



## Report to the Audit and Governance Committee

**Date of meeting: 24 November 2008**

**Subject: Internal Audit Monitoring Report - July to September 2008**

**Responsible Officer: Joe Akerman (01992 564446).**

**Democratic Services: Gary Woodhall (01992 564470).**

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1. The Committee is requested to note the following issues arising from the Internal Audit Team's second quarter monitoring report for 2008/09:
  - (a) The reports issued between July and September 2008 and significant findings (Appendix 1);
  - (b) The Priority 1 Actions Status Report (Appendix 2)
  - (c) The Audit follow up status report (Appendix 3);
  - (d) The Work Plan October - December 2008 (Appendix 4);
  - (e) The 2008/09 Audit Plan status report (Appendix 5); and
  - (f) The Governance Statement 2007/08 Action Plan (Appendix 6)
2. The Committee is also requested to confirm that it is satisfied with the effectiveness of the work of Internal Audit in the second quarter 2008/09.

### Summary

1. This report provides a summary of the work undertaken by the Internal Audit Unit between July and September 2008, and details the overall performance to date against the Audit Plan for 2008/09. The report also contains the Internal Audit work plan for the third quarter 2008/09 and a status report on previous audit recommendations.

2. Resources Available:	<b>6 months Apr-Sept 08</b>	<b>12 months Est. Apr 08- Mar 09</b>
<b>Number of days required to meet the audit plan</b>	<b><u>450</u><sup>1</sup></b>	<b><u>900</u><sup>1</sup></b>
Number of days available based on staff in post	607	1225
Less statutory and annual leave	(84)	(142)
Sick leave / hospital appointments	(15)	(40)
Training	(4)	(32)
Planning, supervision, management and non-chargeable	<u>(79)</u>	<u>(156)</u>
Available audit days	425	855
Add Bought in Days	22	45
<b>Total Audit Days</b>	<b><u>447</u></b>	<b><u>900</u></b>

Note<sup>1</sup> audit days available if full establishment achieved

### **Current Staffing Position**

3. The Unit had an establishment of 4.8 full time equivalent (fte) posts in the first two quarters of 2008/09 compared to 5 fte in the equivalent period last year. This follows changes in working hours for two members of staff reported previously. There is provision for an agency budget of £16,830 in 2008/09 to provide some flexibility to meet the cost of agency or consultant auditors for specific pieces of work. Part of this resource was used in the second quarter to engage an agency IT auditor to undertake audits of network and data security that will be published and reported in the third quarter.
4. Sickness during the second quarter 2008/09 amounted to 4 days, compared to 10, 8, and 23 respectively in the preceding three quarters. The average level of sickness per member of staff over the last 12 months has been approximately 9 days and continues to move in the right direction, with the average being 3 days per person over the last six months. Sickness continues to be monitored and managed in accordance with the Council's management of absence policy with ongoing advice and support from Human Resources.

### **Work carried out in the period**

5. The audit reports issued in the second quarter are listed in paragraph 10 below. The audit opinions and main conclusions flowing from these reports are attached at Appendix 1. A control assurance rating on a four point scale *substantial, satisfactory, limited, none* is assigned to each audit in support of the audit opinion on the Service area covered. The agreed priority one actions from these reports are detailed at Appendix 2 and are being reviewed nearer to the implementation date, rather than awaiting a later follow up audit, to ensure that appropriate and timely action is being taken. Those items marked as "completed", are removed from the schedule in order to focus attention at subsequent meetings on those issues remaining to be dealt with by service management. The schedule draws attention to earlier 'limited assurance' audits.
6. A number of systems audits and follow up reviews were carried out across a range of Services in the second quarter, including the further review of service hospitality registers reported to the last meeting of this Committee. The measures now in place should significantly reduce the risk of inappropriate hospitality being approved in the future.
7. The Audit Team has also provided support to management on a number of corporate issues and has performed a range of tasks including standing membership of project teams. Topic areas included the External Funding Group and Review of Financial Regulations Group. In relation to the latter, the Executive Summary Guide to the Council's Financial Regulations was revised during the period, and is available on the intranet for reference by all staff.
8. Supervision and management time has included the normal management and review functions undertaken by the Chief Internal Auditor, who has also been involved in the corporate activities referred to in the previous paragraphs.
9. The time taken on investigation work during this quarter amounted to 3 days and related primarily to the further review of gifts and hospitality referred to above. A small amount of investigative work is also carried out occasionally in the course of systems audits and where this occurs is included in the reported time spent on that particular audit.

## Reports Issued and Significant Observations

10. The following audit reports were issued in the second quarter:

### Investigation

Gifts and Hospitality 2<sup>nd</sup> follow up (reported to last meeting)

### Substantial Assurance

Housing Benefits data processing

### Satisfactory Assurance

Key/Local Performance Indicators  
External funding (Community and Culture)  
National Non-domestic Rates (NNDR)  
North Weald Airfield follow up  
District Museum follow up

### Limited Assurance

Bank Reconciliation  
Waltham Abbey Sports Centre  
External Funding (Planning and Economic Development) and Planning Delivery Grant  
Car Parking  
Verification of IT system audit logs

### No Assurance

None

Audits of IT data and network security, partnership governance, and cash receipting were substantially complete at 30 September 2008, but had not reached final draft stage and are not included in the performance figures in paragraph 18.

11. The reports submitted to Directorate management identified a number of recommendations for improvement across Services, including a need to address weaknesses in supervisory checking and income reconciliation, and the need to apply fully the Authority's governance arrangements for the administration of externally funded projects. It was also reported that equal priority should be given to the reconciliation of all of the Council's bank accounts.

The key findings from the 'limited assurance' audits in quarter 2 are outlined below:

### **Bank Reconciliation**

There are generally satisfactory procedures, but a risk that errors may go undetected exists, as two minor bank accounts are not being reconciled. Furthermore, one minor reconciliation was incorrect as the opening balance on the reconciliation statement did not agree to the brought forward balance on the general ledger.

### Outcome

All accounts will be given the same level of priority in terms of supervisory checking and the regularity of reconciliations

### **Waltham Abbey Sports Centre**

*There were several examples where petty cash was not administered in accordance with financial guidelines. There were also a number of errors in completing invoicing documentation. Some overtime claims were not properly authorised.*

### Outcome

A senior officer who is not involved in the cash up and reconciliation of income is now countersigning weekly cash summaries. In addition the current practice for petty cash

expenditure has been reviewed to ensure compliance with the guideline limit for individual transactions, currently £25.

### **External Funding and Planning Delivery Grant**

*The spending of the grant received was not always adequately controlled, monitoring was not effective and records maintained have not represented a full audit trail.*

#### Outcome

The Planning and Economic Development Directorate will review its approach to the identification and pursuit of external funding opportunities. Arrangements for the administration and financial monitoring of externally funded projects will be strengthened where necessary.

### **Car Parking**

*The separation of duties between cash collection and income reconciliation in relation to the Penalty Charge Notices and permits cannot be adequately demonstrated. Furthermore there are no supervisory or independent checks of income collected.*

#### Outcome

The EFDC Parking Manager will ensure that the contractor is carrying out regular supervisory checks of the cash collection procedures, and in addition will carry out his own random independent spot checks.

### **IT System Logs**

*Adequate audit / management trails or history logs exist of all transactions within the Council's systems. However, controls should be put in place to enable attempted accesses to be identified and logged for investigation.*

#### Outcome

The Authority's corporate security standards will be reviewed and formally re-issued to the systems administrators. Access violation logs will be created through either existing network and firewall controls or specialist software.

### **External Audit Action Plan status reports**

12. The Committee, being "charged with governance", has monitored the action plan arising from the work undertaken by the Audit Commission (the former External Auditor) in reviewing the Council's financial statements and supporting systems for 2006/07. The one item outstanding relates to the implementation of a more robust fixed asset register that will enable the Council to implement changes in capital accounting. A new asset register is being implemented and initial training has taken place. The system should go live early in 2009.
13. At the last meeting the Committee considered the current External Auditor's report on the results of the systems reviews completed to date in respect of the 2007/08 financial year. The report included an action plan summarising those areas where a need for improvement had been identified in accounting and internal control systems. The officer Corporate Governance Group is monitoring the action plan and none of the agreed actions are currently behind schedule. Any slippage in the completion of the action plan will be reported to future meetings of this Committee.

### **Follow Up of Previous Audits (Appendix 3)**

14. Attached at Appendix 3 is a schedule that monitors the follow up of previous audits as an aid to ensuring timely and adequate follow up both by Internal Audit and Directorate Management. The table is being populated during the year as follow up audits are completed, with specific reference to any failure to comply with priority one recommendations. The schedule draws attention to earlier 'limited assurance' audits.

### Three-month work plan (Appendix 4)

15. The work plan for the period October to December 2008 reflects the agreed Audit Plan for 2008/09 agreed at the March meeting. The work plan includes a number of finance systems, where some 'top up' testing will also be required later in the year to verify the existence of robust controls throughout the financial year. The Treasury Management audit has been brought forward slightly at the request of the Director of Finance and ICT in order to assist with the identification of any additional controls in the current financial environment.

### Audit Plan 2008/09 (Appendix 5)

16. The current status of the planned audits in the 2008/09 Audit Plan is set out at Appendix 5. The Council's main financial systems will all be audited during 2008/09, and the Council's External Auditors, PKF (UK) LLP will review the Internal Audit work and report in due course on the reliance that can be placed on it for the purposes of their statutory audit of the Authority's accounts for 2008/09. The Corporate Executive Forum has expressed concern at an increase in sickness levels across the Council in the second quarter of the current year, and has indicated that it may request Internal Audit to review the position, including an analysis of trends in specific service areas.

### Issues arising from Governance Statement 2007/08 (Appendix 6)

17. One of the improvement opportunities identified by the Audit Commission in its report on the 2007 Use of Resources Assessment, is that formal action plans for weaknesses identified in the Annual Governance Statement (AGS) should be approved and all key financial systems should have up to date procedures in place. This Committee noted the Council's AGS for 2007/08 at the meeting in June 2008. The action plan arising from the Statement is attached at Appendix 6 and progress against the targets is being monitored throughout the year.

### Performance Management

18. The Internal Audit Team has local performance indicator targets to meet in 2008/09, as set out below:

	Actual 2006/07	Actual 2007/08	Target 2008/09	Actual Apr-June 2008/09	Actual July-Sept 2008/09	Cumulative Apr-Sept 2008/09
% Planned audits completed	82%	89%	90%	23%	20%	43%
% chargeable "fee" staff time	67%	68%	70%	70%	72%	71%
Average cost per audit day (inc. contractors)	£314	£307	£320	£310	£329	£320
% User satisfaction	83%	81%	83%	86%	78%	82%

The indicators are calculated as follows:

% Planned audits completed...a cumulative calculation is made each quarter based on the approved plan as amended for additional work (eg investigations) during the year.

% Chargeable time...a calculation of 'fee earning' time against attendance time is made each quarter based on reports produced from Internal Audit's time recording system.

Average cost per audit day...the calculation is based on the costs for each quarter divided by the number of fee earning days extracted from the time recording system.

% User satisfaction...a calculation is made each quarter based on returned client surveys for each audit giving a score on a five point scale 0 (poor) – 5 (excellent). The score is backed up by the client's comments on a range of issues related to the audit, including consultation, value added, quality of report and working relationships. The target for 2008/09 is broadly in line with previous years' actual returns.

19. The percentage of planned audits completed is calculated on a cumulative basis so the target for the first half year is around 45%. The actual figure of 42% therefore falls slightly short of the target. The lower percentage achieved in the second quarter is due to seasonal factors, and the figures do not include work in progress on three substantially completed audits referred to in paragraph 10 of this report. The position is expected to recover and the target met by the end of the financial year.
20. The cumulative cost per productive audit day for the first half year was £320 and is in line with the target.

### **Training**

21. During the second quarter the Chief Internal Auditor attended a half day internal course on the implications of the Corporate Manslaughter and Homicide Act 2007. The Senior Auditor attended a one day training course on good practice in integrating governance assurance throughout the organisation, organised by the Maldon District Council. The latter course will be of relevance in developing the Authority's assurance framework to support the Annual Governance Statement.

### **Resource Implications:**

Within the report

### **Legal and Governance Implications:**

Within the report

### **Safer, Cleaner and Greener Implications:**

No specific implications

### **Consultation Undertaken:**

Corporate Executive Forum

### **Background Papers:**

Audit files and working papers

### **Impact Assessments:**

Internal Audit has a primary objective to provide an independent and objective opinion on the adequacy of the Council's control environment, including its governance and risk management arrangements. The audit reports referred to in this monitoring report will assist managers to determine the adequacy and effectiveness of the arrangements in place in their services.

There are no specific equalities impacts.

**Summary of Audits completed during Quarter 2  
July – Sept 2008**

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
Waltham Abbey Sports Centre	Environment and Street Scene	<p><i>Limited Assurance</i> Whilst there are generally sound procedures in place, improvement in their application is required in relation to overtime claim authorisations and use of petty cash.</p>	<p>There were several examples where petty cash was not administered in accordance with financial guidelines. There were also a number of errors in completing invoicing documentation. Some overtime claims were not properly authorised.</p>
External Funding and Planning Delivery Grant	Planning and Economic Development	<p><i>Limited Assurance</i> The systems for external funding within the Planning and Economic Development Directorate need to be reviewed to ensure their compliance with EFDC's policies, financial regulations and contract standing orders. The Directorate should review its approach to the identification and pursuit of external funding opportunities, and increase the awareness of the external funding strategy amongst relevant staff.</p>	<p>The review of systems adopted over the five years that Planning Delivery Grant has been received highlighted some weaknesses. For example, the spending of the grant received was not always adequately controlled, monitoring was not effective and records maintained have not always represented a full audit trail.</p>
IT System Logs	All	<p><i>Limited Assurance</i> Adequate audit / management trails or history logs exist of all transactions within the Council's systems. However, controls should be put in place to enable attempted accesses to be identified and logged for investigation.</p>	<p>The Corporate ICT Security Standards need to be reviewed and updated where the controls are either unavailable or alternative controls may be implemented. Once brought up to date, the standards should be reissued to system administrators.</p>

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
Car Parking	Environment and Street Scene	<p><i>Limited Assurance</i></p> <p>Whilst no material errors were identified from the audit sample, there are weaknesses in the systems reviewed for car parking income collection. The separation of duties between cash collection and income reconciliation in relation to the PCNs and permits cannot be adequately demonstrated. Furthermore there are no supervisory or independent checks of income collected.</p>	<p>The control weaknesses within the system, which could result in loss of income if not addressed with additional monitoring controls.</p> <p>There are no independent checks of the bulk cash collection of pay and display income, which amounts to approximately £25,000 per week. Additional monitoring controls need to be implemented to deter fraud or theft.</p>
Bank Reconciliation	Finance	<p><i>Limited Assurance</i></p> <p>Whilst there are generally satisfactory procedures in place for the completion of bank reconciliations, two minor bank accounts were not being reconciled. Furthermore, one minor reconciliation was incorrect as the opening balance on the reconciliation statement did not agree to the brought forward balance on the general ledger for 2008/09.</p>	<p>Procedures are being applied to the main bank accounts, however some 'minor' accounts should be given the same level of priority in terms of the regularity of reconciliations. There is adequate separation of duties for raising cheques, processing cheques, authorising cheques, and dealing with returned and unrepresented cheques.</p>
Housing Benefits Data Processing	Finance and ICT	<p><i>Substantial Assurance</i></p> <p>The contract is performing as expected and the system in place contains adequate controls to ensure the prompt allocation and processing of documents scanned both by the contractor and in-house.</p>	<p>The system monitors the progress of documents based on performance times that are reviewed by management. Adequate controls are applied over access to the scanned documents and retrieval of documents relating to individual cases. The inclusion of two additional checks recommended will add further assurance to the process.</p>



Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
North Weald Airfield	Environment and Street Scene	<p><i>Satisfactory Assurance</i></p> <p>There are generally sound systems in place and no breaches of Financial Regulations were identified in relation to ordering and invoicing. However closer scrutiny of staffs' time records is required in order to identify errors and eliminate the risk of unauthorised absences.</p>	<p>Improvements have been made and the majority of the recommendations in the previous report have been actioned. Leave and sickness records were verified for one rota period. Two members of staff had taken unauthorised toil in 2007/08 [this was passed to management for further review and leave records were subsequently adjusted]. Levels of overtime should be monitored and reviewed separately from the main salaries budget.</p>
Non-domestic Rates	Finance and ICT	<p><i>Satisfactory Assurance</i></p> <p>A number of controls were identified which, although operating effectively, need to be evidenced to provide confirmation that they are taking place.</p> <p>Controls in relation to reliefs need to be improved to ensure that ratepayers continue to be entitled to any empty property and charitable/discretionary reliefs claimed.</p>	<p>The NDR liability is correctly calculated with reference to the system parameters. Additional checks need to be carried out to ensure that ratepayer's entitlement to reliefs is valid.</p> <p>Monitoring of credit balances and transfers of payments between accounts needs to be improved.</p>
External Funding (Community and Culture)	Community and Culture	<p><i>Satisfactory Assurance</i></p> <p>There has been demonstrable success in obtaining external funding to support the provision of Community and Cultural services within the Authority. The projects reviewed were relevant to the Council's key service objectives.</p>	<p>The procedures for administering externally funded projects within Community and Culture need to be reviewed to ensure that EFDC's financial regulations and contract standing orders are applied in the same way as for mainstream funded activities.</p> <p>A departure from Contract Standing Orders was identified where a framework contract let via the Essex Procurement Hub was not formally authorised by the Portfolio Holder.</p>

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
District Museum Follow up	Community and Culture	<p><i>Satisfactory Assurance</i></p> <p>Improvements to systems of internal control have been made since the previous audit. However staff are still occasionally using their own money to advance fund petty cash and other expenses, in breach of guidelines.</p>	<p>The previous audit provided limited assurance, due to shortcomings in some elements of internal control. For example some valuable items were uninsured at that time and there were other departures from financial regulations. These issues have now been resolved.</p>
Key/Local Performance Indicators	All	<p><i>Satisfactory Assurance</i></p> <p>The majority of indicators have been produced accurately and in line with Council policy and guidelines. However data quality should be addressed in isolated areas (Corporate Support Services, Community &amp; Culture), in order to produce full assurance in this area of the Authority's performance framework.</p>	<p>The control system for the reporting of BVPIs/LPIs is generally sound and sufficient background data is supplied to support the calculations. There are still isolated areas where improved documentation would support the reported figures and enable more efficient verification of the calculations.</p>

## PRIORITY 1 ACTIONS – STATUS AT QUARTER 2 2008/09

(Updates from last meeting in bold type in final column)  
**Reports marked \* denote limited assurance audits**

Report Title	Agreed Action	Responsible Officer	Target Date	Completion Date / Comments
<b>Estate Management</b>	<b>System and Database</b> Consideration should be given to using a single database to capture all property management data. In this event GVA as the main system used in Estate Management, should be updated to include all relevant information to allow the system to be used to its full capacity for property, lease and rent management.	Principal Valuer and Estate Surveyor	Nov 2008	<i>To be reported at a future date</i>
<b>Land Disposals*</b>	<b>Consultants</b> Procedures for the engagement of property consultants should have regard to the requirement to achieve value for money and should take account of the possible effect of variations in land values where this is a factor in determining the fee.	Principal Valuer and Estate Surveyor	Dec 2007	<b>Capping of fees will be considered for future land sales.</b>
<b>Fleet Operations Follow up *</b>	<b>Other Servicing</b> Private work will be reviewed annually to ensure that it falls within the legal criteria.	Workshop Manager	Ongoing	<i>To be reported to a future meeting</i>

Report Title	Agreed Action	Responsible Officer	Target Date	Completion Date / Comments
<b>Fleet Operations Follow up *</b>	<b>Continued Operation</b> The current status of the earlier decision by Members should be clarified in the light of future options for the use or disposal of the site occupied by Fleet Operations.	Director of Corporate Support Services	June 2008 (revised to Sept 2008)	<b>Reported to Cabinet September 08. Resolved that the outcome of a strategic review of the Council's depot facilities be awaited before implementing the previous in principle decision to close Fleet Operations.</b>
<b>Fleet Operations Follow up *</b>	<b>Value for Money</b> The costing and budgetary information supplied by Accountancy should be used as part of a market testing exercise to identify whether value for money is being achieved.	Director of Corporate Support Services	Sept 2008	<b>Cabinet resolved in September 2008 that a detailed report on the current financial situation of Fleet Operations be submitted to Cabinet in advance of the report dealing with the strategic review of the depots.</b>
<b>Fleet Operations Follow up *</b>	<b>Purchasing</b> The implementation of the Marketplace should be considered by the Director of Corporate Support Services if the Service is to continue for the foreseeable future.	Director of Corporate Support Services	Sept 2008	<i>To be reported to a future meeting (see above)</i>
<b>E-mail and internet usage *</b>	<b>Communications Policies declarations</b> The remaining outstanding communications policies declarations will be followed up to ensure that all employees have returned them.	Assistant Director (Human Resources)	July 2008	<b>Approximately 30 returns were outstanding at the time of drafting this report, and are being followed up by HR.</b>

Report Title	Agreed Action	Responsible Officer	Target Date	Completion Date / Comments
<b>Non-Housing Repairs and Maintenance *</b>	<p><b>Marketplace orders</b> A more detailed description of the work should be included on the Marketplace system. Contractors' details will be updated on the marketplace to improve the ordering procedure.</p>	Senior Building Surveyor	July 2008	<p><b>A sample of orders has been reviewed and confirms that the improvements have been made.</b></p> <p><b><u>Implemented</u></b></p>
<b>Facilities Management (Mech. &amp; Elec.) *</b>	<p><b>Official Orders</b> Procedures should be put in place to identify the total value of orders to individual suppliers. Relevant staff should be reminded of the requirements of Contract Standing Orders.</p>	Assistant Director (Facilities Management and Emergency Planning)	July 2008	<p><b>Staff have been reminded of the requirements and an analysis of orders placed is carried out to assist in ensuring compliance. To be reviewed at follow up audit.</b></p> <p><b><u>Implemented</u></b></p>
<b>Building Maintenance Stock take *</b>	<p><b>Stock Control</b> Staff involved in the physical stores processes to be reminded of the need to maintain accurate stock records and take all steps necessary to secure the Council's stock.</p>	Assistant Director of Housing (Property)	Oct 2008	<p><b>The Assistant Director (Property) has commenced random stock checks at the Depot as part of the improvement process. The initial checks suggest that error rates remain at a relatively high level. There is now an ongoing drive to reduce stock levels for less frequently used materials.</b></p>
<b>Business Plans *</b>	<p><b>Timeliness</b> Service Directors will be reminded to submit their business plan on time for the start of the financial year.</p>	Performance Improvement Manager	March 2009	<p><i>To be reported to a future meeting</i></p>

Report Title	Agreed Action	Responsible Officer	Target Date	Completion Date / Comments
<b>Inventory Control *</b>	<p><b>Desirable items</b></p> <p>ICT will ensure that desirable equipment is recorded on the IT equipment inventory, including the location/user details.</p>	Assistant Director of ICT	Sept 2008	All new items are being recorded onto a new IT system...in progress
<b>Travel and Subsistence *</b>	<p><b>Committee allowance and subsistence claims</b></p> <p>Officers who are certifying claims should be reminded to ensure they are authorised to perform the role, and of their responsibility to check all claims thoroughly as part of the certification process.</p>	Assistant Director (Human Resources)	Sept 2008	<p>Requirement notified to all staff in June 2008 HR Update.</p> <p><u>Implemented</u></p>
<b>Grants to Voluntary Organisations *</b>	<p><b>Grant Awards</b></p> <p>Grants should only be awarded to those organisations fulfilling the criteria. All relevant issues with regard to a grant application should be included on the Portfolio Holder Decision Sheet.</p>	Policy and Research Officer	July 2008	<p>The Portfolio Holder decision sheet fully explains the reasons behind the decision to approve, defer or refuse an application when assessed against the Grant Aid Scheme criteria.</p> <p><u>Implemented</u></p>
<b>HR/Payroll Integration *</b>	<p><b>Data Quality</b></p> <p>A one off data cleansing exercise will be carried out to ensure that standing data is accurate and up to date.</p> <p>Procedures will be put in place for data input to be checked on a sample basis by a member of staff other than the person who has input the data.</p>	Assistant Director (Human Resources)	<p>Jan 2009</p> <p>Aug 2008</p>	As the system develops HR are adapting their working processes to take account of the separation of duties and other issues. As part of this process a member of staff will have responsibility for data quality.

Report Title	Agreed Action	Responsible Officer	Target Date	Completion Date / Comments
<b>Use of Consultants Follow up *</b>	<p><b>Compliance</b> Orders placed to engage consultants should comply with Contract Standing Orders pending the formal adoption of new procedures.</p> <p>Management should review these arrangements with a view to recruitment to the vacant posts upon the expiry of the current agency/consultancy agreements.</p>	<p>Service Directors</p> <p>Director of Planning and Economic Development</p>	<p>July 2008</p> <p>Sept 2008</p>	<p><b>Proposals have been submitted to the Constitution and Member Services Standing Scrutiny Panel clarifying the arrangements for engaging consultants, agency staff and temporary staff, and the discretions available to Directors in making these appointments.</b> <b><u>Implemented</u></b></p>
<b>Community and Leisure bookings</b>	<p><b>Independent check of Bookings to Cash received</b> The till reference will be added to the booking register when payment is made, to assist supervisors when reviewing budgeted income variations.</p>	<p>Arts Assistant</p> <p>Sports Development Officer</p>	<p>July 2008</p>	<p><b>Improved controls are now in place.</b> <b><u>Implemented</u></b></p>
<b>Verification of Audit Logs *</b>	<p><b>Access Violation Logs</b> The Assistant Director (ICT) will research the creation of access violation logs through either existing network and firewall controls or specialist software.</p>	<p>Assistant Director of ICT</p>	<p>Dec 2008</p>	<p><i>To be reported to a future meeting</i></p>
<b>Car Parking *</b>	<p><b>Income Reconciliation of Penalty Charge Notices</b> The EFDC Parking Manager should ensure that the income reconciliation sheets are independently checked by Vinci to ensure that the cash collected agrees to the payment report and is correctly recorded on the paying in slip.</p>	<p>Parking Manager</p>	<p>Oct 2008</p>	<p><b>The contractors' staff will reconcile the income sheets. A manager or deputy will check and sign. EFDC Client side will monitor and countersign.</b> <b><u>Implemented</u></b></p>

Report Title	Agreed Action	Responsible Officer	Target Date	Completion Date / Comments
<b>Car Parking *</b>	<p><b>Pay and Display Cash Collection Procedures</b>  The EFDC Parking Manager should ensure that the contractor is carrying out regular supervisory checks of the cash collection procedures and in addition should carry out his own random independent spot checks.</p>	Parking Manager	Oct 2008	<p><b>EFDC parking office representative will carry out weekly and ad-hoc checks of supervisor administration procedures and counter sign collected cash sheets and confirm that they agree with monies banked.</b>  <u>Implemented</u></p>
<b>Waltham Abbey Sports Centre *</b>	<p><b>Income collection and reconciliation</b>  To ensure separation of duties, the weekly cash summary should be countersigned by a Senior Officer who is not involved in the cash up and reconciliation of income.</p>	WASC General Manager	Sept 2008	<p><b>Improved controls evidenced.</b>  <u>Implemented</u></p>
<b>District Museum</b>	<p><b>Petty Cash Claims</b>  Management should ensure that individual claims are countersigned by another officer to ensure separation of duties where the recipient also signs off the main claim.</p>	Museum Officer	Oct 2008	<p><b>Improved separation of duties now in place.</b>  <u>Implemented</u></p>
<b>External Funding (Community and Culture)</b>	<p><b>Document retention</b>  Supporting documentation for all successful and unsuccessful applications should be retained for two years plus the current year, in accordance with the document retention policy.</p>	Assistant Director (Community Services and customer relations)	Ongoing	<p><i>To be reported to a future meeting</i></p>



Report Title	Agreed Action	Responsible Officer	Target Date	Completion Date / Comments
<b>External Funding (Planning and Economic Development) *</b>	<p><b>Identification of External Funding</b> The Planning and Economic Development Directorate should review its approach to the identification and pursuit of external funding opportunities, and increase the awareness of the external funding strategy amongst relevant staff.</p>	Director of Planning and Economic Development	Dec 2008	<i>To be reported to a future meeting</i>
<b>External Funding (Planning and Economic Development) *</b>	<p><b>Documentation and Accounting</b> All new staff on externally funded projects should be issued with a contract of employment within 8 weeks of the start date.</p>	Assistant Director (Human Resources)	Ongoing	<i>To be reported to a future meeting</i>
<b>Bank Reconciliation *</b>	<p><b>Frequency and timeliness of reconciliations</b> The Business Current a/c (Seedbed Centre) and Legal Court Fee accounts will be reconciled on a regular basis. The balance sheet will reflect all bank accounts balances.</p>	Assistant Director (Accountancy)	Nov 2008	<i>To be reported to a future meeting</i>
<b>Bank Reconciliation *</b>	<p><b>Updating the general ledger</b> Journals will be raised and the general ledger updated as soon as the bank reconciliations have been completed and reviewed.</p>	Assistant Director (Accountancy)	Oct 2008	<b><u>Implemented</u></b>

## Internal Audit Report Control Sheet – Follow Up Audits

(\* denotes limited assurance audit)

Report Title	Client	Date Issued	Agreed Actions	Agreed Actions In Place	Time of Follow Up	Outstanding Issues / Comments
<b>Main Audits 07/08</b>						
Sundry Debtors	Finance	2/08	7		Qtr 4	
Stores Stocktake *	Works Unit	5/07	3	1	Qtr 1	Weakness in stock control, outdated system
Accounting & General Ledger	Finance	1/08	7		Qtr 3	
Best Value and Local Performance Indicators	Deputy C.Ex	9/07	3	2	Qtr 2	Isolated data quality issues
Cash Receipting & Income Control	Finance	10/07	7		Qtr 2/3	
Grants to Vol. Orgs.	Asst to C.Ex	7/07	20	15	Qtr 1	Aspects of awards process, monitoring, grant limits.
Non-HRA Repairs *	Corporate Support	3/08	6	-	09/10	
Contracts Compliance *	All	2/08	7		Qtr 4	
Establishment List	HR	3/08	5		Qtr 4	
Commercial Properties	Estates	3/08	10		Qtr 3	
Use of Consultants *	All	3/08	4	2	Qtr 1	Compliance with Standing Orders, use of standard agreement
Gifts and Hospitality *	All	12/07	4	4	Qtr 1	Letters sent to 2 members of staff who failed to acknowledge receipt of the Code following reminders
District Museum *	Deputy C.Ex	8/07	9	8	Qtr 2	Use of personal monies to advance fund petty cash
Facilities Management *	Corporate Support	3/08	4	-	09/10	
Concessionary Fares	Finance	7/07	5		Qtr 4	Revisions to system

<b>Report Title</b>	<b>Client</b>	<b>Date Issued</b>	<b>Agreed Actions</b>	<b>Agreed Actions In Place</b>	<b>Time of Follow Up</b>	<b>Outstanding Issues / Comments</b>
Housing Rents	Housing	12/07	5		Qtr 3	
Housing & Council Tax Benefits	Finance	11/07	8		Qtr 3	
Treasury Management	Finance	2/08	7		Qtr 3	
Creditors *	Finance	12/07	10		Qtr 3	
Creditors IT	Finance	9/07	3		Qtr 3	
Budgetary Control	Finance	3/08	4		Qtr 4	
Payroll	Corporate Support	7/07	12		Qtr 3	
Building Maintenance (Works Unit) *	Housing	1/08	9		Qtr 4	
Non Domestic Rates	Finance	12/07	3	2	Qtr 2	Supervisory checks on NDR reliefs are outstanding
Risk Management & Insurance	Finance	12/07	6		Qtr 3	
Bank Reconciliation	Finance	9/07	6	4	Qtr 2	Income/bank reconciliation for one account, mandate control
Council Tax	Finance	11/07	2		Qtr 3	
Building Control *	Planning and Econ. Dev	3/08	6	-	09/10	
Communication policies * (email/internet/telephones)	All	3/08	9	-	09/10	

**INTERNAL AUDIT WORKPLAN OCT – DEC 08**

**Appendix 4**

Week	Chief Auditor		Senior Auditor		Auditor		Part Time Auditor		Term time auditors (2 posts, 1xfte)		Agency Auditor	
w/c	audit	days	audit	days	audit	days		days	audit	days	audit	days
29.9.08	Monitoring report/ Reports/ files	5	Council Tax	5	Cash receipting / NFI	5	Payroll/Creditors	4	Bank Reconciliation/ Creditors IT	6	-	0
6.10.08	Monitoring report/ Reports/files	5	Council Tax	4	Comm. Properties/ NFI	5	Creditors	5	Housing Benefits / Risk Management	6	-	0
13.10.08	Finance/Audit training courses	4	Council Tax/ Training	4	Comm. Properties / Training	5	Creditors/ Training	4	Housing Benefits / Risk M'ment/Training	5	-	0
20.10.08	Governance Framework	5	Council Tax	4	Commercial Properties	5	Creditors	5	Housing Benefits / Risk Management	6	-	0
27.10.08	Reports/files	5	Council Tax	5	Commercial Properties	5	Holiday	0	Holiday	0	-	0
3.11.08	IT Audit reports / Audit Manual	5	Council Tax	5	Commercial Properties	4	Payroll / Treasury Management	5	Housing Benefits / Risk Management	6	-	0
10.11.08	Contract Standing Orders/Fin. Regs.	4	Revenues and Benefits IT	4	Housing Rents	5	Treasury Management	5	Housing Benefits / Risk Management	5	-	0
17.11.08	Reports/files	4	Revenues and Benefits IT	5	Housing Rents	5	Treasury Management	5	Housing Benefits / Concess. fares	6	-	0
24.11.08	Business Plan 09/10	5	Waste Management (inc. bulk collections)	5	Housing Rents	5	Treasury Management	5	Housing Benefits / Concess. fares	6	-	0
1.12.08	Main Accounting Audit	4	Waste Management (inc. bulk collections)	5	Housing Rents	5	Creditors (to complete)	5	Housing Benefits / Establishment list	6	Main Accounting	5
8.12.08	Business Plan 09/10	5	Waste Management (inc. bulk collections)	5	Housing Rents	5	Creditors	5	Housing Benefits / Establishment list	6	Main Accounting	5
15.12.08	Reports / files	5	Waste Management (inc. bulk collections)	5	Top up testing	5	Creditors	5	Housing Benefits/ Holiday	2	Main Accounting	5
22.12.08	Monitoring report/ Review files	2	Waste Management (inc. bulk collections)	2	Leave	0	Holiday	0	Holiday	0	-	0

Notes:

- Annual leave has been allocated where booked
- Team meetings and other non-chargeable work have not been included in the schedule

**Audit Plan 2008/09  
Status Report at 30 September 2008**

**Appendix 5**

Audit area	Audit type	Days allocated	Days spent 1 April – 30 Sept	Completed/ Provisional Timescale	Auditor
<b>FINANCE AND ICT</b>					
<b>Finance</b>					
Bank Reconciliation	system/follow up	15	15	completed	LC
Sundry Debtors	system/follow up	20	-	Qtr 4	NH
Creditors	system/follow up	25	7	Qtr 3	SL
Creditors IT	follow up	5	2	in progress	DP
Treasury Management	system/follow up	15	-	Qtr 3	SL
Payroll	system/follow up	25	19	in progress	SL
Budgetary Control (capital and revenue)	system/follow up	10	-	Qtr 4	SL
Risk Management and Insurance	system/follow up	15	-	Qtr 3	DP
Main Accounting and Financial Ledger	system/follow up	15	-	Qtr 3	contractor
Concessionary Fares follow up	system/follow up	5	-	Qtr 3	DP
Housing Benefits	system/follow up	25	1	Qtr 3	LC
Council Tax	system/follow up	25	4	in progress	BB
National Non Domestic Rates	system/follow up	15	16	completed	SL
Travel and Subsistence claims	system/follow up	15	14	completed	NH
Cash Office spot checks	verification	5	4	completed	LC
Cash receipting system and Income control	system/follow up	20	20	draft report	NH
Provision for 'top up' testing on Qtr 1-3 audits	systems	15	4	Qtr 4	LC/DP
<b>ICT</b>					
Data Security	IT security	20	16	in progress	contractor
Core Business Support (network controls)	management review	10	6	in progress	contractor
Housing Benefits – Electronic Data Processing	IT	10	10	completed	BB
Revenues and Benefits IT system	IT	10	-	Qtr 3	BB
<b>TOTAL</b>		<b>320</b>	<b>138</b>		
<b>PLANNING AND ECONOMIC DEVELOPMENT</b>					
Development Control	system	20	-	Qtr 4	BB
IT System (MVM)	IT	15	18	completed	BB
External Funding	system	15	17	completed	LC
<b>TOTAL</b>		<b>50</b>	<b>35</b>		
<b>ENVIRONMENT AND STREET SCENE</b>					
Car Parking	system	20	23	completed	SL
Waste Management (including bulk collections)	system	20	-	Qtr 3	BB
Waltham Abbey Sports Centre	establishment	15	16	completed	NH
Pest Control	reserve	-	-	-	-
North Weald Airfield	system/follow up	10	10	completed	DP
Leisure Contract Monitoring	follow up	8	-	Qtr 4	DP
<b>TOTAL</b>		<b>73</b>	<b>49</b>		
<b>HOUSING</b>					
Housing Rent Collection	system/follow up	20	-	Qtr 3	NH
Contract Management	system	15	-	Qtr 4	LC
Depot	system/follow up	15	-	Qtr 4	DP
Stores (Depot stocktake)	stocktake	2	3	completed	LC
Structural Works Contract	reserve	-	-	-	-
Housing Stores controls (commenced 07/08)	system	2*	1	completed	DP
Contract Partnerships (b/fwd from 07/08)	system	2*	3	completed	JA
* days allocated from contingency					
<b>TOTAL</b>		<b>56</b>	<b>7</b>		

Audit area	Audit type	Days allocated	Days spent 1 April – 30 Sept	Completed/ Provisional timescale	Auditor
<b>PARTNERSHIPS AND VOLUNTARY SECTOR</b>					
Grants to Voluntary Organisations	system/follow up	20	20	completed	LC
Partnership Governance Arrangements	verification	20	23	draft report	BB
<b>TOTAL</b>		<b>40</b>	<b>43</b>		
<b>COMMUNITY AND CULTURAL SERVICES</b>					
Bookings and Cash collection	system	15	16	completed	SL
External Funding	system	15	17	completed	NH
District Museum	follow up	5	6	completed	NH
<b>TOTAL</b>		<b>35</b>	<b>39</b>		
<b>CORPORATE SUPPORT SERVICES</b>					
<b>Human Resources</b>					
Temporary/Agency agreements	system/ vfm	15	-	Qtr 4	SL
HR/Payroll integration	system/ IT	15	16	completed	BB
Gifts and Hospitality	system/follow up	5	5	completed	NH
Gifts and Hospitality second follow up	follow up	3	3	completed	JA/NH
Establishment list	follow up	5	-	Qtr 3	DP
<b>Facilities Management</b>					
Commercial Property Portfolio	system/follow up	20	-	Qtr 3	NH
Reprographics	system / vfm	20	-	Qtr 4	BB
<b>Legal</b>					
Land Charges Data Quality	verification	10	-	Qtr 4	LC
<b>TOTAL</b>		<b>93</b>	<b>24</b>		
<b>MISCELLANEOUS</b>					
<b>CPA and BEST VALUE</b>					
Business Plans	verification	5	7	completed	DP
Key/Local Performance Indicators	verification	20	11	completed	DP
<b>CONTRACTS</b>					
Contract Compliance	system	20	1	Qtr 4	SL
<b>CORPORATE</b>					
Corporate Procurement	system	10	-	Qtr 4	contractor
Governance Framework (Use of Consultants)	management review	10*	10	completed	DP
Governance Statement/Action Plan	management review	5	3	completed	JA
Use of Resources work plan	management review	5	3	ongoing	JA
Review of financial regulations and internal controls	management review	5	2	Qtr 3	JA
Inventory Control	system	10	13	completed	NH
Follow up of Priority 1 Audit recommendations	follow up	5	2	ongoing	JA
* 5 days transferred back to contingency					
<b>FRAUD AND CORRUPTION</b>					
National Fraud Initiative (NFI) - 2008	biennial review	30*	7	Qtrs 2/4	NH
Verification of Audit Logs	IT security	15	13	completed	BB
* includes 5 days from contingency					
<b>TOTAL DAYS ALLOCATED</b>		<b>807</b>	<b>407</b>		
Contingency/Spot checks/Minor investigations		<b>38</b>	<b>7</b>	ongoing	All
Corporate/Service Advice		<b>55</b>	<b>33</b>	ongoing	JA/BB
<b>TOTAL</b>		<b>900</b>	<b>447</b>		

<b>Governance Statement Action Plan 2007/08</b>					
<b>Item</b>	<b>Recommendation</b>	<b>Priority 1 = High 2 = Med 3 = Low</b>	<b>Responsibility</b>	<b>Comments/Source</b>	<b>Actioned by Date/Comments</b>
Governance	To promote a culture of good governance amongst all employees of the Authority, particularly in relation to ethical conduct (gifts and hospitality), and support to the Authority's anti-fraud and corruption policy.	1	Service Directors	Use of Resources KLOE 4.3	31 March 2009
Social Inclusion Strategy	To review the Strategy to ensure that services are targeted at areas of greatest need.	1	Deputy Chief Executive	Governance Statement 2007/08	31 Dec 2008
Corporate Procurement	To deliver the action plan in the internal audit report relating to the implementation of the procurement strategy, including the realisation of savings via improved procurement practices.	1	Director of Finance and ICT	Internal Audit Report March 2008	31 Dec 2008
User Guide to Financial Regulations	To update the guide to take account of recent changes, and re-issue to managers.	2	Chief Internal Auditor	Review of Contract Standing Orders and Financial Regulations	30 Sept 2008 <b><u>Implemented</u></b>

## Governance Statement Action Plan 2007/08

Item	Recommendation	Priority 1 = High 2 = Med 3 = Low	Responsibility	Comments/Source	Actioned by Date/Comments
Use of Consultants	To deliver the action plan in the internal audit report relating to the engagement of consultants, including the application of contract procedure rules and the demonstration of value for money.	1	Service Directors	Internal Audit Report March 2008	30 Sept 2008  <b>A report was submitted to the Constitutional Affairs Scrutiny Standing Panel on 3 November with proposed changes to the Constitution.</b>  <b><u>Implemented</u></b>
Fleet Operations	To provide an interim report to members on the short term future of Fleet Operations	2	Director of Corporate Support Services	Internal Audit Report Corporate Governance Group	30 Sept 2008  <b>Report to Cabinet September 2008.</b>  <b><u>Implemented</u></b>
Health and Safety Policy	To identify more effective ways of communicating the policy to staff.	2	Director of Corporate Support Services	Governance Statement	30 Sept 2008  <b>The latest update of the policy will be submitted to JCC later this year and will then be posted on the intranet and notified to all staff.</b>