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NRA - Internal 29

M A N A G E M E N T I N C O N F I D E N C E



I N T E R N A L A U D I T R E P O R T



W O R K I N G W I T H Y O U



NRA

National Rivers Authority

I N T E R N A L A U D I T R E P O R T

OPERATIONAL INTERNAL AUDIT PLAN

1992/1993

1992/93 OPERATIONAL INTERNAL AUDIT PLAN

1. FINANCIAL AUDITS (440 days)

1.1 Fixed Asset Control (180 days)

We will assess the controls that ensure that accurate records of fixed assets are maintained.

The accurate maintenance of fixed asset records is important in controlling the assets under NRA control. It also supports the Balance Sheet values and depreciation charges within the financial accounts. Fixed asset controls have been repeatedly criticised by External Audit. This is the first comprehensive Internal Audit review of this area.

1.2 Banking Arrangements (90 days)

We will assess the methods used to transmit cash and to record NRA cash balances.

Cash control is the primary financial control over public bodies. Efficient banking arrangements are essential to support Grant in Aid claims. The transmission of large sums of money must also be tightly controlled in order to reduce the risk of fraud.

1.3 Head Office Ordering and Payments Procedures (30 days)

We will assess the effectiveness of new ordering and payments controls that were introduced at Head Office in 1991.

The Head Office Inquiry and a previous internal audit into Head Office payments revealed serious control weaknesses. This audit will assess the effectiveness of action taken to resolve these problems.

1.4 Navigation (40 days)

We will assess whether Thames, Anglian and Southern Regions bill and collect all the available navigation income.

Navigation income totalled £1 million in 1990/91. Income audits in 1990 revealed that controls were weak. This audit will determine whether controls have improved.

1.5 Carry Forward Audits (100 days)

We will complete the audits scheduled for 1991/92 but which we have had to carry forward to 1992/93.

2. **COMPUTER AUDITS (625 days)**

2.1 **Information Systems - Developing Systems (300 days)**

We will review the development of the major strategic IS applications. We will ensure that the NRA obtains value for money and that effective controls are built into the systems.

A sound IS infrastructure is vital to the efficient and effective management of the NRA. The 1991/92 budget for strategic IS development was approximately £9 million. An internal audit of the Facilities Management project led to concerns that controls designed to secure value for money were not operating effectively.

The resource input to each of the developing national systems is:

	<u>Days</u>
Integrated Personnel and Accounting Systems	150
Water Quality Archive	80
Output Performance Measures	20
Abstraction Charges	30
Communications Network	<u>20</u>
	<u>300</u>

2.2 **IS Strategy and Development (40 days)**

We will monitor the development of the IS Strategy in order to ensure that it is complied with or alternatively amended. We will review and comment on any proposed amendments. We will examine the planning process in order to ensure IS developments are co-ordinated and deliver value for money.

The IS Strategy sets common IS standards and identifies 22 strategic applications. It was agreed by the Board and is an important control that the Board exerts over IS management and development.

2.3 **Contingency Plans (75 days)**

We will examine computer contingency plans and assess the risk to NRA operations of computer hardware failure.

Increasing operational reliance on computer systems requires these systems to be resilient against failure.

2.4 Computer Security (100 days)

We will examine the measures taken to protect NRA data and software. This will include an assessment of site security.

Whilst contingency plans protect against catastrophic hardware failure, specific security measures are important to protect against both physical failure and accidental or intentional software or data corruption.

2.5 Post-Implementation Reviews (60 days)

We will examine three regionally developed systems in order to ensure that they incorporate adequate controls and deliver value for money.

Post-implementation reviews highlight improvements that can be made to other developing systems. They also demonstrate the performance of project development controls.

2.6 Microcomputer Management (50 days)

In 1991, we examined Microcomputer Management in six Regions and Head Office. The 1992 audits will follow up the recommendations of the 1991 national audit report and will cover those four Regions not previously covered.

Microcomputers are an important and essential component of most modern offices. They are not subject to the rigorous standards of mainframe computers. They are also at greater risk of damage or theft.

3. SYSTEM AUDITS (820 days)

3.1 Water Quality Sampling (200 days)

We will assess the sampling regimes used in Regions and compare these with the requirements of Policy Implementation Guidance Notes (PIGN's). We will examine the adequacy of management information and compare unit costs.

The effective monitoring of water quality is a high profile activity of the NRA. It is important that the NRA has a consistent approach across all Regions.

3.2 Discharge Licencing (200 days)

We will examine the process by which discharge consents are determined and the consents register maintained.

We will also review the application of the Charging for Discharges scheme and identify any regional variation.

The consents register is central to the Water Quality function. It records the level of authorised discharges into any given river. This provides a charging base for discharges and an information base from which water quality improvement plans can be developed. The Charging for Discharges scheme was introduced in July 1991. It will generate over £25 million income per annum. This element of the review follows and builds on a system post-implementation review in 1991/92.

3.3 Statutory Water Quality Objectives and Action Plans (30 days)

We will assess the planning and management processes that are designed to deliver achievable Water Quality Objectives (WQO's).

Water quality is a high profile activity of the NRA and one which external observers are likely to view as a key measure of the NRA's effectiveness. Successful implementation of WQO's is therefore vital to the NRA.

3.4 Water Quality Performance Measures (50 days)

We will examine the measures used to assess the performance of the Water Quality function. We will assess alternatives and recommend best practice.

This audit builds on and exploits the other internal audits scheduled for Water Quality in 1992/93. It is important that this high profile activity's performance is effectively monitored and controlled.

3.5 Water Resources Licensing (200 days)

We will examine the process by which Abstraction Licences are issued and the process by which their impact on the catchment is assessed.

The NRA have already identified 20 priority sites where low river flows are a major problem. In order to prevent the problem occurring elsewhere effective procedures must govern the issue of Abstraction Licences and the monitoring of the adherence thereto.

3.6 Equal Opportunities (80 days)

We will assess whether the NRA has the systems and controls to ensure that it effectively implements equal opportunity policy.

It is in the NRA's interests to recruit and promote the best available people. The costs of failure include fines, bad publicity and lower standards of staff competency.

3.7 Single Purchase Tenders (60 days)

We will examine a sample of Single Tender Actions in order to ensure that they represent value for money.

This audit follows up the contract and consultancies audit of 1991. In this audit we found approvals required by the Financial Memorandum, were not always obtained for Single Tender Actions.

It is government policy that expenditure, whenever possible, should be subject to market testing.

4. VALUE FOR MONEY STUDIES (640 days)

4.1 Laboratory Operations (150 days)

This study will determine the most cost effective organisation of laboratory services.

Laboratory operations cost £9m per annum. The NRA has not appraised the optimal number or location of laboratories. This study will compare the benefits of scale against the cost of increased transport.

4.2 Use of Consultants (150 days)

We will assess a sample of consultancies to ensure value for money has been obtained.

The NRA spends over £9 million per annum on consultancies. Consultants generally charge premium rates for their services. It is important therefore, that the need for consultants is properly demonstrated, that the consultants are effectively managed and that the benefits of each consultancy are realised.

4.3 Planning Liaison Effectiveness (150 days)

We will examine the effectiveness of planning liaison work within Regions. We will identify best practice and examine current performance measures.

Planning liaison is a multifunctional task that consumes considerable resources. More importantly, successful intervention at the planning stage can be the most effective means of fulfilling our duties as guardians of the water environment.

4.4 Angling Licences (80 days)

We will review the implementation of the new National Angling Licence Scheme. In particular, we will assess methods used to minimise evasion and to maximise income and cash flow. This audit builds on an audit review in 1991 of Fishing Licence Administration.

Angling Licence income is over £10 million per annum. Increased income reduces reliance on Grant in Aid or allows more work to be carried out each year.

4.5 Research and Development (40 days)

We will carry out post-implementation reviews of a sample of Research and Development projects. These reviews will examine the performance of the projects. They will also assess the exploitation of the research for the benefit of the NRA.

The NRA spends over £9 million per annum on Research and Development. To obtain value for money from this expenditure, individual projects must be well controlled and the results of the research must be properly exploited. Post-implementation reviews can identify improvements for the management and exploitation of future projects.

4.6 Transport and Plant (30 days)

In 1991/92, we carried out a major review of Transport and Plant. We have allocated 30 days in 1992/93 in order to follow up specific points emerging from this study review.

We believe the 1991/92 Transport and Plant review will suggest further potentially beneficial studies. This audit will explore the most promising of these.

4.7 Thames Barrier Commercial Activities (10 days)

We will examine the income-generating activities at the Thames Barrier in order to ensure they are maximised and well controlled.

The Thames barrier is the NRA's most expensive and well-known asset. It currently generates over £400,000 per annum. Small audits of sites such as these enable management to assess the potential for further commercial exploitation and provide a deterrent to fraud.

4.8 Cost Reviews (30 days)

We will manage cost reviews using secondees. These reviews will concentrate on specific elements of costs e.g. energy usage.

Significant savings can often be obtained by reviewing specific costs. Reviews of this sort are able to support academic projects.

In 1991/92 we used a secondee from the NAO who used the project as part of his accountancy studies. In 1992/93 we will obtain further NAO secondees and/or use NRA staff.

5. CONTRACT REVIEWS (120 days)

We will review the management of six to ten contracts per annum.

These reviews will provide an assessment of the quality of contract management. In particular, we will recommend improvements in order to secure greater value for money. Expenditure on Flood Defence contracts exceeded £20 million in 1990/91. The Head Office Inquiry revealed serious shortcomings in the management of a design and fitting out contract.

6. PROJECT ASSESSMENTS (50 days)

We will examine between six and ten investment and post investment appraisals.

1991/92 Internal Audits consistently reported shortcomings in NRA investment appraisals. The NAO study into Sea Defence and Coastal Protection criticised the lack of post-completion appraisals. These audits will monitor improvements. They will also provide an independent review of proposals as and when required by the Chief Executive.

7. SPECIAL INVESTIGATIONS (200 days)

We will carry out special investigations into fraud or irregularity. We will also carry out special studies, not included in this plan, if directed to do so by the Chief Executive.

We can never accurately predict the time required to carry out special investigations. In 1991/92 it is likely to exceed 350 days. This figure is large because over 200 days were spent on the Head Office Inquiry. In 1992/93 new procedures will be issued for reporting losses and frauds. This may lead to an increase in reported incidents and therefore an increased workload.

8. **OTHER (50 days)**

We will co-ordinate the activities of the National Audit Office, the Department of the Environment Internal Audit department and External Audit. In addition, we will lecture at training courses and provide procedural advice as and when required.

The NRA should maximise the benefits it obtains from Internal Audit. Our work should not be duplicated by others and our knowledge should be exploited to train staff and improve systems and procedures.

9. **FOLLOW UPS (70 days)**

The Internal Audit recommendations of 1991/92 and previous years will be followed up to ensure that they have been implemented. During these reviews, any recommendations made by External Audit will also be followed up.

It is important that benefits identified by Internal Audit are realised through the effective implementation of recommendations. Follow-up reviews will monitor the implementation of recommendations.

10. **CONTINGENCY (100 days)**

We will use contingency to manage the risks identified in Section Five of this report.



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