

ANGUS COUNCIL

AUDIT SUB-COMMITTEE – 15 April 2003

ANNUAL AUDIT PLAN 2003-04

REPORT BY DIRECTOR OF FINANCE

ABSTRACT

This report submits an annual audit plan for 2003-04, together with the update of the audit universe and a comparison of the audit needs to the resources available to take forward the 2003-04 plan.

1. RECOMMENDATIONS

It is recommended that the audit sub-committee:-

- a) Note the update of the audit needs v resources assessment
- b) Notes the impact of the audit of the Local Code of Corporate Governance
- c) Ratifies the 2003-04 internal audit plan

2. INTRODUCTION

Report 159/02 to the Audit Sub-Committee of 29 January 2002 submitted an “audit universe” for the Council which was compared to the audit resource and from which the strategic and annual audit plan for 2002-03 was set.

This report presents the outcomes of the annual update, discusses the impact of the audit of corporate governance and the Local Code and submits an annual audit plan for 2003-04.

3. AUDIT NEEDS/RISK ASSESSMENT

Appendix I presents the updated assessed audit needs of the Council risk-ranked in accordance with the agreed model. This update has taken into account the results of the audit work in 2002-03 where it effects the risk ranking and reflects any additions and deletions.

The material changes are highlighted below:-

- a) The main increase is in relation to time allocations for corporate governance and the audit of the Local Code. Substantial work has been ongoing corporately to develop the procedures and processes to support the local code, including a robust system of internal audit
- b) A number of other significant areas have also been added including Free Personal Care, Joint Futures, Public Pound and Project Management
- c) A number of areas have also either been combined or have had time allocations cut on the basis of either audit work conducted during the year or review by other agencies including Best Value, BACS, Benefits, DSM etc

The net effect of the above movements, in broad terms, is neutral in relation to the total time allocated over the audit universe. However, the risk profile of the additional areas have, when the universe is converted into annualised audit days, resulted in an increase of around 50 days per annum.

4. NEEDS v RESOURCES AND THE AUDIT ESTABLISHMENT

Appendix II provides a comparison of the critical and high risk audit needs identified in 3 above, to the actual audit resource available - an establishment of approximately 6 FTE staff, not including the proportion of the Audit Manager's time. An element of slippage has been build into the available time to take account of ongoing audit vacancies.

The overall resources shortfall to take forward the full programme including the medium and low risk areas remains the same as last year and therefore the focus in 2003-04 will be on the critical and high risk areas.

The results of Appendix II show that the section can take forward the revised critical and high risk areas if there is no time allocated to the support of best value/corporate cross cutting reviews. This appendix also shows a shortfall in relation to computer audit. However, this is being addressed as an ongoing exercise where current staff are being skilled up through the already agreed computer audit training plan and through joint reviews with external audit. It is envisaged that as the skills base increases computer audit will become more integrated within the mainstream audit reviews.

5. THE STRATEGIC AUDIT PLAN

Report 565/01 outlined the concept of a high level strategic plan which would form an indicative framework for the annual plans which would, in turn, be formed from the detail of the audit universe. A strategic plan based on a number of audit days to take forward the majority of the critical and high risk audit areas is shown below.

Areas	Audit Days	Audit Days
	2003-04	2002-03
Critical Risk Areas	335	405
High Risk Areas	605	475
Medium Risk Areas	0	50
	940	930
Follow Up Audits	50	50
BV VFM	0	85
	990	1065
Contingency	95	100
Benefits Fraud Management	40	45
Tayside Joint Police Board	25	20
Non Chargeable Items (including training)	157	155
Total Audit Days per Annum	1307	1385

The reduction in total audit days per annum represents the part-time Audit Assistant post where there have been recruitment difficulties. The use of this part time post will be considered within the overall review of the section staffing which is to take place over the next few months. For the purposes of audit planning, it has been assumed this part-time post will not represent an audit resource for 2003-04.

6. THE ANNUAL AUDIT PLAN

Appendix III presents an annual audit plan for 2003/04. This deals solely with critical and high risk areas and has been developed from the strategic plan and the detail of the audit needs assessment discussed in section 3.

7. CORPORATE GOVERNANCE

The Council adopted a local code of corporate governance (report 620/02 to Angus Council on 23 May 2002 refers) which covers the areas of community focus; service delivery arrangements; structures and processes; risk management and internal control and standards of conduct. As a part of the Code, the authority's Chief Internal Auditor will be required to provide an annual statement on compliance and efficiency and effectiveness of the whole local code. This requirement widens the scope of internal audit. The first year for which an assurance statement is required is in relation to the 2002-03 accounts and, while work has been ongoing in preparation during this year, a substantial amount of the work will fall into the early part of 2003-04. Time allocations within the plan for this area have been substantially increased, at the expense of support work provided by Internal Audit in relation to Best Value cross-cutting reviews. This first year will provide a learning experience which will inform a further assessment of audit needs in relation to corporate governance into the future.

9. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

10. HUMAN RIGHTS IMPLICATIONS

There are no Human Rights implications arising from this report.

11. CONSULTATION

The Chief Executive and Director of Law and Administration have been consulted in the preparation of this report.

12. CONCLUSIONS

David S Sawers
Director of Finance

NOTE: No background papers, as defined by Sections 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing this report.

JW 10/3/03