

EAST AYRSHIRE COUNCIL
GOVERNANCE AND SCRUTINY 4 APRIL 2008
AUDIT PLAN 2008/2009

Report by the Chief Auditor

1. PURPOSE OF REPORT

1.1 This report advises Members of the Internal Audit Plan for 2008/09.

2. GOVERNANCE

2.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.

2.2 In 2007 the Council set up a Governance and Scrutiny Committee which is designed to comply with best practice in relation to audit committee principles. This Committee provides a mechanism for the scrutiny of internal control and risk issues.

2.3 Internal Audit is an assurance function that provides an independent and objective opinion to the Council on the control environment, by evaluating its effectiveness. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resource.

2.4 The Council's response to Internal Audit activity should lead to the strengthening of the control environment and therefore, contribute to the achievement of Council objectives.

2.5 Internal Audit will prepare an annual programme of work, the audit plan, and this forms one element of the Council's review of the effectiveness of the system of internal financial control.

2.6 The revised CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom sets out organisational and operational standards for internal audit services.

2.7 The Code states that the status of Internal Audit should enable it to function effectively. In East Ayrshire Council, the Internal Audit service independently reports to the Chief Executive and to the Governance and Scrutiny Committee.

3. AUDIT STRATEGY

3.1 Finance systems will receive significant year on year audit coverage. Assignments will be prioritised using a risk assessment methodology. A

rolling three year program of Finance assignments will be agreed with the Executive Head of Finance and Asset Management.

- 3.2 There will be annual departmental systems coverage. Specialist audit areas such as ICT audit and contract audit will be covered annually. Contingencies will be made for investigations and advisory services.
- 3.3 Major audit work will be routinely followed-up to test implementation of agreed action plans. Revised implementation dates will be agreed with the Executive Directors for any outstanding action points.
- 3.4 Internal Audit will prepare annual audit plans. These plans will be prepared following consultation with the Chief Executive, the Executive Head of Finance and Asset Management, and Executive Directors. Internal Audit will draw on the Council's corporate and departmental risk management processes to inform the annual audit planning process.
- 3.5 It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system.
- 3.6 It is the responsibility of the Chief Auditor to provide an annual opinion on the adequacy and effectiveness of the Council's control environment, disclose any qualifications to the opinion, and present a summary of the audit work from which the opinion is derived. Annual and mid year reports on progress will be presented to the Governance and Scrutiny Committee.
- 3.7 The evaluation of the control environment will be informed by:
 - the audit work undertaken by Internal Audit during the audit ;
 - the audit work undertaken by Internal Audit in previous audit years;
 - follow-up work to test progress on implementation of agreed actions;
 - assessment of the governance and risk management framework.
- 3.8 Internal Audit will discharge its responsibilities in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. All audit staff will be independent of the activities being audited, and free from any non-audit/operational duties.
- 3.9 The Code states that Internal Audit should be appropriately staffed in terms of numbers, grades, qualifications and experience. Internal Audit staffing will be continuously reviewed to ensure that resources are sufficient to meet current and future demands on the section.
- 3.10 The audit section will work closely with the Council's External Auditors to ensure complementary areas of activity, and with the other Ayrshire council audit sections and the wider internal audit community.

4. AUDIT PLAN 2008/09

4.1 AUDIT RESOURCES

- 4.1.1 The section has a skill mix capable of providing the full range of audit services, including specialist computer audit skills. The audit establishment is 6.6 full-time equivalent staff, including 5 CCAB (Consultative Committee of Accountancy Bodies) qualified.
- 4.1.2 The section is carrying a part-time vacancy. It is the intention to bring the audit establishment to full strength. At full establishment there is sufficient resource available to deliver the 2008/09 work programme.

4.2 ALLOCATION OF AUDIT TIME

- 4.2.1 The 2008/2009 Audit Plan activity analysis is detailed below:

ACTIVITY ANALYSIS	PLAN DAYS
SYSTEMS REVIEW: Review of the financial and managerial controls exercised within particular systems areas, including follow-up of agreed action plans.	350
REGULARITY AUDIT: Review of regularity and probity of elements of systems.	150
COMPUTER AUDIT: Review of existing and proposed computer facilities in order to ensure adequate controls exist with regard to procedures and security of systems.	120
CONTRACT AUDIT: Review of contract procedures, taking account of internal controls, and compliance with the Council's Standing Orders.	70
ADVISORY CONTINGENCY: Advice given to departments as a result of specific enquires.	40
STOCKCHECKS: Stores visits and year end stocktaking and inventory checks.	30
INVESTIGATIONS CONTINGENCY: Contingency to cover possible defalcations and irregularities.	150
PERFORMANCE INDICATORS: Review of statutory and non statutory performance indicators.	40
PERFORMANCE STUDIES: Performance reviews and value for money studies.	50
TOTAL AVAILABLE DAYS	1000

- 4.2.2 The plan is risk-based. It takes account of emerging demands and current priorities and has been prepared following consultation with the Chief Executive, the Executive Head of Finance and Asset Management, and Executive Directors.
- 4.2.3 The priorities for 2008/09 include significant core systems coverage, continuing work on Social Work controls, coverage of external funding, and efficient government.
- 4.2.4 A three year rolling program of Finance assignments is attached at Appendix One. The program has been agreed with the Executive Head of

Finance and Asset Management and with the Council's External Auditors. In 2008/09 the major financial systems audits are in creditor payments and sundry debtors. New IT systems are being introduced in both areas. Under the efficiency agenda, a performance study around improving Council Tax collections is planned.

- 4.2.5 The main departmental emphasis includes external funding in Corporate Support, Community Care in Social Work, Outwith Placements in Educational & Social Services and major component supply chain arrangements in Neighbourhood Services.
- 4.2.6 Computer Audit assignments are planned for schools ICT and policy support in Corporate ICT. The major financial systems assignments will include computer audit work around application controls and computer audit assisted techniques.
- 4.2.7 Regularity audit assignments will be carried out in a number of areas including contract administration, cash collections, payroll, cash advances and location audits.
- 4.2.8 The investigations contingency has been increased to 150 days after due consideration of recent years' activity.
- 4.2.9 A full listing of audit assignments is available at Appendix Two.

4.3 SERVICE ANALYSIS

- 4.3.1 The 2008/09 Audit Plan service analysis is detailed below:

SERVICE ANALYSIS	DAYS
FINANCE	370
CORPORATE SUPPORT	130
EDUCATIONAL & SOCIAL SERVICES	300
NEIGHBOURHOOD SERVICES	200
TOTAL AVAILABLE DAYS	1000

5 POLICY/LEGAL/FINANCIAL/RISK IMPLICATIONS

- 5.1 None from this report.

6 RECOMMENDATIONS

- 6.1 Members are asked to approve the Audit Plan 2008/09.

Colin Houston
Chief Auditor
20 March 2008

LIST OF BACKGROUND PAPERS

CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom

INTERNAL AUDIT PLAN 2008/09 – CORE FINANCIAL SYSTEM – THREE-YEAR PLAN

APPENDIX ONE

Section	System	Note	2007/08	2008/09	2009/10	2010/11
1	Revenue & Benefits	Council Tax	Earlier Coverage	Council Tax		
2	Revenue & Benefits	Non Domestic Rates	Earlier Coverage	Non Domestic Rates		
3	Exchequer	Creditors	Year 1		Creditors	
4	Revenue & Benefits	Sundry Debtors	Year 1		Debtors Processing	
5	Exchequer	Payroll	Years 2, 3 & 4		APT&C Payroll	Manual Payroll
6	Revenue & Benefits	Benefits	Years 2 & 3		Benefits Admin: Part 1 of 2	Benefits Admin: Part 2 of 2

INTERNAL AUDIT PLAN 2008/09 – LIST OF ASSIGNMENTS

APPENDIX TWO

Assignment	Description	Primary Driver
Finance Service		
Creditor Payments	Systems review of Creditor Payments processing	Core system coverage
Sundry Debtors	Systems review of Sundry Debtors processing	Core system coverage
Debtors and Creditors ICT Controls	ICT review of application controls	Core system coverage
Payroll	Regularity audit work	Core system coverage
Cash Advances	Regularity audit work	Core system coverage
Council Tax	Study of Council Tax collection performance	Efficiency Government
National fraud initiative	Support for Council's response to the national fraud initiative	Efficient Government
Performance Indicators	Examination of process to collect Statutory Performance Indicators	Statutory requirement
Corporate Support		
Community Planning Partnership Unit	Systems Review of External Funding	Following Public Pound
Policy support ICT	Assist the review of corporate ICT policies	Client
Contract Administration	Regularity audit work	Client
Educational & Social Services		
Community Care	Systems review	Client
Outwith Placements	Systems review	Client
ICT Schools	Audit of schools ICT arrangements	Client
PPP	Support for public private procurement process	Client
Education and Social Work	Regularity audit work	Client
Neighbourhood Services		
Supply Chain	Review of major component supply chain arrangements	Procurement
Building Maintenance	Review of best value arrangements	Best Value
Cash Collection	Regularity audit local offices	Core system coverage
Cash Collection	Regularity audit leisure facilities	Core system coverage
Stock checks	Annual stockchecks	Annual audit