

**EAST AYRSHIRE COUNCIL**  
**CORPORATE GOVERNANCE COMMITTEE 14 APRIL 2005**  
**AUDIT PLAN 2005/2006**

**Report by the Chief Auditor**

**1. PURPOSE OF REPORT**

1.1 This report advises Members of the Internal Audit Plan for 2005/06.

**2. GOVERNANCE**

- 2.1 It is the responsibility of the Council to put in place arrangements to ensure the proper conduct of its financial affairs.
- 2.2 The role of Internal Audit is key to providing comfort that the core elements of the internal control framework, within the Council's overall corporate governance arrangements, are adhered to. In East Ayrshire Council, the internal audit service independently reports to the Chief Executive and to the Corporate Governance Committee.
- 2.3 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.
- 2.4 The Code requires the head of audit to present an audit strategy to members, setting out in a high-level statement how audit services will be delivered and developed, including resources and skill requirements.
- 2.5 The audit plan covers the full range of audit activities and council services, and was prepared following full consultation with service directors.
- 2.6 An annual report, providing details of the audit work carried out in financial year 2004/2005, and including an opinion on the adequacy and effectiveness of the systems of internal control, will be submitted to the June meeting of the Corporate Governance Committee.
- 2.7 A copy of the 2005/2006 Audit Plan will be given to the Council's External Auditors, with whom there will be consultation to ensure complementary areas of activity.

### **3. AUDIT STRATEGY**

- 3.1 At the heart of the audit strategy is a rolling maintenance of the universe of auditable control systems, and a rigorous risk assessment methodology for prioritising assignments within the audit universe.
- 3.2 The risk assessment model uses traditional auditing factors such as materiality, inherent risk and experience, and other influences such as corporate and environmental factors including client perceptions, systems developments and regulatory changes.
- 3.3 The risk assessment model has been applied to the systems in the audit universe and the auditable systems have been split into one of four classifications; core, high, medium and low risk.
- 3.4 Annual audit coverage will include a mix of all four risk classifications, and the audit approach will involve visiting core systems annually, high risk systems every three years, and medium and low risk systems sampled over a three year period.
- 3.5 Specialist audit areas such as computer audit and contract audit will be covered annually, as will performance indicators, performance studies and stores. Contingencies will be made for reactive work in special investigations and audit advisory services.
- 3.6 Major audit work will be routinely followed-up to test implementation of agreed action plans.
- 3.7 Risk management is a fundamental component of good corporate governance and effective arrangements will support more effective decision taking and better use of limited resources. Audit will draw on the council's corporate and departmental risk management processes to inform the audit planning process.

### **4. AUDIT PLAN 2005/06**

#### **4.1 AUDIT NEEDS ASSESSMENT AND RESOURCES**

- 4.1.1 The audit establishment has 6.6 full-time equivalent audit staff, including 4 CCAB (Consultative Committee of Accountancy Bodies) qualified. The section is currently at full strength, with a skill mix capable of providing the full range of audit services.
- 4.1.2 A comparison of resources available to resource needs shows that there are sufficient audit resources to deliver audit coverage in line with the strategy set out above.

## 4.2 ALLOCATION OF AUDIT TIME

- 4.2.1 There are 1080 audit days available to allocate across the range of audit activities and council services in 2005/06 audit year. Specific audit assignments have been identified for audit attention following consultation with service directors.
- 4.2.2 Every effort has been made to ensure that the plan contains realistic targets, and that planned activities will be completed within the audit year.
- 4.2.3 A systems-based approach is employed which is designed to raise awareness of control objectives and associated risk.
- 4.2.4 The 2005/2006 Audit Plan activity analysis is detailed below:

ACTIVITY ANALYSIS	PLAN DAYS 2005/06
<b>Systems Review:</b> Review of the financial and managerial controls exercised within particular systems areas, including follow-up of agreed action plans.	540
<b>Computer Audit:</b> Review of existing and proposed computer facilities in order to ensure adequate controls exist with regard to procedures and security of systems.	100
<b>Contract Audit:</b> Review of contract procedures, taking account of internal controls, and compliance with the Council's Standing Orders.	80
<b>Audit Advisory Services:</b> Advice given to departments as a result of specific enquires.	40
<b>Stocks &amp; Inventories:</b> Stores visits and year end stocktaking and inventory checks.	30
<b>Special Investigations Contingency:</b> Contingency to cover possible defalcations and irregularities.	150
<b>Performance Indicators:</b> Review of statutory and non statutory performance indicators.	40
<b>Performance Studies:</b> Performance reviews and value for money studies.	100
<b>Total Available Days</b>	<b>1080</b>

- 4.2.5 The following are illustrations of the audit assignments planned for 2005/06:

- |                                  |                                 |
|----------------------------------|---------------------------------|
| (a) bank reconciliations         | (f) planning & building control |
| (b) payroll: expenses & payments | (g) footwear & clothing grants  |
| (c) authorised signatories       | (h) housing allocations         |
| (d) e-payment controls           | (i) risk management             |
| (e) internet & email controls    | (j) public private partnership  |

- 4.2.6 Two performance studies are proposed for this audit year. The topics proposed are energy efficiency and recycling.

### 4.3 SERVICE ANALYSIS

4.3.1 An annual service plan will be provided to each audit client, setting out details of service provision and standards.

4.3.2 The 2005/06 Audit Plan service analysis is detailed below:

<b>SERVICE ANALYSIS</b>	
	<b>DAYS</b>
CORPORATE SUPPORT	370
DEVELOPMENT & PROPERTY SERVICES	160
EDUCATIONAL & SOCIAL SERVICES	250
NEIGHBOURHOOD SERVICES	200
PERFORMANCE STUDIES	100
<b>TOTAL AVAILABLE DAYS</b>	<b>1080</b>

### 5 POLICY/LEGAL/FINANCIAL IMPLICATIONS

5.1 None from this report.

### 6 RECOMMENDATIONS

6.1 Members are asked to note the contents of the Audit Plan 2005/06.

Colin Houston  
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### LIST OF BACKGROUND PAPERS

None

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