Report to the Finance and Performance Management Cabinet Committee

Report Reference: FCC-026-2008/09.
Date of meeting: 16 March 2009.

Portfolio: Finance and Performance Management.

Subject: Draft Internal Audit Plan 2009/10.

Responsible Officer: Joe Akerman (01992 564446)

Democratic Services Officer: Gary Woodhall (01992 564470)

Decision Required:

To comment on the proposed Internal Audit Plan for 2009/10.

Report:

1.   Following the establishment of the Audit and Governance Committee in 2007, the terms of reference of Committees were amended so that the Audit and Governance Committee is responsible for the approval of the annual Internal Audit work plan, following consultation with this Committee. Last year was the first year of the new arrangements. A change to the process for the 2009/10 Plan provided for the Audit and Governance Committee to consider and comment on the draft Plan at its meeting on 9 February, prior to it being considered by this Committee. Any issues raised by this Committee will be submitted to the Audit and Governance Committee at its meeting on 30 March.

2.   The detailed draft Plan document has been circulated to all Members of the Council for information and comment, and has been consulted upon with Service Directors.

3.   The Internal Audit Business Plan (attached) incorporates the proposed work plan for 2009/10. It will be possible to consider any topics which the Committee would like to see included in the Plan, either this year or in the future. A contingency provision has been made in the draft plan for investigations and other unplanned work, the nature of which cannot be predicted at the start of the financial 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 greater risk to the achievement of the Council's objectives.

4.   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:

From existing resources.

Consultation undertaken:

Corporate Executive Forum and Service Directors.

Legal and Governance Implications:

No specific implications.

Safer, Cleaner and Greer Implications:

No specific implications.

Background Papers:

CIPFA Internal Audit Code of Practice, Audit reports and files.

Impact Assessments:

The preparation of a risk based audit plan, designed to implement 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. There are no equalities impacts.

DRAFT

Internal Audit Unit

Business Plan

2009/10

Epping Forest District Council

INTRODUCTION TO THE INTERNAL AUDIT BUSINESS PLAN 2009/10

Portfolio/Management/ Responsibilities
The Internal Audit Unit is managed by the Chief Internal Auditor, who reports to the Chief Executive. The work of Internal Audit is within the remit of the Portfolio Holder for Finance and Performance Management. The work of the Internal Audit Unit is reported to the Audit and Governance Committee.

Context
The purpose of Internal Audit is to provide the Council, through the Audit and Governance Committee and the officer Corporate Governance Group, with an independent and objective opinion on the effectiveness of the Authority's control environment in support of the achievement of the Authority's key objectives.

The Authority retained an experienced team of auditors during 2008/09, with no new vacancies arising during the year. The general level of performance improvement achieved in recent years was maintained in that year. Part of the Unit's budget is utilised to engage audit contractors from time to time to provide cover or cater for any skills gaps for specialist audits. This position is planned to continue into 2009/10.

The planned days allocated and work planned for 2009/10 as detailed in section 4 is based on the draft budget. The audit programme will be prioritised to ensure coverage of the Council's main financial systems, and to reflect the Council's risk management strategy. There is a contingency for investigation work, which may arise during the year, and provision for advice and assistance on a range of topics and new initiatives.

There is flexibility in the Plan so that audits can be substituted in order to accommodate reviews of areas that are assessed as being of greater risk to the achievement of the Council's objectives.

The Council's External Auditor - PKF (UK) LLP is regularly updated and there is consultation on the Internal Audit team's programme of work, which amongst other things ensures that there is no unnecessary duplication of work.

This Business Plan includes an explanation of the role of Internal Audit, and some background on how audits are planned, resourced and carried out. The calculations of time and cost allocations are based on the format applied by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their national benchmarking exercise.

This Plan runs from 1st April 2009 to 31st March 2010, and has been prepared following consultations with the Council's Corporate Executive Forum and individual Service Directors. It will be submitted to the Audit and Governance Committee for approval, in consultation with the Finance and Performance Management Cabinet Committee. The Plan will continue to be reviewed on an annual basis and revised accordingly ready for implementation on 1st April each year.

The Internal Audit Unit's Business Plan is divided into the following sections: -

- Section One - Information about the work of Internal Audit

- Section Two – The Internal Audit Unit at Epping Forest District Council (EFDC)

- Section Three - The audit planning process

- Section Four - The work planned

CONTENTS

SECTION ONE – THE WORK OF INTERNAL AUDIT

1.1   Working Practices

As professional Auditors the Team operates under prescribed guidelines as issued by the:

- Chartered Institute of Public Finance & Accountancy **(CIPFA)**
- The Auditing Practices Board **(APB)**
- The Institute of Internal Auditors **(IIA)**

The formal Terms of Reference for the Internal Audit Unit are detailed in Appendix 2, and further context is provided in this Section of the Business Plan.

1.2   Definition of Internal Audit

The official definition of Internal Audit by CIPFA and APB is:

"*Internal audit is an independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources."*

1.3   Legislation

The Local Government Act 1972

Section 151 requires that:

"every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

At EFDC the Director of Finance and ICT is deemed the "responsible officer" and one of the ways in which he exercises his responsibility for financial administration is through the work of Internal Audit.

The Local Government Finance Act 1982

The Local Government Finance Act 1982 requires External Auditors to satisfy themselves that:

"the body whose accounts are being audited has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The existence of an adequate Internal Audit function is an integral part of such *"proper arrangements".*

As part of their work the external auditors seek to ascertain the extent to which the internal audit meets these requirements and the extent to which they can place reliance on its work.

Local Government Finance Act 1988

Section 114 of the Local Government Finance Act 1988 places on the Director of Finance and ICT a responsibility to ensure that all expenditure is legal. Internal Audit seeks to assist the Director of Finance and ICT in meeting that responsibility.

Accounts and Audit Regulations 2003

These more specifically require that:-

"The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions, and which includes arrangements for the management of risk".

Regulation 6 requires local authorities to…"*maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices*" (as contained in the CIPFA Code of Practice for Internal Audit in Local Government).

The work of EFDC's Internal Audit team is planned, executed and reported in accordance with the CIPFA Code of Practice. The Chief Internal Auditor's annual report is required, under the Code, to include an opinion on the overall adequacy and effectiveness of the Council's internal control environment.

The Code of Practice reiterates Internal Audit's right of access to all records, assets, personnel and premises (including those of partner organisations), and to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

Accounts and Audit (Amendment) (England) Regulations 2006

These regulations reflect the growing importance of corporate governance and risk management, and the following specific requirements apply across the public sector:

Regulation 4 requires bodies to conduct a review at least once a year of the effectiveness of their system of internal control. The findings of the review are to be considered by a committee of the relevant body, or by the members of the relevant body meeting as a whole.

Regulation 6 requires bodies to review the effectiveness of the system of internal audit once a year, and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control.

Governance Statement

The preparation and publication of an annual governance statement in accordance with the Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives (CIPFA/SOLACE) Framework is necessary to meet the statutory requirement set out in Regulation 4(2) of the above mentioned 2006 Regulations, for authorities to prepare a statement of internal control in accordance with "proper practices". With effect from 2007/08 the supplement published with the CIPFA/SOLACE Framework defines proper practices for the form and content of the Governance Statement to be included in the Statutory Statement of Accounts. There is no requirement to prepare and publish a separate statement on internal control.

1.4 Objectives

The primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal control systems operating throughout the authority, and to assist this will adopt a predominantly systems-based approach to audit.

The internal control system comprises the whole network of systems established within the Authority to provide reasonable assurance that corporate objectives will be achieved, with particular reference to:

- The effectiveness of service operations in meeting the Council's key aims;
- The economic and efficient use of resources;
- Compliance with applicable policies, procedures, laws and regulations;
- The safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption; and
- The integrity and reliability of information, accounts and data.

Accordingly, in the conduct of planned audits Internal Audit will:

- Review the reliability and integrity of financial information and the means used to identify, measure, classify and report such information;
- Review the means of safeguarding assets and, as appropriate, verify the existence of such assets;
- Appraise the economy and efficiency with which resources are employed and identify opportunities to improve performance;
- Review the established systems to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations, and determine whether the Authority is in compliance; and
- Review operations and activities to ascertain whether results are consistent with objectives and whether they are being carried out as planned.

1.5 Requirements

The essential requirements of an Internal Audit Unit as defined in the APB Guidelines are:
- Independence;
- Adequate staffing and training;
- Good working relationships;
- Due care;
- Planning, controlling and recording;
- Evaluation of the Internal control system;
- Evidence; and
- Reporting and follow-up.

1.6 Customer Care

It can be more difficult to satisfy the customer when a service is being provided that they may not have voluntarily requested. Internal Audit has statutory requirements and has to balance this with providing the customer with a service that is useful to them. Any routine checking or spot checks are undertaken within an overall package that deals with system control and risk management issues, in close liaison with staff and management who operate the systems. The process leads to jointly agreed recommendations on ways that management can improve the control environment and manage the residual risks.

1.7   Benefits

The Council itself is the beneficiary of Internal Audit. Although some of the benefits are intangible, Audit provides, amongst other things, a resource that can review any area to provide Management with an independent opinion on such issues as:

- compliance with established policies, plans and procedures;
- ensuring assets and interests are properly accounted for and safeguarded against loss;
- reliability of financial and other data on which decisions are based;
- operational assessment and improvements, contributing to economic, efficient and effective provision of services and use of resources.

These issues, and the role that Audit will need to play in monitoring them, are particularly relevant now that the Authority has adopted a revised Local Code of Governance and is subject to regular inspection by a number of external agencies.

1.8   Reporting Protocol

At the end of each audit the relevant Service Director is consulted on the final draft report, prior to publication, for information, comment and appropriate action. The management summary for each completed audit is submitted to the Corporate Executive Forum (CEF) and the appropriate Portfolio Holder for information and comment. In some cases CEF will determine that the report contains corporate issues, which need to be discussed more widely with all Directors, for example at the Management Board.

The Audit and Governance Committee receives a quarterly report incorporating a commentary on the work of the Audit Team and details of reports issued in the previous quarter, including significant observations and conclusions. The Terms of Reference of the Audit and Governance Committee are attached at Appendix 3 for information.

For each audit the client is requested to complete a satisfaction survey to enable the audit staff to identify ways in which they can improve their service.

The results of the satisfaction survey from each individual audit are included in the Annual Report. The Team averaged a satisfaction rate of 84% from returned surveys in the first nine months of 2008/09 against a target of 83%.

SECTION TWO – Internal Audit at Epping Forest District Council

2.1   Context

Before any audit work begins it is important to understand:

- The Authority's key strategic aims and priorities as detailed in the Council Plan;

- How the Audit team can play a part in delivering the Authority's Service objectives

- Where the team fits into the Authority;

- How the team is structured and the Audit Plan resourced;

- What the team's strengths and weaknesses are together with the opportunities and threats (SWOT analysis); and

- Out of the SWOT analysis and appraisal interviews, what training and development requirements there are and how they are to be addressed.

2.2   Corporate Objectives

The Internal Audit Team's mission statement is "to give assurance on the integrity of EFDC's activities", which assists in the delivery of the Council's Customer Charter.

To that end the Audit Team will

- Consult with customers, listen to what they say, and respond in a positive manner;
- Be open in all financial matters, and remember the Authority is spending public money.
- Constantly search for ways to improve services.
- Be flexible and respond to changes affecting services.
- Be open and honest and treat everyone equally and fairly.
- Strive towards excellence and provide the best value possible.
- Invest in staff through training and development.

The Best Value Performance Plan states;

"Finance and Performance Management is about financial and quality control, providing the foundations needed for financial stability and continuous improvement, and the mechanisms to see whether or not the improvements have been achieved…we aim to actively manage all financial resources, investments and assets to ensure maximum benefit and minimum risk to the people of the district.." This includes a review of the internal controls for all main systems and a robust approach to combat and prevent fraud.

2.3   Governance

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. In discharging this accountability, Members and Service Directors and their managers are responsible for putting in place proper arrangements for the governance of the Council's affairs, and the stewardship of the resources at its disposal.

The Council approved a revised Code of Governance towards the end of 2007/08, following its detailed consideration by the Audit and Governance Committee. The Council has achieved compliance in many areas, with a number of key policies and procedures being in place. Some other areas have been identified that require additional action.

The Code sets out how the Council will demonstrate good governance and monitor its effective implementation. The work of the Audit Team will check for compliance with the Code and the effectiveness of internal controls.

The Chief Internal Auditor is closely involved in the preparation of the Council's Annual Governance Statement, which incorporates the former Statement on Internal Control. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

a)   identify and prioritise the risks to the achievement of EFDC's policies, aims and objectives;
b)   evaluate the likelihood of those risks being realised and the impact should they be realised; and
c)   manage the risks efficiently and economically.

As part of the process, plans are established to address any weaknesses identified, and to ensure continuous improvement in the system of internal control. This includes particular attention to compliance with Financial Regulations, and a requirement for Directors to provide assurance statements confirming their belief that appropriate controls are in place.

On the basis of the relevant internal audit reports, the unqualified nature of the Council's accounts, and the assurance statements provided by Service Directors, it has been possible to conclude in recent years that the internal control arrangements for EFDC are adequate and operating satisfactorily.

The Audit Team was involved in a number of initiatives to improve the Council's governance arrangements in 2008/09. These included:

➢   Continued provision of training to non-finance managers on finance and governance issues.

➢   Review of the Council's Business and Internal Control Assurance Framework.

➢   Review of the application of aspects of the Staff Code of Conduct.

In addition the Team completed the revisions to the local Audit Manual and adapted to revised methods of working with the Council's new External Auditors, PKF (UK) LLP. Compliance with the Council's governance arrangements and associated policies will continue to be an important part of the Audit Team's focus during 2009/10.

2.4   How the Audit Team fits into the structure of the Authority

2.4.1   Reporting Structure

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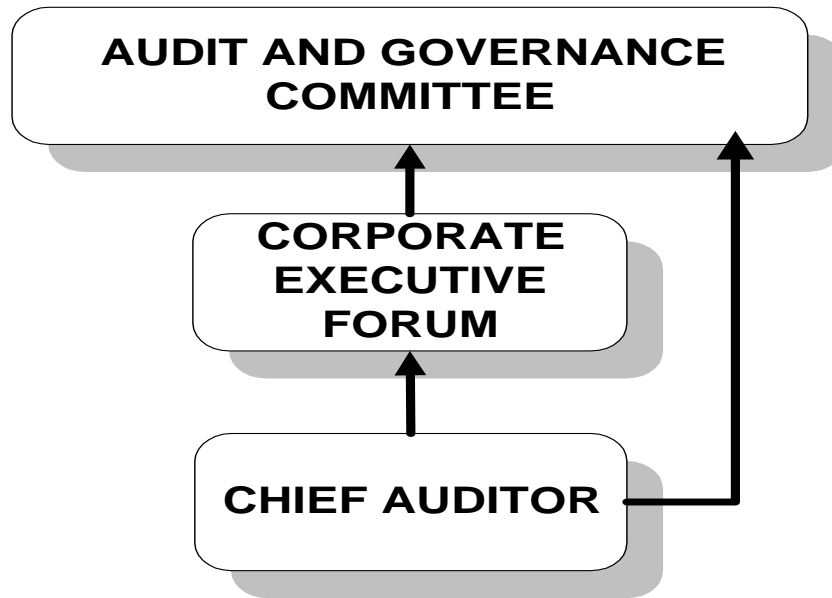
2.4.1   Communication Lines

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  │  Committees  │   │  Executive   │   │              │
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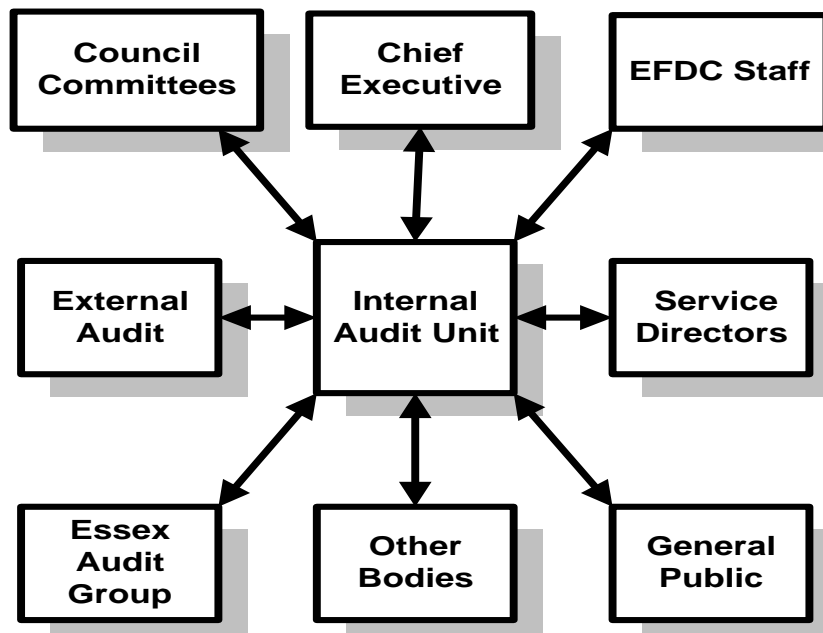
2.4.3 The Audit Staffing Establishment at 1st April 2009

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                    │ CHIEF INTERNAL  │
                    │    AUDITOR      │──────────┐
                    │  JOE AKERMAN    │          │
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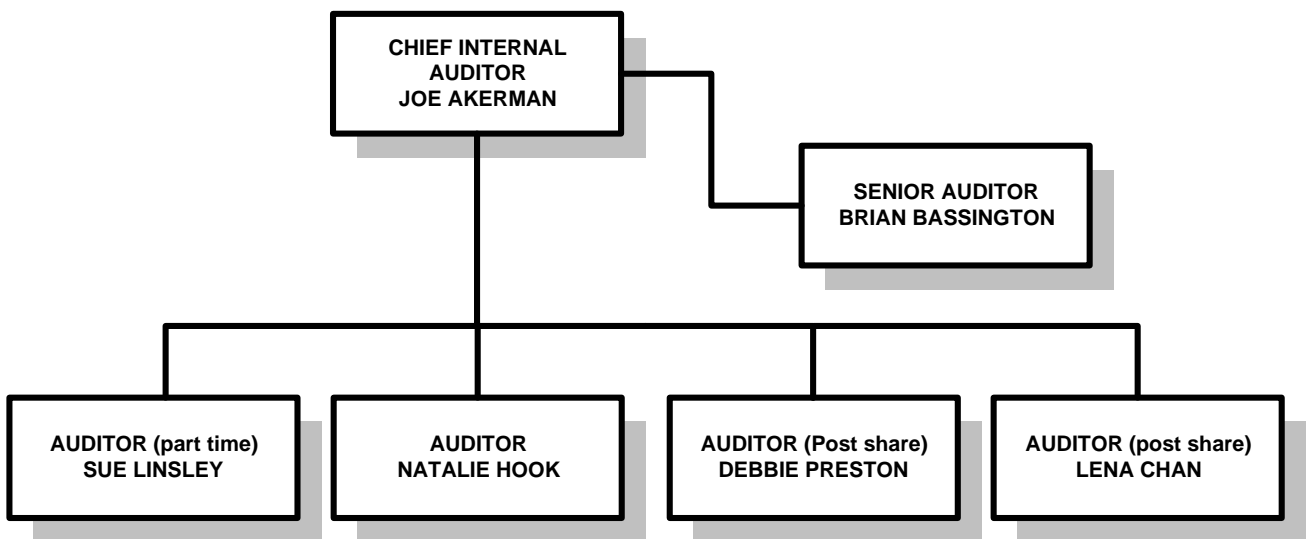
2.4.4 Professional Qualifications/Memberships

CCAB
 - ACA (1)
 - ACCA (1)
 - CIPFA (1)
Accounting Technician (2)
Institute of Internal Auditors (Affiliate -1)
Diploma in Public Audit (part qualified) (1)
Diploma in Management Studies (1)
Certificate in Management Studies (1)

2.4.5 Workforce Planning and Development

The Local Government Workforce Strategy 2007 underlines the priority to take action to address future occupational skills shortages and to ensure that workforce planning is an integral part of service planning processes. It is considered that the current profile of the Internal Audit Team generally matches the current service requirements other than in the specialist area of IT Audit. For this area of audit work the sourcing of external resources is considered a more cost effective solution than training internal staff, as this is a particularly scarce resource in the employment market and the Authority would be vulnerable to trained staff in this area leaving for higher paid employment elsewhere. The Authority has in the past attempted a collaborative approach with another Essex Authority to share in-house IT Audit resources, ultimately without success.

2.5   SWOT Analysis

The SWOT Analysis has been compiled as part of the continual review process.

Strengths	Weaknesses
- Use of skills and knowledge in providing advice to Directorates. - Broad experience. - Authority has a positive attitude to Audit. - Strong mix of different qualifications and backgrounds give a broad and healthy view. - Occasional use of contract auditors provides an insight into different audit methods. - Good team spirit.	- Past resource shortages have affected the profile of Audit within the Authority. - Size of team makes it difficult to complete the audit plan when unplanned work, including investigations, takes priority. This can affect the perception of performance. - Poor responses in the past to advertisements for vacant posts.
Opportunities	**Threats**
- Continue to review and improve audit activities, and adapt to risk based approach. - Raise the profile of Internal Audit. - Operate in an innovative way to deliver service in a more cost-effective manner. - Co-operation with other Authorities.	- National shortage of good qualified Auditors. - Salary position bearing in mind the district borders London boroughs and the general difficulty experienced by professions in recruiting staff. - Outsourcing.

2.6   Risk Analysis

A risk analysis for the Internal Audit Team is set out in Appendix 4 and an action plan to address the key risks identified is included at Appendix 5.

2.7   Training Plan

Auditors require a broad training programme because their work can and often does cover any area that the Authority deals with. The client expects the auditor to have a basic understanding of their service and the problems that they face, and the initial assistance from the service area at the start of the audit is built upon in detail during the audit.

The Authority is committed to developing staff and providing opportunities for appropriate professional development. Training and development includes various activities, some of which can be satisfied by externally run courses but the majority are created internally. Team members are encouraged, via annual appraisals (PDRs), to take ownership of their personal development and identify ways in which their training needs can be addressed.

Training requirement	Auditor	Days
Professional training/development	NH/DP	10
Systems/risk based auditing	ALL	5
Contract Auditing	ALL	5
EFDC Finance systems	ALL	5
In-house corporate training	ALL	3
PACE/ Other legal updates	ALL	2
Total days as shown on page 17		**30**

2.8   Performance Management

The Internal Audit Team operates within EFDC's Performance Management Framework and is committed to continuous service improvement. Within the Council's Performance Plan there are a number of specific targets relating to Internal Audit, as set out below.

Local Performance Indicator	Actual 2006/07	Actual 2007/08	Target 2008/09 (full yr)	Actual 2008/09 (to qtr 3)	Actual 2008/09 (est.full yr)	Target 2009/10
% Planned audits completed	82%	89%	90%	65%	90%	90%
% Productive "fee" staff time out of total time	67%	68%	70%	71%	71%	72%
Average cost per productive audit day	£314	£307	£320	£312	£310	£320
% User satisfaction	83%	81%	83%	84%	84%	85%

The improvement in performance in recent years was generally maintained in 2008/09, as a result of a reduced level of sickness during the year. The average cost per productive audit day has reduced in real terms over the last two years, and the target of £320 for 2009/10 allows for inflation but assumes the maintenance of this improvement.

In relation to the achievement of planned work, the Unit achieved a performance of 89% in 2007/08, and a similar or slightly improved return is expected in 2008/09, in line with the target of 90%. This has proved to be a challenging target to achieve and has therefore been retained at the same level for 2009/10.

The Team will be looking to maintain performance at least to the current standard in 2009/10. Close monitoring will be exercised over the achievement of the Plan and quarterly reports will be submitted to the Audit and Governance Committee on the work of the Team and progress against the Plan.

2.9   Benchmarking

The CIPFA Internal Audit Benchmarking Club is an important source of comparable national data for Internal Audit and produces statistical information on costs, performance and audit coverage. An annual report on the Team's benchmarking data is submitted to the Audit and Governance Committee. Some of the main indicators from the latest published benchmarking review (2007/08 for costs and 2008/09 for plans) within a "family" group of 10 authorities with similar profiles are set out below.

Cost Analysis

- The overall cost of EFDC Internal Audit per £'m turnover is slightly above average, but there is some concern about a change of methodology by CIPFA in calculating this figure in recent years, as EFDC's cost was around the average in earlier years and its cost profile has not changed markedly over the period. A similar concern has been raised by at least one other authority.

- The average pay levels for the EFDC Audit Team are above the group averages, because the Team does not include any lower graded posts for administrative support.

- Overheads were below the group averages for both reports and both years. A brief review of other authorities' returns highlighted some wide variations in the overheads allocated to internal audit, which indicates an apparent lack of consistency in the allocation of these costs by authorities in general.

- The average number of chargeable days and estimated cost per audit day for 2008/09 are at the average. This is despite some aspects of EFDC Audit and Governance Committee reporting (eg quarterly monitoring reports) being treated as non-chargeable when it is not clear if all respondents do likewise.

- The overall cost per auditor including overheads was marginally above the group averages for the reasons given above. There are no significant variations compared to earlier years.

Audit Coverage

- The days allocated to fundamental finance systems are generally above the group averages, reflecting a positive approach to ensuring adequate levels of system security and internal control. This is an important part of the Team's work where External Audit places reliance on the work of Internal Audit to inform their view on the robustness of EFDC's systems of internal control.

- The time allocated to governance and other assurance work (reviews of financial regulations, performance management etc) is above the averages, reflecting the high priority given to these issues within the audit plan.

- The time allocated to 'fraud etc', is around the average and includes the Council's participation in the National Fraud Initiative in 2008/09.

- The time allocated to 'non-chargeable' (management, supervision, audit planning etc) is variable between authorities, and in some cases between years for the same authority.

General Comment on Benchmarking

The latest benchmarking results provide an overall conclusion that the cost, coverage and performance of the Internal Audit service at EFDC remains at or around the average for the majority of the key indicators covered by the survey. There are no significant variations or changes in performance compared to earlier years. There was an improvement in the Team's sickness levels throughout 2008 and this should be reflected in improved comparative performance from 2008/09 onwards.

SECTION THREE - The Audit Planning Process

3.1   Consultation process

The Chief Internal Auditor has met with the Finance and Performance Management Cabinet Committee, Corporate Executive Forum, Corporate Governance Group and Service Directors to provide them with an opportunity to raise any issues they feel would be important to include in the Audit Plan for 2009/10. Provision has also been made for follow up audits, investigation work and spot checks.

3.2   Risk Analysis

A risk analysis approach has been developed in conjunction with the Council's Risk Manager and Service Directors, and is reflected in the 2009/10 Plan. Consultation also continues with the Council's External Auditors, to prioritise the work planned alongside the issues raised in previous audits and in discussions with Directors.

3.3   Compiling the Plan

3.3.1   In determining the audit assignments and related time allocation, several factors have been taken into account to measure both the inherent risk in a particular system and the sensitivity. These factors include:-

- Risk register categorisation
- Management concerns
- Value and volume of transactions
- Value of income and expenditure
- Implementation of new I.T systems
- Level of assurance from past audits

3.3.2   One overriding factor is the requirement for Internal Audit to review all of the main financial systems (eg payroll, payment of accounts etc) every year, and to check compliance against key controls. This helps to ensure that the Council achieves efficiency in the delivery of audit services by maximising the amount of Internal Audit work on which External Audit are able to place reliance, in the delivery of their responsibilities under the Audit Commission's Code of Audit Practice. If Internal Audit did not conduct these audits, or not conduct them to the required standard, it is likely that External Audit would undertake some of the work and make an additional charge to the Council. In practice, Internal and External Audit liaise closely on the audits to ensure that the process is as efficient as possible and any unnecessary duplication of work is avoided. Whilst there are generally strong controls in place, all financial systems are rated as high risk because the consequence of such a system breaking down could be to place the Authority in a vulnerable position.

3.3.3   A number of other systems outside Finance services have also been deemed high risk because of the value and volume of transactions, and have been included in the Plan for 2009/10. These include housing rents and income from the Council's commercial portfolio.

3.3.4   A significant amount of time has been allocated to a number of corporate issues and activities, including the audit of Performance Indicators, and a review of the Council's procurement processes to ensure that value for money is being obtained. Members of the Team will also continue to participate in project teams to ensure propriety of arrangements, eg compliance with Standing Orders and Financial Regulations.

3.3.5　Provision has also been made to complete the review of data matches indicating potential fraud, arising from the 2008 National Fraud Initiative (NFI), which is the Audit Commission's biennial data matching exercise designed to identify potential fraudulent payments. The matches generated by the exercise that indicate a possible fraud will be reviewed during the first half of 2009 and investigated in more detail where necessary.

3.3.6　As part of the governance compliance checks, elements of the Council's revised Code of Governance will be selected for testing to ensure that controls are in place and operating in accordance with the latest CIPFA/SOLACE guidance for good governance in local authorities. In 2008/09 the use of consultants was reviewed under this heading and the audit work contributed to a wider corporate review and changes in local rules.

3.3.7　The main finance system implemented during 2008/09 was the new Revenues and Benefits system. Audit provided guidance on the control environment as part of the implementation of the system, and the audit of these systems in 2009/10 will review the effectiveness of the control environment.

3.3.8　The nature and extent of the replacement of a number of other systems in recent years raises the internal control risk factor and therefore requires close attention from Internal Audit to mitigate the risk to the Authority. Provision has been made to review these developments in 2009/10.

3.3.9　The Plan for 2009/10 also makes provision for the follow up of a number of audits carried out in 2008/09, and some general themes arising from those audits, including regular reviews of compliance with Financial Regulations and Contract Standing Orders, following training given to over 180 Service Managers and Spending Control Officers over the last three years.

3.3.10　A full listing of Service areas is given at Appendix 6, so that the topics proposed for inclusion in the Plan can be placed in context.

3.3.11　Taking these issues into account, the Audit Plan for 2009/10 is set out on pages 18-19, and assigns a risk indicator to each audit based on the factors detailed in paragraph 3.3.1.

3.3.12　In order to provide a comparison with the planned audit days and audit work carried out in 2008/09, a status report on the audit plan for that year, based on the work carried out in the first nine months, is attached at Appendix 1. (This is an extract from the monitoring report submitted to the Audit and Governance Committee in February 2009).

3.3.13　As far as corporate legal obligations placed on the Authority are concerned, there are no direct crime and disorder implications arising from the compilation of the Audit Plan. In addition, Internal Audit was not deemed to be of direct relevance to the Authority's duty to promote race equality.

SECTION FOUR - The work planned

4.1 Financial Resources.

The financial information in this report has been drawn from the Council's original budgets for 2008/09 and 2009/10.

Description	Budget Allocation 2008/09	Budget Allocation 2009/10
	£	£
Employee Costs	214,490	221,630
Contract Staff/Consultants	16,830	17,250
Training Costs	3,840	3,940
Travel & Subsistence	4,650	5,130
Computer Costs	19,430	16,910
Books & Publications	620	620
Telephones	2,760	2,880
Printing/Photocopying	670	710
Other Supplies & Services	1,290	1,110
Accommodation	14,690	17,220
Central Services	9,480	9,360
TOTAL EXPENDITURE	**288,750**	**296,760**

4.2 Resource Allocation and Operational Plan for 2009/10

In previous years, Audit Plan calculations have been based on the assumption that there would be a full complement of internal audit staff (now 4.8 fte) for the complete year. This has not been borne out in practice and a degree of slippage has occurred, partly due to the incidence of sickness in the Unit and partly due to the extent of unplanned investigation work. The audit planning for 2009/10 assumes a full complement of staff, with a budget allocated to provide for the cost of audit contractors to undertake specific audits including specialist tasks.

It is assumed that the Chief Internal Auditor will focus on management and supervision, quality control, audit planning, monitoring and liaison with the External Auditors. He will also take the lead on investigations requiring an Audit input, as well as having a corporate role in promoting good standards of governance throughout the Authority.

The Plan will be carried out through quarterly work plans, with detailed assignment briefs being agreed with the relevant Service for each audit, specifying the scope of the audit. Draft reports will be circulated for comments, with the aim of issuing the final report in a timely manner. Recommendations will be ranked in order of importance from an audit perspective and presented to Service management in an Action Plan format.

The agreed priority one actions from these reports are reviewed near to the implementation date, rather than awaiting a later follow up audit, to ensure that appropriate and timely action is being taken. A monitoring report on the implementation of these agreed actions is made each quarter to the Audit and Governance Committee.

Available Human Resource days 2009/10	Total	
Available days (52 weeks x 5 days x 4.8 fte's)	1250	
Less Annual Leave Public/Special Holidays Sickness provision Training Total	128 39 30 30 227	1023
Less Non-Chargeable time Supervision/management/planning (note 1) Non chargeable corporate activities and meetings Essex Audit Group & other external meetings External Auditor liaison General Administration and team meetings (note 2) Total	85 8 2 3 45 143	
Available Days		**880**
Less 2% vacancy factor **Bought in days** **Estimated Available Days**		**(25)** **45** **900**
Allocated to Contingency/Spot Checks/Investigations		**35**
Allocated to Service/Corporate advice		**60**
Days allocated to Service Audits 2009/10		**805**

Notes

1   The supervision/management and planning allowance includes direct staff management. Management work carried out as part of an Audit is coded directly to that project and included in the direct allocated days in the plan. The preparation of the Audit Plan is treated as 'chargeable' corporate advice.

2   General administration for the Unit includes team meetings, support to the Unit's time recording system, and other work related to the updating of the local Audit Manual and working practices. Administration and support relating to a specific audit is included in the planned days for the audit.

   In order to maintain the momentum to achieve the target completion of the Plan in 2009/10, the following options will be explored in the event of further staffing shortfalls:

- Employment of agency or contractor staff on temporary or short term contracts using existing salary savings.

- Reviewing the scope of some audits in order to reduce the time allocated.

4.3 DRAFT AUDIT PLAN 2009/10

Audit area (L denotes past limited assurance audit rating)	Audit type	Days allocated	Risk (impact) Indicator l/m/h	Provisional Timescale	Auditor
FINANCE AND ICT					
Finance					
Bank Reconciliation (L)	system/follow up	15	h	Qtr 2	SL
Sundry Debtors	system/follow up	20	h	Qtr 3	NH
Creditors (L)	system/follow up	25	h	Qtr 3	BB
Treasury Management (L)	system/follow up	15	h	Qtr 3	SL
Payroll	system/follow up	25	h	Qtr 2	NH
Budgetary Control (capital and revenue)	system/follow up	10	h	Qtr 4	LC
Risk Management and Insurance	system/follow up	15	h	Qtr 4	NH
Main Accounting and Financial Ledger	system/follow up	15	h	Qtr 3	contractor
Housing Benefits	system/follow up	25	h	Qtr 3	SL
Council Tax	system/follow up	25	h	Qtr 3	LC
National Non Domestic Rates	system/follow up	15	h	Qtr 2	SL
Cash receipting and Income control	system/follow up	15	h	Qtr 3	NH
Cash receipting IT system	IT	5	h	Qtr 4	BB
Provision for 'top up' testing on Qtr 1-3 audits	systems	15	h	Qtr 4	NH
Cash Office spot checks	verification	5	h	Qtr 1	NH
ICT					
Data (L) and Network Security	system/follow up	20	h	Qtr 4	contractor
IT Procurement	system	10	h	Qtr 4	contractor
Revenues and Benefits IT system	follow up	5	h	Qtr 3	BB
IT System Logs (L)	follow up	5	h	Qtr 2	BB
TOTAL		**285**			
PLANNING AND ECONOMIC DEVELOPMENT					
Building Control (L)	system	20	h	Qtr 1	NH
Countrycare	system	7	m	Qtr 2	LC
External Funding and Housing/Planning Delivery Grant (L)	follow up	6	h	Qtr 2	LC
Strategic Housing Assessment	system	3	h	Qtr 1	BB
TOTAL		**36**			
ENVIRONMENT AND STREET SCENE					
Waste Management (L) and Recycling	system/follow up	25	h	Qtr 4	BB
Public Health	system	15	h	Qtr 1	BB
Licensing Enforcement	system	12	h	Qtr 1	LC
Pest Control	system	10	m	Qtr 2	DP
Car Parking (L)	follow up	7	h	Qtr 1	LC
Waltham Abbey Sports Centre (L)	follow up	5	h	Qtr 2	DP
TOTAL		**74**			
HOUSING					
Housing Rent Collection and Arrears	system/follow up	25	h	Qtr 3	DP
Private Renewal Grants/DFG/'CARE'	system	25	h	Qtr 1	SL
House Sales and Leaseholder Services	system	20	h	Qtr 4	SL
Depot (L)	system/follow up	15	h	Qtr 4	DP/LC
Housing maintenance contract	contract	10	h	Qtr 1	BB
Stores - Depot and Parsonage Court stock takes (L)	stocktake	6	h	Qtr 1	BB
Housing Repairs Working Group	management review	5	h	ongoing	BB
Sheltered Housing establishments	reserve	-	m	reserve	-
TOTAL		**111**			
PARTNERSHIPS AND VOLUNTARY SECTOR					
Local Area Agreements	system	15	h	Qtr 4	BB
Grants to Voluntary Organisations (L)	follow up	7	h	Qtr 2	LC
TOTAL		**22**			

Audit area	Audit type	Days allocated	Risk Indicator l/m/h	Provisional timescale	Auditor
COMMUNITY SERVICES AND CUSTOMER RELATIONS					
Arts and Sports Development	system	20	h	Qtr 4	NH
Bookings and Cash collection (L)	system/follow up	7	h	Qtr 1	SL
Information Desks	system	-	m	reserve	-
TOTAL		**27**			
CORPORATE SUPPORT SERVICES					
Human Resources					
Recruitment and Selection	system	20	h	Qtr 2	BB
Management of Sickness absence	system	10	h	Qtr 1	DP
Health and Safety Policy	system	10	h	Qtr 2	BB
Travel and Subsistence claims (L)	follow up	10	h	Qtr 1	NH
HR/Payroll Integration (L)	follow up	6	h	Qtr 2	BB
Gifts and Hospitality (L)	system/follow up	6	h	Qtr 1	NH
Estates/Facilities Management/Other					
Commercial Property portfolio	system/follow up	20	h	Qtr 4	LC
Licensing	system	15	h	Qtr 1	DP
Asset Management system	system	8	h	Qtr 2	SL
Facilities Management (Mech. And Elec.) (L)	follow up	5	h	Qtr 3	BB
Non-HRA Repairs (L)	follow up	5	h	Qtr 3	NH
Fleet Operations (L)	follow up	5	h	Qtr 2	BB
Legal					
Land Charges	system/VFM	15	h	Qtr 4	DP
TOTAL		**135**			
MISCELLANEOUS					
CPA and BEST VALUE					
Key and Local Performance Indicators	verification	15	h	Qtr 2	NH
Business Plans (L)	verification	7	h	Qtr 1	DP
CONTRACTS					
Contract Compliance (L)	system	20	h	Qtr 4	SL
CORPORATE					
Corporate Procurement (L)	system	10	h	Qtr 4	contractor
Use of Consultants (L)	follow up	8	h	Qtr 3	NH
Governance Statement	management review	5	h	Qtr 1	JA
Use of Resources work plan	management review	5	h	ongoing	JA
Review of financial regulations and internal controls	management review	3	h	Qtr 3	JA
Inventory Control (L)	follow up	8	h	Qtr 2	NH
Email, Internet and Telephone usage (L)	follow up	8	h	Qtr 1	SL
Use of Regulation of Investigatory Powers Act	system	5	h	Qtr 1	BB
Follow up of Priority 1 Audit recommendations	follow up	6	h	ongoing	JA
FRAUD AND CORRUPTION					
National Fraud Initiative (NFI) - 2008	c/fwd	15	h	Qtr 1	NH
TOTAL DAYS ALLOCATED		**805**			
Contingency/Spot checks/Minor investigations		**35**	h	ongoing	All
Corporate/Service Advice		**60**	h	ongoing	JA/BB
TOTAL		**900**			

Audit Plan 2008/09

Status Report at 31 December 2008

Audit area	Audit type	Days allocated	Days spent 1 April – 31 Dec	Completed/ Provisional Timescale	Auditor
FINANCE AND ICT					
Finance					
Bank Reconciliation	system/follow up	15	15	completed	LC
Sundry Debtors	system/follow up	20	-	Qtr 4	NH
Creditors	system/follow up	25	26	draft report	SL
Creditors IT	follow up	5	5	completed	DP
Treasury Management	system/follow up	15	18	completed	SL
Payroll	system/follow up	25	28	completed	SL
Budgetary Control (capital and revenue)	system/follow up	10	-	Qtr 4	SL
Risk Management and Insurance	system/follow up	15	15	completed	DP
Main Accounting and Financial Ledger	system/follow up	15	-	Qtr 4	contractor
Concessionary Fares follow up	system/follow up	5	5	completed	DP
Housing Benefits	system/follow up	25	26	completed	LC
Council Tax	system/follow up	25	25	completed	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	22	completed	NH
Provision for 'top up' testing on Qtr 1-3 audits	systems	15	4	Qtr 4	LC/DP
ICT					
Data Security	IT security	20	19	completed	contractor/JA
Core Business Support (network controls)	management review	10	10	draft report	contractor/JA
Housing Benefits – Electronic Data Processing	IT	10	10	completed	BB
Revenues and Benefits IT system	IT	10	-	Qtr 4	BB
TOTAL		**320**	**262**		
PLANNING AND ECONOMIC DEVELOPMENT					
Development Control	system	20	-	Qtr 4	BB
IT System (MVM)	IT	15	18	completed	BB
External Funding	system	15	17	completed	LC
TOTAL		**50**	**35**		
ENVIRONMENT AND STREET SCENE					
Car Parking	system	20	23	completed	SL
Waste Management (including bulk collections)	system	20	23	draft report	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
TOTAL		**73**	**72**		
HOUSING					
Housing Rent Collection	system/follow up	20	22	draft report	NH
Contract Management	system	15	5	in progress	LC
Depot	system/follow up	15	1	commenced	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
* 2 days allocated from contingency					
TOTAL		**56**	**35**		

Audit area	Audit type	Days allocated	Days spent 1 April – 31 Dec	Completed/ Provisional timescale	Auditor
PARTNERSHIPS AND VOLUNTARY SECTOR					
Grants to Voluntary Organisations	system/follow up	20	20	completed	LC
Partnership Governance Arrangements	verification	20	23	completed	BB
TOTAL		**40**	**43**		
COMMUNITY AND CULTURAL SERVICES					
Bookings and Cash collection	system	15	16	completed	SL
External Funding	system	15	17	completed	NH
District Museum	follow up	5	6	completed	NH
TOTAL		**35**	**39**		
CORPORATE SUPPORT SERVICES					
Human Resources					
Temporary/Agency agreements	system/ vfm	8	-	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	5	completed	DP
* 3 days allocated from contingency					
Facilities Management					
Commercial Property Portfolio	system/follow up	20	23	completed	NH
Reprographics	system / vfm	20	-	Qtr 4	BB
Legal					
Land Charges Data Quality	verification	10	-	Qtr 4	LC
TOTAL		**93**	**52**		
MISCELLANEOUS					
CPA and BEST VALUE					
Business Plans	verification	5	7	completed	DP
Key/Local Performance Indicators	verification	20	12	completed	DP
CONTRACTS					
Contract Compliance	system	20	1	Qtr 4	SL
CORPORATE					
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	4	completed	JA
Use of Resources work plan	management review	5	4	completed	JA
Review of financial regulations and internal controls	management review	5	3	completed	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					
FRAUD AND CORRUPTION					
National Fraud Initiative (NFI) - 2008	biennial review	30*	7	Qtrs 2/4	NH
Verification of Audit Logs	IT security	15	13	completed	BB
* 5 days allocated from contingency					
TOTAL DAYS ALLOCATED		**800**	**614**		
Contingency/Spot checks/Minor investigations		**35**	8	ongoing	All
Corporate/Service Advice		**65***	56	ongoing	JA/BB
* 15 days allocated from contingency					
TOTAL		**900**	**678**		

EFDC INTERNAL AUDIT UNIT - TERMS OF REFERENCE

Statutory Requirements

The Accounts and Audit Regulations 2003 require the Council to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices".

"Proper internal audit practice" is defined in the CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom 2003 (the Code of Practice)*. The *Code of Practice* requires the terms of reference for the internal audit function to be agreed by "those charged with governance". This document sets out those terms of reference.

The Director of Finance and ICT is the officer responsible for the administration of the Council's financial affairs under S151 of the Local Government Act 1972 and is responsible for ensuring that the requirements of the Code of Practice are met.

Effective reporting and managerial arrangements must be established between the Director of Finance and ICT, Corporate Executive Forum and the Chief Internal Auditor.

Role of Internal Audit

Internal Audit is an assurance service with the primary aim of providing an independent and objective opinion to the Council on the overall adequacy of the Council's control environment. It will objectively examine, evaluate and report on the effectiveness of the control environment to ensure the correct balance between propriety and cost effectiveness in achieving the Council's objectives.

Responsibility for the management of services rests fully with Service Directors and their managers. This includes ensuring value for money, and reducing the opportunities for theft, fraud and corruption by ensuring that appropriate and adequate risk and control arrangements exist. Internal Audit compliments this by providing an independent appraisal function to help managers determine the adequacy of their internal control, risk management and governance processes.

Responsibilities

The Corporate Executive Forum will ensure that internal auditors have the authority to:

(a)   access the Authority's premises at reasonable times;

(b)   access all assets, records, documents, correspondence and control systems;

(c)   receive any information and explanation considered necessary concerning any matter under consideration;

(d)   require any employee of the authority to immediately account for cash, stores or any other authority asset under his or her control;

(e)   access records belonging to third parties, such as contractors, when required; and

(f)   directly access the Head of Paid Service, the Cabinet and the Audit and Governance Committee.

It is the responsibility of the Chief Internal Auditor and his staff to:

(a)   whenever appropriate, consult with the relevant Chief Officer or their representative on the timing and nature of audits to avoid unnecessary service disruption; and

(b)   consult with the relevant Chief Officer or their representative on the findings and recommendations of an audit prior to publication.

The Chief Internal Auditor will recommend the proposed list of topics for inclusion in the programme of internal audit work, for approval by the Audit and Governance Committee, in consultation with the Finance and Performance Management Cabinet Committee. The scope of the work is unrestricted. It includes ascertaining, at all levels, that the assets of the authority are being safeguarded. Furthermore, it seeks to provide assurance that systems are being operated effectively, efficiently and economically in accordance with both the Authority's policies and procedures, and also with laws and regulations, and that records and reports of the Authority are accurate and reliable.

Internal Audit is not relieved of responsibility in areas of the Authority's business, which are subject to review by others (e.g. Audit Commission, external inspectorates). The Chief Internal Auditor should always assess the extent to which reliance can be placed upon the work of others and co-ordinate the internal audit planning with those other review agencies.

Internal Audit Responsibility

In order to fulfil its role the Internal Audit Unit shall specifically:

- Prepare annually a strategy document explaining how the service will be delivered.

- Undertake reviews that focus on the areas of greatest risk to the Council.

- Have the authority and right of access to all records, assets, personnel and premises, including those of partner organisations, that it considers necessary to fulfil its responsibilities.

- Report to the Audit and Governance Committee on a quarterly basis on the work of the Audit Team, including a summary of reports issued in the previous quarter.

- Provide clear reports that provide management with an opinion on the soundness, adequacy and application of internal controls.

- Promote efficient and effective risk and control management by recommending cost effective controls, which aim to improve the achievement of service objectives.

- Provide to Services advice on the management of risk, and on issues arising from the review of systems of internal control.

- Provide an annual opinion on the soundness of the systems of internal control and the internal control environment.

- Contribute to the general management and conduct of business through provision of expertise on appropriate working groups and participation in ad-hoc exercises, including value for money and other studies.

- Have in place arrangements that ensure that it is notified of all suspected or detected instances of fraud, corruption or impropriety. Investigate and report upon all non-benefit related frauds and irregularities in accordance with documented procedures.

Independence

The Internal Audit Unit shall not have responsibility for the operation of any systems, which could compromise its independence. It will however proactively offer advice and guidance on risk and internal control implications arising from planned or proposed changes to, or the development of, systems or services.

The Chief Internal Auditor has the right, when necessary, to report directly to either the Chief Executive or the Chairman of the Audit and Governance Committee.

The Chief Internal Auditor shall be responsible for the content of the annual audit plan, and all written audit reports.

Audit Management

The Council shall appoint a Chief Internal Auditor who will be required to determine the priorities of, deliver, and manage the Internal Audit Unit for the Council. In discharging these duties the Chief Internal Auditor will:

- Ensure that he has a comprehensive understanding of the Council's systems, structures and operations so allowing for, after consulting with Senior Management, the preparation of a strategic risk based audit plan.

- Update the plan regularly to reflect changes in Council priorities and risk registers.

- Translate the strategic plan into annual plans for formal agreement with the Director of Finance and ICT and Corporate Executive Forum.

- Ensure that an audit brief is prepared for each individual audit assignment undertaken, setting out the scope and objectives of the work, timescales and reporting arrangements.

- Ensure that all audit work is completed to high standards and in accordance with appropriate professional standards.

- Maintain an Internal Audit Manual that describes the standards, practices and procedures that are required to be met by internal audit staff and contractors.

- Undertake an annual review of the development and training needs of internal audit staff and arrange for appropriate training to be provided.

- Establish effective relationships with managers at all levels.

- Proactively work with the External Auditor to ensure that audit resources are used in the most effective and efficient manner.

- Monitor the effectiveness of the service delivered and compliance with professional standards.

Audit Reporting

At the completion of an audit assignment a written report will be agreed with the appropriate manager. The report shall contain an opinion on the adequacy of the risk management and internal control arrangements within the area of review and, where necessary, list the actions for improvements. If the manager and auditor cannot reach consensus then the appropriate Service Director will resolve the issue.

Copies of all final audit reports shall be sent to the relevant Service Director. A management summary of each completed audit shall be sent to the Council's Corporate Executive Forum and the Director of Finance and ICT.

The Chief Internal Auditor shall report to the Officer Corporate Governance Group any probity issues that arise, either directly from an audit or via an investigation into a fraud related matter, following the conclusion of the review.

Implementation of Agreed Audit Actions

The Chief Internal Auditor shall regularly review the progress made by managers in introducing the agreed actions and shall report quarterly to the Audit and Governance Committee on the actions taken. Each Service Director shall take appropriate action to ensure that agreed actions are implemented.

Professional and Ethical Standards

The objectivity, impartiality, integrity and conduct of all Internal Audit staff must be above reproach at all times.

All Internal Audit staff shall comply with the ethical standards contained in the CIPFA Code of Practice and those professional and ethical standards issued by the professional body to which they belong. They shall also comply with the Council's own codes and ethical standards.

EPPING FOREST DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – TERMS OF REFERENCE

1.   Title

The Committee should be entitled "Audit and Governance Committee" of Epping Forest District Council.

2.   Purpose

The purpose of the Audit and Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

3.   Authority

The Committee is authorised by the Council to:

(a)   Investigate, or cause to be investigated, any activity within its terms of reference;

(b)   Seek any information that it requires from any Member or employee of the Council, and require all Members and employees to co-operate with any request made by the Committee;

(c)   Meet for despatch of its business, adjourn and otherwise regulate its business as it shall see fit, including approving items of business by the written resolution procedure set out in the Council's Constitution.

4.   Role and Responsibilities

The Audit and Governance Committee will have the following role and function:

(a)   To consider the effectiveness of the Council's risk management arrangements, control environment and associated anti-fraud and anti-corruption measures.

(b)   To seek assurances that action is being taken on risk related issues, identified by Auditors and Inspectors.

(c)   To be satisfied that the Council's Assurance Statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

(d)   To approve the Council's Internal Audit Strategy Plan, Annual Audit Plan and monitor performance against all associated plans.

(e)   To review summary Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary.

(f)   To receive an Annual Report from the Chief Internal Auditor.

(g)   To ensure that there are effective relationships between External and Internal Audit, Inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.

(h)   To review financial statements, including the Council's Statement of Accounts, External Auditor's opinion and reports to Members, and monitor management action in response to the issues raised by External Audit.

(i)   Review, and challenge where necessary, the actions and judgements of Management, in relation to the Council's Statement of Accounts, paying particular attention to:

     (i)   critical accounting policies and practices, and any changes to them;

     (ii)   decisions requiring a major element of judgement;

     (iii)   the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;

     (iv)   significant adjustments resulting from the audit; and

     (v)   any material weakness in internal control reported by the Internal or External Auditor.

(j)   Consider other reports of External Audit and inspection agencies which are relevant to the functions of the Committee.

(k)   For the Committee to meet privately and separately at least once a year with the External Auditor and Chief Internal Auditor.

(l)   To consider performance and best value issues to the extent that they relate to the audit and control environment and risk management issues of the Council.

5.   Membership

5.1   The Committee shall comprise 5 members, including 3 Councillors and 2 co-opted persons.

5.2   All members of the Committee shall be appointed at the annual Council meeting of Epping Forest District Council for a term of office of one year and shall be eligible for re-appointment for further terms of office.

5.3   Casual vacancies on the Committee which occur shall be filled at the next available Council meeting with a term of office expiring on the date of the next annual Council meeting.

6.   Eligibility for membership

6.1   Councillor members

Councillors appointed to the Audit and Governance Committee may not also be members of the Cabinet, any Cabinet Committee, the Overview and Scrutiny Committee or any panel appointed by the Overview and Scrutiny Committee with responsibility for reviewing the Council's finances or financial procedures.

6.2   Co-opted members

Co-opted members shall be appointed by the Council on the basis of their professional expertise, experience and background as relevant to the role and responsibilities of the Audit and Governance Committee. Initial appointments of co-opted members and the filling of casual vacancies shall be made following public advertisement and interviews, the latter conducted in accordance with arrangements agreed by the Council. If the number of suitable applicants exceeds the number of co-opted places on the Committee, the Committee shall keep a waiting list of suitable applicants should casual vacancies occur.

7.   Chairman

7.1   The Chairman of the Audit and Governance Committee shall be appointed at each annual meeting of the Epping Forest District Council from the District Councillors appointed as members of the Committee.

7.2   The Chairman of the Audit and Governance Committee shall be appointed for an initial term of one year expiring on the date of the next annual Council meeting but will be eligible for reappointment for further terms of office.

7.3   Casual vacancies in the position of Chairman shall be filled in the same way as required in respect of members of the Committee (see paragraph 5.3 above).

8.   Vice-Chairman

8.1   The Vice-Chairman of the Audit and Governance Committee shall be appointed at the annual Council meeting from among the co-opted members appointed to the Committee.

9.   Meetings of the Committee

9.1   The Committee shall meet at least four times each year.

9.2   All meetings shall be open to the press and public except where the Committee resolves that exempt or confidential business must be considered in private session.

9.3   The Committee shall be entitled to require Cabinet members and Service Directors to attend their meetings in order to discuss any matters under discussion including the annual audit programme.

10.   Quorum

10.1   No business may be transacted at a meeting of the Committee unless there are two Councillor members and one co-opted member present.

11.   Decision Making

11.1   Only the Councillors and Co-opted members serving on the Committee shall be entitled to vote.

11.2   All Members of the Committee shall be entitled to all documents, advice and facilities relevant to their membership of the Committee regardless of their status as either a Councillor or Co-opted Member.

12. **Other Requirements**

12.1 All members of the Committee shall respect the confidentiality of Council information and proceedings where appropriate, particularly where exempt or confidential business is involved.

12.2 All co-opted members of the Committee shall be required to make a statutory registration of interests in the same form as those required of serving Councillors and to be aware at all times of the requirement to clear any interest relating to their work on the Committee.

Internal Audit Unit Risk Analysis

RISK NO	VULNERABILITY	TRIGGER	CONSEQUENCES
1.	External Audit place limited or no reliance on the work of Internal Audit, with the risk of qualification of the Council's accounts or considerable expense to the Authority if External Audit undertake additional work themselves.	External Auditor's report to those charged with governance (Audit and Governance Committee) in accordance with the provisions of International Auditing Standard 260.	Lack of assurance in systems of internal control Damage to Internal Audit's reputation Damage to staff morale
2.	Staff turnover or other staffing issues affecting the Team's ability to achieve its objectives as set out in the Audit Plan. [It has proved difficult to attract experienced staff to apply for occasional vacancies within the Team, but we have been fortunate in recent years in retaining a core of experienced auditors. The Audit Plan is flexible which allows priorities to be adjusted at short notice]	The Team is unable to respond to a request for audit intervention. Performance figures drop to an unacceptable level.	Adverse comment from management/client services/members/audit commission Limited assurance in systems of governance Possible delay in undertaking investigations Damage to Internal Audit's reputation Damage to staff morale

3.	Inability to respond to technical auditing challenges, particularly in the field of IT audit. [External contract staff are brought in to fill skills gaps, but this approach is not sustainable for long term projects given the cost involved. Internal staff are now required to have a general understanding of IT audit disciplines].	The Team does not have the internal expertise to undertake a specific project/offer advice.	As above
4.	Disputes over the content of Audit reports affects the reputation of the service within the Authority. [The Team works hard to develop good working relationships with Services. Time is allocated to allow consultation on draft reports with a view to producing reports that are jointly 'owned' by Services and assist them in achieving their objectives].	Inability to agree a report or Audit recommendations	Poor working relationships with Client services, lack of co-operation Damage to staff morale Limited assurance in systems of governance
5.	Budget (staffing) reductions following a review of support services. [There is a core of audit work (mainly finance systems) that needs to be carried out regardless of the size of the Council. The Audit Plan currently covers the full range of Service and corporate areas, which would be jeopardised if there were budget cuts].	The Audit Commission is dissatisfied with the coverage in the Audit Plan. The Team is unable to respond to a request for Audit intervention.	Limited assurance in systems of governance Possible delay in undertaking investigations Damage to Internal Audit's reputation Damage to staff morale

Internal Audit Action Plan 2009/10

Risk	Existing Controls	Further management action required	Critical Success Factor	Responsibility	Key Date
External Audit place limited or no reliance on the work of Internal Audit.	Monitoring of work by Chief Auditor, CEF and Audit and Governance Committee.	Implementation of External Auditor's ISA 260 recommendations, and continuous review of work quality and focus on 'key controls'.	External Auditor's judgement on the work of Internal Audit.	Chief Internal Auditor	March 2010
Staff turnover or other staffing issues affecting the Team's ability to achieve its objectives.	Maintenance of staff appraisal (PDR) process, application of managing absence policy.	Closer monitoring of individual staff performance.	Quality and timeliness of individual audits. As reflected in quarterly and annual performance.	Chief Internal Auditor	Sept 2009
Inability to respond to technical auditing challenges, particularly in the field of IT audit.	Use of consultants or agency staff on an ad hoc basis.	Further consideration to sharing a staffing resource with another Authority, within the overall Audit budget.	Identification of a skilled resource.	Chief Internal Auditor/ Senior Auditor	Dec 2009
Disputes over the content of Audit reports affects the reputation of Internal Audit within the Authority.	Involvement of Audit management in cases of disagreement, use of audit surveys after each audit.	Invite follow up meetings with clients where dissatisfaction is expressed.	Achievement of target satisfaction ratings	Chief Internal Auditor	Dec 2009

Organisation of the Council's Service Areas

The Council's 9 Management and service areas are listed below, with examples of the work they are responsible for:

Corporate Management
The Corporate Executive Forum of the Council comprises the Chief Executive and Deputy Chief Executive, who are the most senior officers of the Council. The Forum is responsible for the overall management of the Council, and is supported by a Management Board which comprises the Forum members and the five Service Directors.

Deputy Chief Executive
Customer Services
Public Relations and Information (including website)
Community and Cultural Services, including Arts, Community Leisure and Museum
Performance Management and Equalities
Compliments and Complaints
Partnership working

Assistant to the Chief Executive
Democratic and Member Services
Elections
Electoral Registration
Member Support
Grants and Voluntary Sector Support

Environment and Street Scene
Waste Management
Leisure Contract Management
Grounds Maintenance
Car Parking
Licensing Enforcement
Environmental Health
Flood Alleviation
Highways
Crime and Disorder
North Weald Airfield Operations

Financial and ICT Services
Finance
Accounting
Budget Strategy
Collection of Revenues
Corporate Financial Advice and Policy
Housing Benefits
Insurance

Information and Communication Technologies
ICT Help Desk
Application Support and Technical Support
Networking & Communications
Advice & Consultancy
All IT Procurement & Purchasing

IT Training
Telephones

Housing Services
Housing Strategy and Policy
Housing Management
Housing Repairs and Maintenance
Homelessness
House Sales and Leasehold Services
Housing Improvement
Housing Waiting Lists
Rent Collections
Architectural Services
Mobile Homes, Gypsies and Traveller issues
Sheltered Housing and the Careline Service for the Elderly
Works Unit

Planning and Economic Development
Building Control
Development Control
Forward Planning
Planning Applications
Planning Policy
Countrycare/Conservation
Town Centre Enhancements
Economic Development
Contaminated Land

Corporate Support Services

Legal, Administration and Estates

Civic Offices/Office Management
Estates Management
Legal Services
Local Land Charges
Reprographics and Administrative Services
Licensing Strategy
Fleet Operations (from May 2008)
Emergency Planning
Facilities Management

Human Resources
Payroll
Recruitment
Staff Benefits
Training and Development
Health and Safety

Internal Audit
Audit Services
Consultancy and Advice
Investigations