although the Audit Manager can in exceptional circumstances report direct to Scrutiny (A&P)
- Improve opportunities for career progression

BEST VALUE SERVICE REVIEW

KEY ISSUES FROM THE INTERNAL AUDIT WORKSHOP
HELD AT ASHFORD BOROUGH COUNCIL CIVIC CENTRE

MONDAY JANUARY 29TH 2001

1. THE ROLE OF INTERNAL AUDIT

WHY IA?

-

Dover District and Ashford Borough Councils' approach to fulfilling S151 duties is a traditional in-house internal audit service, developed prior to CCT

- Statutory Req. (LGA1972 S.151 + Accounts & Audit Regulations 1996)
- S151 does not dictate manner of provision, but requires DDC to provide effective I.A.
 - Implied financial role for Internal Audit
 - In reality, wider range of coverage required, including:
 - Operational areas/risk
 - Best Value
 - Reputation / public perception risks
- **Purpose of IA - Auditor view:**
 - Audit Assurance on the system of internal control
 - To make a difference to the organisation
 - Advice and Guidance – Standing Orders and other issues
 - Best Practice
 - Cyclic Review of Council's Activities
 - V.F.M.
 - Consultancy
 - Fire Fighting
- **Purpose of IA - Client view:**
 - IA provides a level of accountability to the public
 - Frauditor – Prevention/Investigation of fraud
 - Control Mechanism
 - Troubleshooters
 - Reviews where the money goes
 - Curtail extravagance

LEVEL of PROVISION

- Assurance provided to Management and Members
- Effective coverage otherwise External Audit will charge to provide coverage
- Audit and Performance Review/ Standards and Audit requirement
- S.151 - Statutory Minimum Definition - doesn't stipulate numbers
- Commensurate with risk
- Adequate contingency
- Prioritisation – risk based
- Resources impact
- Financial Focus v Operational

QUALITY ASPECTS of the SERVICE

- Independence and objectivity in the work of Internal Audit
- IA provides:
 - Added value
 - Independence/objectivity
- Audit planning
- Skills mix
- Professionally Qualified Team

- Audit Matrices/Control evaluation
- Training / CPD
- Relevant Experience
- Quality Assurance ISO 9001
- Audit could be used as a training ground for future managers

WHAT DO WE GET FROM I.A

Deliverables of Internal Audit – Auditor View

- Making a difference to the organisation/adding value
- Alerting management to risk / control weaknesses
- Helping management to operate as risk managers – audit start by asking managers how they assure themselves that their controls work
- Control Risk Self Assessment (CRSA) – facilitate workshops to bring risk to managers attention (Risk Managers)
- Promoting a consistent process for managing risk across the whole Authority
- Ensure strong internal controls
- Safeguard During Times Of Rapid Change
- Audit Assurance
- Advisors/Policeman
- Specialist audits - Computer/Contract
- Systems Development/Implementation Audits
- Special Investigations
- Audits which initiate change – VFM audits
- Management consultancy as a “free” service.

Deliverables of Internal Audit - Client view

- Fraud prevention
- Financial control
- Control mechanism.
- Advice and Guidance work
 - Officer see this service as an important area of support to management
 - Members less convinced of this role as leads to less audit reviews and less assurance for members (*educational issue*)

WHAT WOULD HAPPEN IF AUDIT CEASED TO FUNCTION?

- Must have a provision (S.151), however:
 - Loss of management support - managers would need to become more self-reliant.
 - However, when something major goes wrong “Audit” would be re-invented/re-badged.
 - Increased Business Risk
 - Loss Of Assurance
 - Lack of support to Best Value, PIs, Corporate issues
 - Still need independent and objective review process
 - Lose of the Deterrent, Detection, Prevention effect of IA

HOW DO WE COMPARE TO THE STATUTORY MINIMUM?

- Small team but effective as against S.151 requirement
- Satisfy Account And Audit Regulations 1996
- Risk Assessment leading to risk based audit plan
- Strategic and annual audit plans

2. HOW ARE INTERNAL AUDIT SERVICES PROVIDED?

OBJECTIVES AND SCOPE

- Defined at organisation level in the Financial Regulations & Terms of Reference reported to Scrutiny (A&P) Committee
 - Not widely known throughout the Authority
- Attempt made to link audit work to the Councils strategic plan
 - Awaiting new Strategic/Corporate plan

- Discuss/agree audit plan with Management - partnership approach
- Identify key risks
- Risk Assessment/ to avoid undue workload
- Plans approved by Committee (Audit)
 - Justification of audit programme
 - To do items
 - Not to do items
- Impact of resource limitation and cost on scope
- Choice in the audit programme? – element of contingency
- Support management not be management
- Independent and objective

SCOPE OF AUDIT

- Question mark over some of the work done by IA – could it be done elsewhere within the organisation:
 - Consultancy – audit have the necessary skills and are cost effective
 - Corporate Review Work impacts on audit programme
 - Support/hand holding for management
 - Peer review
 - Reviews could be done by other departments
 - Cross Authority reviews
- Quality Control / Interchangeable resources?
- Link to Strategic Plan
 - Strategic Plan/Business Plan = What people are there to achieve
 - Strategic Plan provides a framework within which IA determine key risks
 - Links to risks impacting on objectives
 - Restructure throws up change - audit plan should reflect this

STRUCTURE

- Authority
 - DOVER – Terms of Reference via Audit Committee and Financial Regulations
 - ASHFORD –Financial Regulations
- Plan
 - DOVER – Linked with Strategy awaiting Corporate Objectives
 - ASHFORD - agreed with Management

POSITION of INTERNAL AUDIT

- DDC – Director of Finance/ Scrutiny (A & P) Committee
- ABC - Chief Executive
 - Position is dependent on the culture/support of Mgt
 - Position of Internal Audit in Dover District Council is OK – correct positioning in each authority is dependant on the organisation's culture
 - Accept that IA in every organisation have some difficulty in reporting on their bosses
 - Need for objectivity as it can be a problem whoever was in charge of IA
 - Small Audit Teams must consider:
 - Economy of Scale
 - Shared Resources
 - Convergence
 - Best Practice

INDEPENDENCE

- Audit Committee - Exeter City Council reports direct to committee
- Reporting Procedure
- Planning Cycle
- Audit/Systems Manual
- Reporting arrangements need to cater for dominant clients, ensuring no compromise in independence.

- Independence in compiling the Audit plan is as important as in reporting.
- Part of External audit review to comment on independence.

3. HOW IS IA VIEWED?

IMAGE

Auditor perception:

- Changed enormously recently – more positive
- Broadening of audit role may imply greater audit responsibility
- Image risk to IA – increasing role requires extended skills/experience
- Working together with management/staff, taking out blame culture
- Still some members and staff don't know what IA does
- Management/Audit - Modern partnership, good relationship, discuss issues
- Members do not always understand reports put to them
 - Need to target audience
 - Training issue for members
- Consider non-executive director with audit experience on the Audit Committee
- Small workshop prior to their audit reviews to inform the auditees of the process – the aims of the review, reporting process etc.

Client perception:

- Ashford clients perceived IA still as policeman
- Dover members saw IA as policeman
- Officers at Dover District Council see IA as modern in their approach and committed to partner arrangements
- The committee structures at Dover are not quite right
 - No formal links between the Portfolio for Finance & Scrutiny (A&P) and therefore no formal link to IA
- IA v EA – what is the difference? (Training Issue)
- If the auditors are here, there must be something wrong
- Risk? Control? – what do these words mean
- 'Policeman Role'

CHARGING POLICIES

- Dover and Ashford audit teams both charged on a similar basis – service regulation / corporate pot.
 - From April 2001 should be charging direct per changes in CIPFA guidance
 - Dover has high productivity reducing charges
- Clients would like to see split between S151 costs and any additional consultancy / A&G work done at their request.
- Should audit charge?
 - Charge For 'Sect 151' Audits?
 - Consultancy/VFM work – Negotiate a fee?
 - May Impact On People Asking Audit?
 - Not By Project

ADDED VALUE OF IA

Strengths

- Provide assurance and support to management
- Organisational knowledge - Bigger picture view
- Professionally Qualified Auditors – thorough and professional
- Experienced Auditors
- Independence
- 'People' People
- Dedicated Staff
- Good Track Record - respected
- Confidentiality/Discretion

- Continuing Professional Development of IA staff
- Build knowledge and 'Market' IA via other work (e.g. Working Groups)
- Identifying risks
- Educating officers and members on risk and control
- Training others
- Approachable and co-operative
- Partnership Working
- Willing to train, test new ideas and embrace the future
- Flexible
- Provide advice at short notice
- Addressing corporate government
- Risk assessment
- Good at Facilitating
- Good working relationship with EA
- Consultancy role (Implementation Guidance) - must not go beyond expertise!

OPPORTUNITIES TO IMPROVE

- Reduce Costs
- Improved perception (Away from Policeman)
- Best Value process offering new approaches to improve
- Greater efficiency – Greater coverage
- Educating People - still an unknown quantity to some - clarify and review audit role/scope
- Widen Skills – Individual and links outside - reciprocal arrangements
- Greater contact within organisation, possibly outside organisation
- Consortium work with neighbouring authorities
- Self-standing, reporting directly to committee
- Involvement/training of councillors – especially audit committee members
- Cross Party Working
- Scrutiny Committee might include an HIA from another organisation?
- Current scope can lead to resources being spread too thinly
- Better Training/Career Development
- Less/more Audit involvement in Best Value
- Take opportunities, go into new areas, develop specialisms
- Continue to develop Best Practices
- Develop IA skills outside IA
- Adapting To Change e.g. CRSA
- Audit Independence
- Clarity Of Reporting

4. IS THE MANNER OF PROVISION RIGHT OR ARE THERE ALTERNATIVES?

HOW ELSE?

- Joint working more likely to succeed if there is a small group of only two or three authorities rather than say the whole of Kent
- Positive approach by neighbouring authorities sharing resources
- Planned Audit work could be treated as though provided externally
 - One team delivers the planned work another team delivers the unplanned / consultancy Result in A and B teams?
 - A&G would still play a large part of the day to day routines.
- Partnership with an external provider
 - Offer specialist support
 - Additional staff
 - Share best practice / present alternative views etc. Could be individual or multi-authority arrangement.
 - Staff continuity may be an issue
- Task groups – bring in people from other disciplines – resource difficulties
- Status quo not feasible under BV - need additions to show improvement

- Selected model needs to work for the authority.
 - Sufficient resources to deliver the scoped service
 - Incidence of fraud/special investigation always stretches resources
- External Provision - Outsourcing fully or partially by specialism
- Consortium through LAs/ Local Partnership
- Joint Working
 - More independent in-house (Direct to Audit Committee)
 - Buy In Specialists
 - Tender Individual Audits
 - Independent Consultants
- Benefits
 - More Flexibility
 - React To Change – Management and Audit
- Requirements
 - Increase Managerial Skills
 - Management Tools
 - Time Recording/Productivity levels
 - Communication - Members/Staff/Marketing
- Important to demonstrate in-house skills as firms investing heavily in IA.
- Beware of lack of independence
- Perceived draw backs of any major change:
 - Lose approachability
 - Impact on professionalism
 - Loss of understanding of the organisation if change not well managed.
 - Auditees react differently to internal / external auditors. Generally more open and friendly to internal service provision (short term effect)
 - There is reassurance (for the client & members) in having an in-house team

RESOURCES

- Insufficient ResourcesBut realise:
 - Corporate Pressures
 - Cost of service measured against benefit or added value
- Resources are often spread too thin
- Could benefit from economies of scale
- Provide a consultancy role
 - Differing skills
 - Re-charge for the service
- Often act as management's crutch but audit is better received as a result
- Best Practice Techniques:
 - Sharing Of ICQ's etc
 - Sharing of risk/planning techniques
- Reporting Lines – improve member involvement

UNIQUENESS OF DDC AND ABC TEAMS

- Organisational Knowledge
- Accessibility
- Flexibility
- Approachability
- Corporate Commitment/Input
- Loyalty
- Stability
- Consistency/Continuity
- On-Site
- Confidentiality

IMPROVEMENTS

- Best Practice Techniques
- Partnership/Consortium
- More Focused/Less Distractions
- Training of members, managers
- Shared Skills (IT)
- Modernising Local Government
- E-Business/Government
- Change Of IT Systems
- Better/Flexible Reports (Good Communication)
- Risk/Corporate Governance awareness
- Marketing the function
- Reporting lines
- Career progression
- Transfer skills
- More / less involvement in BV
- Audit as part of the Management Training Programme

MESSAGES

- In-house team needs to demonstrate added value to withstand competition from the big 5.
- Should outside contractors be brought in, need to ensure independence
- Challenge of new IIA guidance / DA review / PIs / committee
- A number of alternative service delivery options for an effective service provision.
- Education required within the organisation on risk
- Services need to be marketed.
- Performance measures to be appropriate to show value added to the organisation.
- Improve the interrelation with AC's/Members/Cabinets
- Clarify scope of IA - produce a clear and realistic scope for the IA function
- Examine options for Service Provision
- Be realistic in service delivery
- Market the service
- No blame culture
- Plan for the future
- Skills transfer (to and from Audit)
- Develop specialisms
- Expand into new areas
- Confirm independence
- Clarity of reporting.

Stage 13 – Challenge (Stage 11 review and revision)

TASK: Using the consultation information obtained at Stage 12, review the service models at Stage 11. Ensure that they all achieve the strategic business needs of the service, support the delivery of the Council's key themes and deliver the type and level of service that consultation has identified. If appropriate, highlight where customer requirements/improvement opportunities cannot be achieved. (If appropriate, summarise below revisions to the models, (including cost/benefit analysis) and file any relevant working papers, clearly marked as Stage 13).

Model 1	<p>East Kent Consortium (Group of authorities working together for one employing body)</p> <p>In the longer term, the model will be able to address the need for increased audit coverage, resources and skills. It could offer a career structure for internal auditors, offer the opportunity for an increased level of audit assurance to the Council and enable risk management techniques and awareness training to be provided to management. However, in the short term there are many risks associated with the formation of a consortium and in ensuring a quality service to this authority.</p>
Model 2	<p>Partnership Joint working (2 or more authorities agree protocols)</p> <p>This model using the step changes of Best Value could deliver an effective audit service. It would be important to gradually develop the partnership approach across East Kent. There are improved productivity, efficiency and resource opportunities through the sharing of resources, economies of scale, convergence of risk assessment and audit programmes. The larger IA resource will enable IA to have an improved skills and knowledge base leading in the longer term to increased audit coverage and level of audit assurance. The biggest risk to delivery is the lack of interest from other East Kent authorities.</p>
Model 3	<p>Joint Purchasing of Specialist Skills</p> <p>This model when linked to an in-house or partnership provision offers the opportunity for extra skills to be bought in and the sharing of best practice techniques. This could be a good starting point in developing a partnership arrangement with other authorities. The Council would benefit from greater audit coverage and improved audit skills and techniques.</p>
Model 4	<p>Outsourcing (Total or Partial)</p> <p>This model offers economies of scale, high productivity levels and continuity of service. A formal contract brings the benefits of access to a much larger pool from which to supply the IA service. The audit service would potentially have a larger skills base and specialist auditors and this Council would not suffer the risk and impact of staff losses. However, some the key consultation requirements could be lost, in particular assuring the quality of service, local audit knowledge and "on tap" auditors. Service variations can prove expensive and contractors often provide relatively junior staff.</p>
Model 5	<p>Status Quo (In-house)</p> <p>The current in-house team has a good reputation at Dover District Council, providing the audit assurance on the systems of internal control to senior management and members, whilst supporting management on a range of initiatives. However, a broadening of the audit role into risk management and corporate governance, implying greater audit coverage may impact on the long term service delivery.</p>
Model 6	<p>Secondment/Staff swap exchange</p> <p>Historically this approach never actually seems to deliver. High risk of key requirements of coverage, skills and knowledge not been effectively delivered.</p>

Stage 14 – Challenge and Compare (Prioritise)

TASK: Using the information collected, prioritise your service delivery models against the following criteria: customer requirements, improvement of the service, delivery of the Council's key themes and cost/benefit analysis.

Model No.	Justification	Additional cost or identified savings
3 and 5	<p>The in house Team jointly purchasing specialist skills</p> <p>An in-house service linked to joint purchasing of specialist skills is the natural starting point towards a longer-term partnership provision to constantly improve the audit service. In year 1, the Council would benefit from greater audit coverage and improved audit skills and techniques, initially in the area of computer audit.</p> <p>The cost of buying in additional specialist skills would be contained within existing budget provisions by the restructuring of the audit team, to a linear structure of Audit Manager, Senior Auditor, Auditor, Trainee Auditor and Audit Assistant.</p> <p>The new structure would be able to meet the audit responsibilities and scope as detailed in the Audit Charter (see Stage 11, page 35). However the current audit coverage and activities far exceed the audit role and scope as detailed within the Audit Charter. To deliver "The Risk Management and Audit Service" i.e. the current commitments and future audit requirement and coverage would require additional audit resources. The future for Internal Audit includes meeting the increasing requests for audit involvement in new initiatives, delivering audit responsibilities under Corporate Governance, providing support to the Scrutiny (A&P) Committee, including undertaking special assignments, consultancy support and advice to management in developing risk management techniques.</p> <p>The current IA structure is at risk of having insufficient resources to satisfy all of its current customers and activities. If resources are spread too thinly, IA could fail to fully deliver its core responsibilities and in turn may not provide an effective internal audit provision. This could result in External Audit increasing its own coverage (and charge) to provide the necessary assurance.</p>	<p>No extra cost to deliver the audit service as detailed in the Audit Charter, procured services would come from within existing budget provision.</p> <p>However to deliver the actual audit coverage would require an additional auditor at a cost of £20,000 per annum</p>
2	<p>Partnership Joint working (2 or more authorities agree protocols)</p> <p>Developing from priority 1 (model 3/5 above) during years 2 to 5, a partnership approach could be carefully developed across East Kent. This offers improved productivity, efficiency and resource opportunities through the sharing of resources, economies of scale, convergence of risk assessment and audit programmes. The increased skills and knowledge base could lead to increased audit coverage and level of audit assurance. Management, reporting and audit committee arrangements would need to be carefully developed.</p> <p>The first areas of convergence would be audit planning, co-ordination of future BV Service Reviews for Internal Audit, the identification of common practices and the identification of expertise and skills that could be shared.</p> <p>This approach is obviously reliant on the willingness of neighbouring authorities to join such an approach. Early indications are that this could be successfully introduced.</p>	<p>Set up costs to be included within existing budget provision. No increase in the partnership cost arrangement against current in-house costs.</p> <p>However as above, to deliver the actual audit coverage at DDC would require an additional auditor at a cost of £20,000 per</p>

Stage 14 – Challenge and Compare (Prioritise) (continued)

TASK: Using the information collected, prioritise your service delivery models against the following criteria: customer requirements, improvement of the service, delivery of the Council's key themes and cost/benefit analysis.

Model No.	Justification	Additional cost or identified savings
1	<p>East Kent Consortium</p> <p>Developing from a successful partnership approach, this model could be appropriate in year 6 for the next round of Best Value Service Reviews. It would continue the drive for increased audit coverage, resources and skills. It could offer a career structure for internal auditors, offer the opportunity for an increased level of audit assurance to the Council and enable risk management techniques and awareness training to be provided to management.</p> <p>However, this approach it is not appropriate at the present time, as there are too many risks associated with the formation of a consortium and in ensuring a quality service to this authority. This model may need a client side contract manager.</p> <p>The whole concept of a consortium requires commitment from other Kent authorities. This will need to be carefully considered and developed over the next five years.</p>	<p>Set up costs in year 6 or later. No increase in the cost charged by a consortium. A contract manager would impose an additional charge on the total cost of the audit service.</p>
4	<p>Outsourcing (Total or Partial)</p> <p>Although this model offers economies of scale, high productivity levels and continuity of service, contractors often provide relatively junior staff and if management do not carefully specify the audit provision service variations could prove expensive. A total outsourcing approach would not assure service improvement against the current in-house provision. Priorities 1, 2 and 3 above offer better improvement opportunities.</p> <p>The partnership approach with the private sector could be a more successful option. This offers some of the benefits of outsourcing without the loss of accountability, business/organisation knowledge, trust and audit availability. It however, still carries the risk of junior staff or trainees being sent to audit the Council and increased monitoring and management arrangements may be required.</p>	<p>Minimal difference in the cost charged by a private sector bidder against in-house costs. However at the re-tendering exercise there will be no in-house provision to bid against the private sector & costs have historically risen. Variation costs are expensive and the LA must be careful when specifying the service.</p>

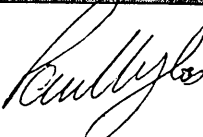
TASK: On completion of this Stage please submit Stages 12 to 14 to Management Team via the Best Value Team Leader. (Management Review 4)

(After Management Team these stages will be considered by Cabinet and Scrutiny (Audit and Performance) Committee)

Amendment 2

Management Review 4

TASK: Best Value Team Leader to review Stages 12 to 14.

<p>Stages 12 to 14 approved</p>	<p>Signed: </p> <p>Date: 27 February 2001</p> <p>Comments: <i>Model could produce a way forward for other support services.</i></p>
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TASK: Management Team to review Stages 12 to 14.

<p>Stages 12 to 14 approved</p>	<p>Signed:</p> <p>Date:</p> <p>Comments:</p>
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TASK: Cabinet and Scrutiny to consider Stages 12 to 14.

<p>Stages 12 to 14 approved</p> <p><i>(Attach Cabinet and/or Scrutiny Report clearly marked as Stage 14)</i></p>	<p>Signed:</p> <p>Date:</p> <p>Comments:</p>
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Amendment 2