

## **Report to the Audit and Governance Committee**



**Report reference:** **AGC-027-2011/12**  
**Date of meeting:** **5 April 2012**

**Epping Forest  
District Council**

**Portfolio:** Finance and Economic Development  
**Subject:** Draft Internal Audit Plan 2012/13  
**Responsible Officer:** Brian Bassington (01992 564446).  
**Democratic Services Officer:** Gary Woodhall (01992 564470).

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### **Decisions Required:**

- (1) That the Internal Audit Plan for 2012/13 be approved.**

### **Executive Summary:**

The Audit and Governance Committee is responsible for the approval of the annual Internal Audit plan, following consultation with the Finance and Performance Management Cabinet Committee.

Following consultation with Service Directors, the Corporate Governance Group and the External Auditors (PKF) the 2012/13 audit plan was presented to the Finance and Performance Management Cabinet Committee on 19th March. That Committee considered the plan but no specific issues were raised.

### **Reasons for Proposed Decision:**

To approve the Council's Annual Internal Audit Plan as required in the Audit and Governance Committee Terms of Reference.

### **Other Options for Action:**

None.

### **Report:**

- The Annual Audit Plan 2012/13 (appendix 1) is submitted to the Audit and Governance Committee for approval. Once approved, the Annual Audit Plan will be appended to the Office of the Chief Executive Business Plan.
- In compiling the plan, all fundamental financial systems are included, to provide Management and Member assurance in the controls in place for good financial management. The annual audit of these systems is also a requirement of the Council's External Auditors (PKF) and the draft plan is submitted to them for comment.
- The Corporate Risk Register was reviewed and time allocated for review of any high risk financial areas. The Annual Audit Plan contains the risk identifier to ensure that risks highlighted by the Audit Commission, the External Auditors and the Corporate Risk Register

are allocated audit time.

4. The plan contains a contingency provision for investigations and other unplanned work during the year. There is also flexibility in the Plan so that audits can be substituted during the year in order to accommodate reviews of areas that are assessed as being of higher risk to the achievement of the Council's objectives.

5. Staffing of the plan is based on an establishment of 4.3 (FTE's). Throughout the last year members have been kept informed of the long term sickness of the part time member of staff which has resulted in the position becoming vacant during March due to resignation. The Audit Commission publication Protecting the Public Purse 2011 identified areas of local government responsibility that are subject to fraudulent activity and new areas that are becoming targets for fraud. To address this concern the area of responsibility of the part time post will be directed towards fraud prevention and detection and audit time has been allocated in the annual plan for this purpose.

6. In the last year audit staff have attended training courses in current audit methodologies and ICT audit techniques including specialist audit software for which the Council has a licence, which it is planned will enable a greater level of testing of data and will also include fraud prevention and detection. Areas of ICT audit, such as access controls and data quality are now included within each systems audit rather than being carried out as individual audits.

7. Regular meetings are being held with the Chief Auditors of Uttlesford, Harlow and Broxbourne Councils to identify and share best practice and expertise. Time is allocated in the plan for a joint review of procurement which will identify the best way forward for future joint projects and to identify and share best practice, findings and recommendations.

8. Progress against the approved Plan is kept under review during the year and any proposed amendments, once the Plan has been approved, would be subject to the approval of the Audit and Governance Committee, who will continue to monitor progress against the plan on a quarterly basis.

**Resource Implications:**

No specific implications.

**Legal and Governance Implications:**

No specific implications.

**Safer, Cleaner and Greener Implications:**

No specific implications.

**Consultation Undertaken:**

Finance and Performance Management Cabinet Committee, Corporate Governance Group, PKF and Service Directors.

**Background Papers:**

CIPFA Internal Audit Code of Practice, Audit reports, files and Corporate Risk Register.

## Impact Assessments:

### Risk Management

The preparation of a risk based audit plan, as part of the audit strategy, is a key part of the Council's governance arrangements. In approving the annual programme of audits, the Audit and Governance Committee, in conjunction with the Finance and Performance Management Cabinet Committee, should be assured that there is sufficient and appropriate coverage to address any risks to the achievement of the Council's objectives.

### Equality and Diversity

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* N/A

*What equality implications were identified through the Equality Impact Assessment process?*  
There are no equalities impacts.

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
N/A.

## Appendix 1

### AUDIT PLAN 2012/13

<b>Audit area</b>	<b>Audit type</b>	<b>Days allocated</b>	<b>Completed</b>	<b>Risk Identifier</b>
<b>FINANCE AND ICT</b>				
<b>Finance</b>				
Bank Reconciliation	system/follow up	15		PKF
Sundry Debtors	system/follow up	20		PKF
Creditors	system/follow up	20		PKF
Treasury Management	system/follow up	15		PKF/R26
Budgetary Control (capital and revenue)	system/follow up	10		PKF
Risk Management and Insurance	system/follow up	15		PKF
Main Accounting and Financial Ledger	system/follow up	15		PKF
Housing Benefits	system/follow up	25		PKF
Council Tax	system/follow up	25		PKF/R27/AC
National Non Domestic Rates	system/follow up	15		PKF/R27
Cash receipting and Income control	system/follow up	15		PKF
Provision for 'top up' testing	systems	25		PKF
Cash Office spot checks	verification	5		PKF
<b>ICT</b>				
Environmental controls/backup procedures	IT	10		PKF
Disaster recovery/business continuity	IT	10		PKF/R8
<b>TOTAL</b>		<b>240</b>		
<b>PLANNING AND ECONOMIC DEVELOPMENT</b>				
Planning Fees	System	20		R27
Building Control	follow up	5		R27
<b>TOTAL</b>		<b>25</b>		
<b>ENVIRONMENT AND STREET SCENE</b>				
Waste Management and Recycling	follow up	20		R20
Car Parking	system	20		R27
North Weald airfield	establishment	15		R27
Leisure contract	contract	15		R20
<b>TOTAL</b>		<b>70</b>		
<b>OFFICE OF THE CHIEF EXECUTIVE</b>				
Members Services		10		R
<b>TOTAL</b>		<b>10</b>		

<b>HOUSING</b>				
Housing Rent Collection and Arrears	system/follow up	25		PKF/R27
Housing Lettings	follow up	5		AC
Housing Repairs Service	system/follow up	15		
Housing Contracts	system	15		
Stores - Depot stock take	stocktake	5		R23
<b>TOTAL</b>		<b>65</b>		
<b>CORPORATE SUPPORT SERVICES</b>				
<b>Human Resources</b>				
Payroll	System/follow up	25		PKF
Recruitment and Selection	Follow up	5		AC
Management of Sickness absence	Follow up	5		R15
Overtime and Committee Allowances	verification	10		R
Car Mileage claims	verification	10		R
<b>Estates/Facilities Management/Other</b>				
Commercial Property portfolio	system/follow up	20		R9
Licensing	system	15		R27
Fleet Operations income	system	5		R27
<b>Legal</b>				
Debt recovery	system	15		R27
<b>TOTAL</b>		<b>110</b>		
<b>MISCELLANEOUS</b>				
Key and Local Performance Indicators	verification	15		R
Business Plans	verification	10		R
<b>FRAUD PREVENTION &amp; DETECTION</b>				
Contracts	fraud	15		AC/R20
Procurement	fraud	15		AC/R2
Council Tax Discounts	fraud	15		AC/R23
National Fraud Initiative (NFI)	fraud	15		R23
Data matching and analysis (IDEA software)	fraud	25		AC
<b>CORPORATE</b>				
Corporate Procurement	system/follow up	15		AC/R2
Property Management System - Asset Register	system	5		PKF
Gifts and Hospitality (Members & Officers)	system/follow up	10		R
Data Protection Act	system	5		R18
Follow up of Priority 1 Audit recommendations	follow up	10		R23
Governance Statement	management review	5		AC/PKF
<b>TOTAL</b>		<b>160</b>		

<b>TOTAL DAYS ALLOCATED</b>		<b>680</b>		
Contingency/Spot checks/Minor investigations		<b>40</b>		R23
Corporate/Service Advice		<b>55</b>		
<b>TOTAL</b>		<b>775</b>		

**Risk Identifier**

- Key**
- AC                    Audit Commission
  - PKF                  External Audit
  - R no.                Risk No. in Corporate Register
  - R                     Reputation of Council