

**EAST AYRSHIRE COUNCIL**

**POLICY AND RESOURCES COMMITTEE 12 JUNE 2003**

**INTERNAL AUDIT PLAN 2003/2004**

**Report by the Chief Auditor**

**1. PURPOSE OF REPORT**

- 1.1 To submit to members details of the 2003/2004 Internal Audit Plan.

**2. BACKGROUND**

- 2.1 The audit plan is an annual document which informs members and management of internal audit responsibilities, and how these plan to be discharged.
- 2.2 The audit plan covers the full range of audit activities and council services, and was prepared following full consultation with service directors.
- 2.3 An annual report, providing details of the audit work carried out in financial year 2002/2003, and including an opinion on the adequacy and effectiveness of the systems of internal control, will be submitted to the June meeting of the Policy and Resources Committee.

**3. AUDIT PLAN 2003/2004**

**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 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 to check progress on implementation of agreed action plans.
- 3.1.4 Audit objectives include assisting the Council discharge its corporate governance requirements.
- 3.1.5 A copy of the 2003/2004 Audit Plan will be given to the Council's External Auditors, with whom there will be 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, contract audits, location audits, value for money studies and defalcation investigations.
- 3.2.2 Internal Audit aim to provide an effective audit 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 The two value for money studies proposed for this year include a review of photocopying arrangements throughout the Council, and an examination of e-government opportunities for maintaining the standing list of approved contractors.
- 3.2.5 The 2003/2004 Audit Plan activity analysis is detailed below:

| ACTIVITY ANALYSIS   | PLAN DAYS<br>2003/2004 |
|---|------------------------|
| <b>Systems Review:</b><br>Review of the financial and managerial controls exercised within particular systems areas, including follow-up of agreed action plans.            | 430                    |
| <b>Computer Audit:</b><br>Review of existing and proposed computer facilities in order to ensure adequate controls exist with regard to procedures and security of systems. | 120                    |
| <b>Contract Audit:</b><br>Review of contract procedures, taking account of internal controls, and compliance with the Council's Standing Orders.                            | 80                     |
| <b>Audit Advisory Services:</b><br>Advice given to departments as a result of specific enquires.  | 60                     |
| <b>Location Audits:</b><br>Audit visits to establishments, and testing of systems and procedures, including cash counts where appropriate.                                  | 55                     |
| <b>Stocks &amp; Inventories:</b><br>Stores visits and year end stocktaking and inventory checks.  | 25                     |
| <b>Special Investigations Contingency:</b><br>Contingency to cover possible defalcations and irregularities.  | 150                    |
| <b>Performance Indicators:</b><br>Review of statutory and non statutory performance indicators.   | 50                     |
| <b>Value for Money:</b><br>The study of particular areas of work with a view to reporting on the cost benefit of those areas.   | 80                     |
| <b>Total Available Days</b>   | <b>1050</b>            |

3.2.6 The following are illustrations of the audit assignments planned for 2003/2004:

- |                       |                            |
|-----------------------|----------------------------|
| (a) Creditor payments | (e) Leisure income         |
| (b) Debtors           | (f) Plant Hires            |
| (c) Benefits          | (g) Information technology |
| (d) Community Care    | (h) Performance indicators |

### 3.3 SERVICE ANALYSIS

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

3.3.2 In 2003/2004 Internal Audit will continue to devote resources to potentially high risk areas, including core financial systems.

3.3.3 The 2003/2004 Audit Plan service analysis is detailed below:

| SERVICE ANALYSIS              |             |
|-------------------------------|-------------|
|                               | DAYS        |
| CORPORATE RESOURCES           | 190         |
| FINANCE                       | 260         |
| COMMUNITY SERVICES            | 100         |
| DEVELOPMENT SERVICES          | 130         |
| EDUCATIONAL & SOCIAL SERVICES | 180         |
| HOMES & TECHNICAL SERVICES    | 190         |
| <b>TOTAL AVAILABLE DAYS</b>   | <b>1050</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 2003/2004.

Colin Houston  
Chief Auditor  
29 May 2003

### LIST OF BACKGROUND PAPERS

None  
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