

**Report to the Audit and Governance
Committee**



Report reference: AGC-002-2014/15
Date of meeting: 30 June 2014

**Epping Forest
District Council**

Portfolio: Finance and Technology
Subject: Internal Audit Monitoring Report - January to March 2014
Responsible Officer: Brian Bassington (01992 564446).
Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

(1) The Committee is requested to note the following issues arising from the Internal Audit Team's fourth quarter monitoring report for 2013/14:

- (a) The reports issued between January and March 2014 and significant findings (Appendix 1);
- (b) The Outstanding Priority 1 Actions Status Report (Appendix 2);
- (c) The Limited Assurance Audits follow up status report (Appendix 3);
- (d) The 2013/14 Audit Plan status report (Appendix 4).

Executive Summary:

This report provides a summary of the work undertaken by the Internal Audit Unit between January and March 2014, and details the overall performance to date against the Audit Plan for 2013/14. The report also contains a status report on previous priority 1 audit recommendations which continue to be monitored by the Corporate Governance Group.

Reasons for Proposed Decision:

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

Other Options for Action:

No other options.

Report:

Work Carried Out in the Period

1. The audit reports issued in the fourth quarter are listed in paragraph 3 below.
2. Audits completed in the fourth quarter have concentrated on fundamental financial systems and income streams, the detailed findings of which are in appendix 1. At the end of the quarter a further five audits were in progress or at the draft report stage.

Reports Issued

3. The following audit reports were issued in the fourth quarter:

- (a) Full Assurance:
 - None;
- (b) Substantial Assurance:
 - Sundry Debtors;
 - Treasury Management;
 - Council Tax;
 - Cash Receipting and Income Control;
 - Housing Repairs Service;
 - Payroll; and
 - Car Mileage Claims;
- (c) Limited Assurance:
 - Car Parking Contract;
- (d) No Assurance:
 - None; and
- (e) At Draft Report Stage:
 - Creditors;
 - Housing Benefits;
 - Housing Rent Collection and Arrears;
 - Overtime and Committee Allowances; and
 - Travelling and Subsistence Claims.

Limited Assurance

4. During the quarter, one report, Car Parking Income was issued with a Limited assurance rating. This rating was based on the current limitations of the information supplied by the North Essex Parking Partnership (NEPP), which is in the process of being resolved by management. The introduction of new parking meters will also greatly improve the monitoring of the pay and display income received. This audit was a review of the controls surrounding off street parking income. A more detailed check, including a review of the NEPP contract and its' governance will be carried out as part of the 2014/15 audit plan.

Follow Up of Previous Priority 1 Recommendations

5. Attached at Appendix 2 is a schedule of outstanding priority 1 recommendations to ensure follow up both by Internal Audit and Directorate Management. These recommendations are monitored on a monthly basis by the Corporate Governance Group.

Audit Plan 2013/14 (Appendix 4)

6. The status of the 2013/14 Audit Plan is set out at Appendix 4.

Performance Management

7. The Internal Audit Team has local performance indicator targets to meet in 2013/14, as set out below:

	Actual 2009/10 For year	Actual 2010/11 For year	Actual 2011/12 For year	Actual 2012/13 For year	Target 2013/14 Quarter 4	Actual 2013/14 Quarter 4
% Planned audits completed	87%	82%	82%	85%	90%	77%
% chargeable "fee" staff time	69%	66%	71%	69%	72%	68%
Average cost per audit day	£300	£307	£213	£243	£245	£247
% User satisfaction	94%	86%	89%	85%	89%	See note below

8. The indicators are calculated as follows:

(a) % Planned audits completed - a cumulative calculation is made each quarter based on the approved plan;

(b) % Chargeable fee time - a calculation is made each quarter based on reports produced from Internal Audit's time recording system;

(c) Average cost per audit day - the calculation is based on the costs for each quarter taken from the budget monitoring reports, divided by the number of fee earning days extracted from the time recording system.

(d) User satisfaction has been based on a customer survey form which was replaced by an electronic form for use from April 2013. The rate of return did not improve with the new simplified form so Management will be reminded of the importance of performance indicators and the need to complete and return the survey forms in a timely manner. Also research is currently being carried out to see what indicators other councils internal audits report that might be useful for EFDC to adopt.

9. A member of staff had a further period of sick leave and returned to work on a phased return at the beginning of February. This required the reallocation of outstanding work to ensure that the fundamental financial systems were reviewed by the end of the financial year. This work was substantially complete at the end of March as required by the external auditors.

Resource Implications:

Within the report.

Legal and Governance Implications:

Within the report.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

Audit files and working papers.

Impact Assessments:

Risk Management

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.

Equality and Diversity:

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

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

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

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
There are no specific equalities impacts.

Definition of Levels of Assurance

Level	Evaluation opinion	Testing opinion
Full assurance	There is a sound system of control designed to achieve the system objective.	The controls are being consistently applied.
Substantial assurance	While there is a basically sound system, there are weaknesses that put some of the system's objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system's objectives at risk.
Limited assurance	Weaknesses in the system of controls are such as to put the system's objectives at risk.	The level of non-compliance puts the system's objectives at risk.
No assurance	Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

**SUMMARY OF AUDITS COMPLETED DURING QUARTER 4
January - March 2014**

Appendix 1

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
Sundry Debtors	Finance and ICT	Substantial Assurance There are sound controls in place for recovery of debts.	This audit has provided assurance in the system for sundry debts. Improvement areas have been identified to improve the internal controls and to ensure recovery of income due to the Council is maximised.
Treasury Management	Finance and ICT	Substantial Assurance The systems and controls surrounding treasury management are operating effectively.	Investments are made in accordance with the Authority's Treasury Management Policy. Best practice is identified throughout the process and file documentation provides a clear audit trail.
Council Tax	Finance and ICT	Substantial Assurance The council tax function is well administered and data held is accurate and up to date. The controls in place are effective in mitigating the risks faced by the Council Tax function.	Daily activities are generally completed accurately and timely. The area of supervisory checking has improved significantly and is now an area Audit can place assurance upon. An area of improvement in regards reconciliation completion was highlighted and this has now been discussed with management to ensure improvement going forward.
Cash Receipting and Income Control	Finance and ICT	Substantial Assurance The systems and controls surrounding cash receipting and income control are operating effectively. Two recommendations have been	All income received is recorded on AXIS Cash Receipting and is reconciled on a daily basis to the general ledger and bank statement. The cash collected from the kiosk at Waltham Abbey

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
		raised.	<p>includes some of the float used to top it up for change and the difference is posted to a specific account. However, this account has not been fully reconciled.</p> <p>A review of the officers with access to the cash offices at Epping highlighted the need for a regular review, by management, of access granted to this area.</p>
Housing Repairs Service	Housing	<p>Substantial Assurance The systems and controls surrounding the management of the Housing Repairs Service are operating effectively.</p>	<p>Management have already introduced a number of changes to address weaknesses previously identified.</p> <p>Implementation of the MCM system has significantly improved the management of responsive repairs as it incorporates real time processing of repairs, an appointment system and materials procurement system, thereby eliminating many of the manual processes previously employed. The enhanced management reporting facility has also improved the monitoring of budgets and staff performance.</p>
Payroll	Corporate Support Services	<p>Substantial Assurance The systems and controls in place in relation to payroll are operating effectively.</p>	<p>The payroll system holds a complete and accurate record of staff employed by the Authority and is regularly reconciled to the establishment list within HR.</p> <p>Salary payments and deductions are correctly calculated. Testing showed that deductions from pay are legitimate and accurate, and are all supported by relevant documentation authorised by the relevant employee.</p>

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
Car Mileage Claims	Corporate Support Services	<p>Substantial Assurance There was no evidence of fraudulent activity found. However there were issues identified which need to be addressed to reduce the risk to the Council.</p>	<p>This report provides a view that Mileage claims are generally submitted in a timely manner. Mileage claims are supported by fuel receipts and signed off by authorised signatories. All claims checked are matched to the payroll and all payments were made at the correct rate.</p>
Car Parking Contract	Environment and Street Scene	<p>Limited Assurance Based on the current limitations of the information supplied by NEPP, which is in the process of being resolved, this audit is given a limited assurance. It should be noted that the evaluation and testing of the system of key controls in place at EFDC, designed to achieve the objectives relating to off street car parking income, we can provide management with assurance that the processes are sound and are in place for when the full data is made available from NEPP.</p>	<p>The pay and display off street car parking income is adequately monitored. As little supporting documentation is received in relation to the Penalty Charge Notice (PCN) and Season Ticket income, it is not possible to verify this. However, the volume of PCNs is being monitored to ensure there are no significant fluctuations and any issues identified are raised with NEPP. Additionally, some assurance should be provided as the car parking contract is subject to independent review by Colchester Borough Council Internal Audit Section, which is contracted to Deloitte.</p>

**INTERNAL AUDIT
OUTSTANDING PRIORITY 1 ACTIONS – STATUS AS AT 31st March 2014**

Appendix 2

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
Recruitment and Selection	Management to be reminded of the importance of ensuring the recruitment process is fully documented, including all inductions completed timely and all required paperwork provided to the employee.	Assistant Director HR	30/4/14	<p>Management will be reminded to complete and record all inductions.</p> <p>The HR apprentice will update the checklist for employees when filing the PDR and data cleanse forms.</p> <p>Our apprentice left so we haven't made a start on checking the files, also going forward our grade 2 post is being filled by an agency worker who is not checking files at this time (time being the main factor). We have no other resources to do this work at the moment but will keep it under review – we are advertising for a temp admin post and it could be they take this forward. (This is not an additional resource but we a re-jigging duties).</p>	Reminder actioned.	30 th January 2014
Commercial Property Portfolio	Some rent review dates on GVA do not agree to the information held on the Valuers spreadsheets. Therefore the data held on GVA should be checked to ensure that it is correct prior to transferring it to	Assistant Director (Asset Management & Economic Development)	31/3/14	<p>Agreed. The data will be cleansed before being loaded onto the new system. There are currently delays in the implementation of the new system.</p> <p>We have tendered for the</p>		

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
	the new IT system.			replacement to the GVA system but unfortunately the system does not seem to do what they alleged so is not currently progressing. A letter has gone to the company from Legal Services and if the matter is not resolved shortly we will either have to look to another tenderer or re-tender again.		

**INTERNAL AUDIT
FOLLOW UP OF LIMITED ASSURANCE AUDITS AS AT April 2014**

Appendix 3

Report Title	Directorate	Date Issued	Agreed Actions by priority	Agreed Actions Outstanding	Time of Follow Up	Outstanding Issues / Comments
Car Parking Income	Environment and Street Scene	March 2014	P1. 0 P2. 1 P3. 0	P1. 0 P2. 1 P3. 0	Q3 2014/15	<p>The pay and display off street car parking income is adequately monitored. However, the introduction of new parking meters will enable the pay and display income to be more effectively monitored.</p> <p>As little supporting documentation is received in relation to the Penalty Charge Notice (PCN) and Season Ticket income, it is not possible to verify this. This is in the process of being addressed by management. In the meantime however, the volume of PCNs is being monitored to ensure there are no significant fluctuations and the any issues identified are raised with NEPP.</p> <p>Additionally, some assurance should be provided as the car parking contract is subject to independent review by Colchester Borough Council Internal Audit Section.</p>

Internal Audit Plan 2013/14

Appendix 4

Key		Risk Identifier		
AC		Audit Commission		
FFS		Fundamental Finance System		
R no.		Risk No. in Corporate Register		
R		Reputation of Council		
AUDIT PLAN 2013/14				
Audit area	Audit type	Days allocated	Completed	Risk Identifier
FINANCE AND ICT				
Finance				
Bank Reconciliation	system/follow up	15	Completed	FFS
Sundry Debtors	system/follow up	15	Completed	FFS
Creditors	system/follow up	15	Completed	FFS
Treasury Management	system/follow up	15	Completed	FFS/R26
Budgetary Control (capital and revenue)	system/follow up	10	Completed	FFS
Risk Management and Insurance	system/follow up	15	Completed	FFS
Main Accounting and Financial Ledger	system/follow up	15	Completed	FFS
Housing Benefits	system/follow up	20	Completed	FFS
Council Tax	system/follow up	20	Completed	FFS/R27/AC
Business Rates	system/follow up	15	Completed	FFS/R27
Cash receipting and Income control	system/follow up	15	Completed	FFS
Provision for 'top up' testing	systems	30	Completed	FFS
ICT				
ICT Procurement	ICT	10	Completed	AC/R2
Access controls	ICT	10	Completed	FFS
Disaster recovery/business continuity	ICT	10	Completed	R8
TOTAL		230		
PLANNING AND ECONOMIC DEVELOPMENT				
Planning Fees	System	20	Carried Fwd	R27
Countrycare	System	10	Completed	R
TOTAL		30		

ENVIRONMENT AND STREET SCENE				
Waste Management and Recycling	system	20	Completed	R20
Car Parking Contract	system	10	Completed	R27
North Weald airfield	establishment	15	Carried Fwd	R27
TOTAL		45		
HOUSING				
Housing Rent Collection and Arrears	system/follow up	20	Completed	FFS/R27
Right to Buy	system	10	Carried Fwd	AC
Housing Repairs Service	system	20	Completed	
Housing Contracts	system	20	Completed	R2
Private Sector Housing - Grants	system	15	Completed	
Norway House	Establishment	10	Carried Fwd	
TOTAL		95		
CORPORATE SUPPORT SERVICES				
Human Resources				
Payroll	System/follow up	20	Completed	FFS
Recruitment and Selection	Follow up	5	Completed	AC
Management of Sickness absence	Follow up	5	Completed	R15
Overtime and Committee Allowances	verification	10	Completed	R
Travelling & Subsistence Claims	verification	10	Completed	R
Car Mileage claims	verification	10	Completed	R
Estates/Facilities Management/Other				
Commercial Property portfolio	Follow up	5	Completed	R9
Reprographics	System	10	Carried Fwd	
Fleet Operations income	system	5	Completed	R27
Facilities Management Contracts	system	10	Carried Fwd	R2
Legal				
Debt recovery	Follow up	10	Carried Fwd	R27

TOTAL		100		
PERFORMANCE IMPROVEMENT				
Key and Local Performance Indicators	verification	15	Completed	R
Business Plans	verification	10	Completed	R
Equality Analysis	verification	10	Carried Fwd	R
FRAUD PREVENTION & DETECTION				
Contracts	fraud }	15	Completed	AC/R20
Procurement	fraud }	15	Completed	AC/R2
Council Tax Discounts	fraud	15	Completed	AC/R23
National Fraud Initiative (NFI)	fraud	20	Completed	R23
Data matching and analysis (IDEA software)	fraud	25	Completed	AC
CORPORATE				
Corporate Procurement	system/follow up	15	Carried Fwd	AC/R2
Gifts and Hospitality (Members & Officers)	system/follow up	10	Completed	R
Corporate Asset Register	system	5	Completed	FFS
Priority 1 Audit recommendations	follow up	10	Completed	R23
Governance Statement	management review	5	Completed	AC/R
TOTAL		170		
TOTAL DAYS ALLOCATED		670		
Contingency/Minor investigations		40	Completed	R23
Corporate/Service Advice		65	Completed	
TOTAL		775		