

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE 5 APRIL 2001

INTERNAL AUDIT PLAN 2001/2002

Report by the Chief Auditor

1. PURPOSE OF REPORT

- 1.1 To submit to members details of the 2001/2002 Internal Audit Plan.

2. BACKGROUND

- 2.1 A detailed audit plan is prepared for each financial year covering the full range of audit activities and council services.
- 2.2 Internal Audit reporting procedures require annual audit plans to be presented to the Policy and Resources Committee at the beginning of each financial year
- 2.3 The 2001/2002 Audit Plan has been agreed with the Chief Executive and was prepared following full consultation with service directors.
- 2.4 An annual report, providing details of the audit work carried out in financial year 2000/2001, will be submitted to the Policy and Resources Committee in due course as is usual.

3. AUDIT PLAN 2001/2002

3.1 ALLOCATION OF AUDIT TIME

- 3.1.1 There are 1050 audit days available to allocate across the range of audit activities and council services. The number of days allocated to specific audit assignments has been agreed with service directors.
- 3.1.2 The plan takes account of work carried out in previous years and follow up work on audit recommendations.
- 3.1.3 Every effort has been made to ensure that the plan contains realistic targets and that planned activities will be completed within the audit year.
- 3.1.4 Audit objectives include assisting the Council secure economy, efficiency and effectiveness and best value in the use of resources.
- 3.1.5 A copy of the Audit Plan 2001/2002 will be given to the Council's External Auditors with whom there has been consultation to ensure complementary areas of activity.

3.2 ACTIVITY ANALYSIS

- 3.2.1 In meeting its declared objectives Internal Audit provide a range of services to clients designed to add value to the areas examined. These include systems reviews, computer audits, location audits and defalcation investigations
- 3.2.2 Internal Audit aim to provide a professional, quality service which will offer sound practical advice to clients in a positive and constructive manner. This will be done exercising due care and by applying professionally recognised auditing standards.
- 3.2.3 Internal Audit work is both proactive and reactive, for example, contingencies have been built into the audit plan to investigate and provide audit advice on request in relation to any issues which might arise at short notice.
- 3.2.4 A systems based approach is employed which is designed to ensure the security of key financial systems.
- 3.2.5 The 2001/2002 Audit Plan activity analysis is detailed below:

| ACTIVITY ANALYSIS | PLAN DAYS 2001/2002 |
|--|--------------------------------|
| <i>Systems Review:</i> Review of the internal financial and managerial controls exercised within Particular systems areas. | 410 |
| <i>Computer Audit:</i> Review of existing and proposed computer facilities in order to ensure that adequate controls exist with regard to procedures and security of systems. | 90 |
| <i>Contract Audit:</i> Review of specific contracts taking into account control exercised throughout contracts and compliance with the Council's Standing Orders regarding contracts. | 60 |
| <i>Audit Advisory Services:</i> Advice given to departments as a result of specific enquiries. | 50 |
| <i>Probity Audits:</i> In-depth specialised enquiries designed to reveal any anomalies or irregularities. | 30 |
| <i>Location Audits:</i> Visits to establishments and review of particular areas of work pre-planned on a cyclical basis. | 30 |
| <i>Stocks & Inventories:</i> Stores visits and year end stocktaking checks | 30 |
| <i>Special Investigations:</i> Defalcations and irregularities. | 180 |
| <i>Performance Indicators:</i> Review of statutory and non statutory performance indicators. | 70 |
| <i>Value for Money:</i> The study of particular areas of work with a view to reporting on the cost benefit of those areas. | 100 |
| Total Available Days | 1050 |

3.2.6 The following are illustrations of the audit assignments planned for 2001/2002:

- | | |
|------------------------|---------------------------------|
| (a) Non domestic rates | (e) Contract payments |
| (b) Housing rents | (f) Information technology |
| (c) Income control | (g) Performance indicators |
| (d) Payroll | (h) Financial management system |

3.3 SERVICE ANALYSIS

3.3.1 A service level agreement will be established with each audit client, setting out details of service provision and standards.

3.3.2 In 2001/2002 Internal Audit will continue to devote resources to potentially high risk areas including Business Units, cash handling and core financial systems.

3.3.3 The 2001/2002 Audit Plan service analysis is detailed below:

| SERVICE ANALYSIS | |
|-------------------------------|-------------|
| CORPORATE RESOURCES | 130 |
| FINANCE | 310 |
| COMMUNITY SERVICES | 110 |
| DEVELOPMENT SERVICES | 140 |
| EDUCATIONAL & SOCIAL SERVICES | 200 |
| HOMES & TECHNICAL SERVICES | 160 |
| TOTAL AVAILABLE DAYS | 1050 |

4. POLICY/LEGAL/FINANCIAL IMPLICATIONS .

4.1 None from this report.

5. RECOMMENDATIONS

5.1 Members are asked to note the contents of the Annual Audit Plan 2001/2002.

Colin Houston
Chief Auditor

LIST OF BACKGROUND PAPERS

None

AGENDA