

**EAST AYRSHIRE COUNCIL**

**POLICY AND RESOURCES COMMITTEE 18 APRIL 2002**

**INTERNAL AUDIT PLAN 2002/2003**

**Report by the Chief Auditor**

**1. PURPOSE OF REPORT**

- 1.1 To submit to members details of the 2002/2003 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 2002/2003 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 2001/2002, will be submitted to the Policy and Resources Committee in due course as is usual.

**3. AUDIT PLAN 2002/2003**

**3.1 ALLOCATION OF AUDIT TIME**

- 3.1.1 There are 1120 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 Every effort has been made to ensure that the plan contains realistic targets and that planned activities will be completed within the audit year.
- 3.1.3 Internal Audit will undertake systematic follow-up of all major audit assignments.
- 3.1.4 Audit objectives include assisting the Council discharge its corporate governance requirements.
- 3.1.5 A copy of the 2002/2003 Audit Plan 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 2002/2003 Audit Plan activity analysis is detailed below:

ACTIVITY ANALYSIS	PLAN DAYS 2002/2003
<b>Systems Review :</b> Review of the internal financial and managerial controls exercised within particular systems areas.	470
<b>Computer Audit :</b> Review of existing and proposed computer facilities in order to ensure that 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 relating to contracts.	60
<b>Audit Advisory Services :</b> Advice given to departments as a result of specific enquires.	50
<b>Probity Audits :</b> In-depth specialised enquiries designed to reveal any anomalies or irregularities.	30
<b>Location Audits :</b> Visits to establishments and review of particular areas of work pre-planned on a cyclical basis.	50
<b>Stocks &amp; Inventories :</b> Stores visits and year end stocktaking and inventory checks.	20
<b>Special Investigations contingency :</b> Contingency to cover possible defalcations and irregularities.	180
<b>Performance Indicators:</b> Review of statutory and non statutory performance indicators.	60
<b>Value for Money :</b> The study of particular areas of work with a view to reporting on the cost benefit of those areas.	100
<b>Total Available Days</b>	<b>1120</b>

3.2.6 The following are illustrations of the audit assignments planned for 2002/2003:

- |                      |                            |
|----------------------|----------------------------|
| (a) Council Tax      | (e) Vehicle & plant hire   |
| (b) Treasury         | (f) Contract procurement   |
| (c) Payroll          | (g) Information technology |
| (d) External funding | (h) Performance indicators |

### 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 2002/2003 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 2002/2003 Audit Plan service analysis is detailed below:

SERVICE ANALYSIS	
	DAYS
CORPORATE RESOURCES	150
FINANCE	290
COMMUNITY SERVICES	100
DEVELOPMENT SERVICES	135
EDUCATIONAL & SOCIAL SERVICES	245
HOMES & TECHNICAL SERVICES	200
<b>TOTAL AVAILABLE DAYS</b>	<b>1120</b>

### 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 2002/2003.

Colin Houston  
Chief Auditor

### LIST OF BACKGROUND PAPERS

None

**AGENDA**