



**EPPING FOREST DISTRICT COUNCIL**

**INTERNAL AUDIT UNIT**

**ANNUAL REPORT 2008/09**

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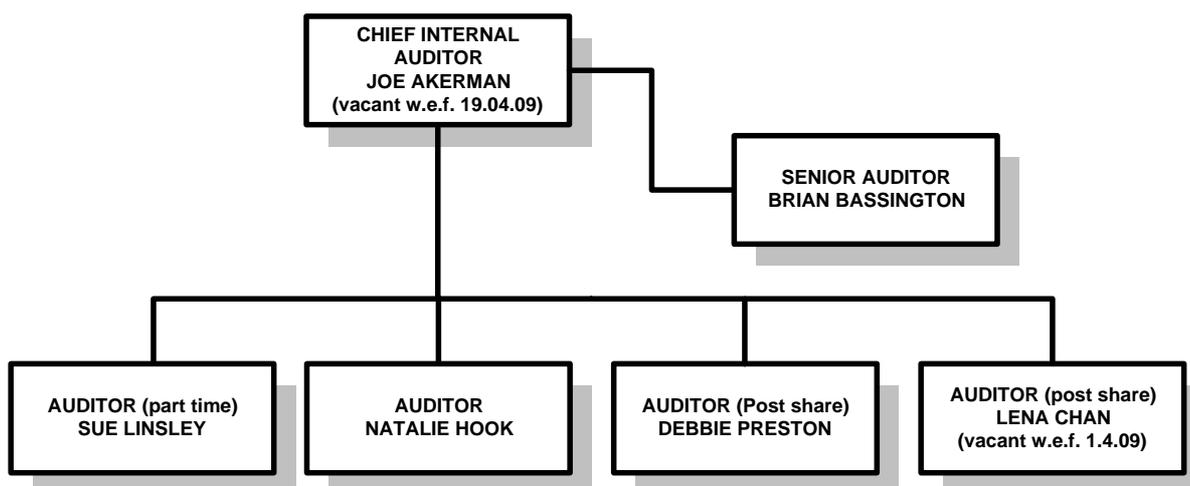
## 1. Introduction

- 1.1 This Internal Audit Annual Report for 2008/09 is based on the “Code of Practice for Internal Audit in Local Government” produced by CIPFA. It aims to bring together, in summary form, the workings of Internal Audit with a reconciliation of the Audit Plan. The work referred to in this report was carried out as part of the agreed Audit Plan for the period from 1 April 2008 to 31 March 2009.
- 1.2 One of the main purposes of the report is to support the Internal Audit opinion on the adequacy of EFDC’s internal control environment as a contribution to the proper, economic, efficient, and effective use of resources. This report is therefore part of the evidence that underpins the Corporate Governance Statement published in the Council’s Statutory Statement of Accounts, in line with the requirements of the Accounts and Audit Regulations 2006.
- 1.3 The Accounts and Audit Regulations also require the Council to conduct a formal review at least once a year of the effectiveness of its system of Internal Audit. Part three of this report provides a summary of the latest review, which is reported separately to the Audit and Governance Committee.

## 2. The Audit Team

- 2.1 The Authority retained an experienced team of 4.8 full time equivalent (fte) internal auditors during 2008/09. The establishment compared to 5 fte in the early part of 2007/08, following changes in working hours for two members of staff during that year. The in-house resource was supplemented by an agency budget of £16,830 in 2008/09 to provide some flexibility to meet the cost of agency or consultant auditors for specific pieces of work. This resource was utilised in the second and fourth quarters.

The staffing position at 31 March 2009 is set out below:



2.2 Changes to staffing levels within the Team took effect from early April 2009. The Chief Internal Auditor resigned in February 2009 and was expected to leave his full time position in mid-April. It was envisaged that he would continue to provide part time cover while a replacement was sought. In addition, a post of part-time Auditor became vacant on 31 March 2009 following a voluntary transfer to the Accountancy Team.

### **3. External Audit**

3.1 The Authority's External Auditor has a statutory responsibility to express an independent opinion on EFDC's accounts, performance management and the financial aspects of corporate governance. The Audit Commission, who moved all principal audited bodies on to a "fee for audit" basis several years ago, appoints the External Auditor. The Audit Commission has to be confident in the processes and procedures at EFDC to produce the accounts by the statutory deadline each year, as well as being able to place reliance on the work of Internal Audit.

3.2 Internal and External Audit work closely together, following the principles of the previous "managed audit" approach, to avoid duplication of audit effort and to ensure that the Council receives comprehensive audit coverage.

### **4. The Role of Internal Audit**

4.1 Internal Audit is provided in the context of the Council's statutory responsibility to make arrangements for the proper administration of its financial affairs, as detailed in the Business Plan reported to Members previously. It is an assurance function that primarily provides an independent and objective opinion to the Council on the adequacy of the control environment, as a contribution to the proper, economic, efficient and effective use of resources.

4.2 The main elements of the work are to:

- audit and report on the core financial controls throughout the authority
- provide advice during the development of new systems
- provide advice on financial, contractual and IT controls, including financial regulations and standing orders
- review computer security
- investigate suspected fraud, corruption and other irregularities
- monitor the Anti-fraud strategy and participate in the National Fraud Initiative
- keep Corporate Executive Forum and Management Board informed of key issues
- liaise with the Audit Commission and their appointed External Auditors
- report to the Audit and Governance Committee on key issues arising from audits, and on the performance of the Audit team.

### **5. Performance against the Audit Plan**

5.1 Whilst the majority of planned audits, including all of the key audits of financial systems, were completed by 31 March 2009, a very small number slipped to 2009/10 due primarily to operational factors. The prioritisation of Audits was based on a risk evaluation and the justification behind the relatively lower priority given to some audits was reported to the Audit and Governance Committee.

5.2 The time spent on unplanned work (including investigations) during the year totalled 14 days and was within the contingency provision in the Audit Plan. This figure compares with 42 and 47 days respectively in the previous two years. This work therefore had a lesser impact on the remainder of the work plan than in previous years.

- 5.3 The table below provides a numerical analysis of the audit tasks undertaken over the last three years and supports the performance analysis on page 9.

<b>Analysis of Audit Tasks</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
<b>Category</b>			
<b>Audit Plan</b>			
Number of planned audits/follow ups	54	49	50
Corporate topics/'top up' testing/NFI	-	-	6
Projects c/fwd from previous year	-	4	2
Audits deleted from original plan	(2)	(1)	-
Audits added to plan	4	1	1
<b>Total number of projects</b>	<b>56</b>	<b>53</b>	<b>59</b>
<b>Status at 31 March</b>			
Audits/follow ups/investigation completed	44	47	50
Corporate topics/'top ups' completed/NFI	-	-	6
Reviews of Financial Regulations/Policies	2	-	-
Audits in progress	3	3	2
Projects not commenced	7	3	1
<b>Total number of projects</b>	<b>56</b>	<b>53</b>	<b>59</b>

- 5.4 Senior officers have been briefed on the key issues arising from the audits undertaken in 2008/09 and provision for their follow up has been made in the Audit plan for 2009/10.
- 5.5 The table below analyses the categorisation of audits completed in 2008/09, compared to 2007/08:

<b>Assurance Category</b>	<b>2007/08</b>	<b>%</b>	<b>2008/09</b>	<b>%</b>
Substantial	0	0	5	10
Satisfactory	31	66	24	48
Limited	16	34	20	40
None	0	0	0	0
Investigation (not rated)	-	0	1	2
<b>Total</b>	<b>47</b>	<b>100</b>	<b>50</b>	<b>100</b>

- 5.6 The status of the planned audits in the 2008/09 Audit Plan at the end of the financial year is set out at Appendix 1 on pages 11 and 12. The percentage of audits and other topics completed in 2008/09 was 95%, compared to 89%, 82%, and 86% in the previous three years.

## **6. Overall Assurance**

- 6.1 The Accounts and Audit Regulations 2003 (as amended on 1 April 2006) require a formal statement on the Council's governance arrangements to be published within the Council's statutory accounts, incorporating the system of internal control. The statement sets out the framework within which financial and other controls and processes are managed and maintained, including the arrangements for internal audit. It will be signed by the Chief Executive and the Leader of the Council.

- 6.2 Despite the measures taken in 2008/09 and previous years, to heighten awareness of governance requirements and to promote improvement in systems, no assurance can be absolute or all the risks eliminated altogether. However, the opinion given in this report provides a reasonable level of assurance that there are no significant weaknesses in the Council's control environment. Notwithstanding the issues referred to in this section of the report, the audits undertaken during 2008/09 concluded that systems were generally operating satisfactorily, and appropriate follow up action had been taken where required from previous audits.
- 6.3 There were no material errors arising from Internal Audit work on the Council's major financial systems during 2008/09, although the review of Treasury Management systems identified a number of improvement areas in relation to internal reporting and supervision. In addition, reviews of the Council's overall systems of internal control across the Authority identified some weaknesses in the application of some of the Council's systems during 2008/09, and occasional lapses in the application of Financial Regulations and Contract Standing Orders. These have been referred to in reports to the Audit and Governance Committee, and in the Council's Governance Statement.
- 6.4 A specific concern related to the process in most services for accepting gifts and hospitality from individuals and organisations external to the Authority. There were cases across services where managers and staff had exercised poor judgement, and the levels of acceptance of gifts and hospitality were clearly unacceptable in the context of the staff Code of Conduct. There was however no indication of fraudulent activity in the cases identified, and immediate steps were taken in all services to improve procedures and remind all staff of their responsibilities.
- 6.5 A follow up audit on the use of consultants and agency staff identified that a number of earlier recommendations had not been fully implemented. As a consequence quotations were generally not being sought and value for money could not be demonstrated. The audit report led to changes to the Council's Contract Standing Orders being made to clarify the definition of a consultant and a temporary member of staff, and the rules to be applied for their engagement.
- 6.6 The Audit and Governance Committee expressed concern regarding a Service business plan that was not published prior to 1<sup>st</sup> April 2008, in time to be effective for the start of the new financial year. As a consequence the Service Director was requested to attend the Committee to explain the reason for the delay.
- 6.7 There is still a general concern regarding the occasional lack of segregation of duties in some services between the raising and authorisation of purchase orders, and the certification of invoices. A number of measures have been taken to address these lapses, including ongoing finance training for staff in all services.
- 6.8 These issues are picked up through the Council's internal control mechanisms and dealt with promptly by Service management in liaison with Internal Audit. The outcomes were reported to the Audit and Governance Committee during the year via the Internal Audit quarterly monitoring reports, and immediate steps were taken to improve the respective systems and address concerns with individual members of staff. The Audit and Governance Committee also requested follow up of audits that had received 'limited assurance' audit reports in 2008/09.
- 6.9 The examples of non-compliance cited were generally at the lower end of the risk scale and are not considered to compromise the overall effectiveness of the Council's control environment. However they do serve as a reminder that the core components of the Council's governance framework (Financial Regulations, Contract Standing Orders and

Staff Code of Conduct) need to be both in place and widely available, to afford protection to both the Council and its employees.

- 6.10 To assist managers' understanding of finance and governance issues, a user-friendly summary of Financial Regulations is available on the Council's intranet, for reference by staff involved in financial matters, complemented by training for managers and supervisors in all services. The guide was updated in 2008/09. Further training sessions were delivered in 2008/09, and approximately 200 managers and staff have received the training and are fully aware of the requirements of the Council's Financial Regulations.
- 6.11 A list of all of the reports issued in 2008/09, with the opinions and main conclusions on the control arrangements in place, is attached at Appendix 3. Following earlier discussions with the Audit Commission regarding potential improvements in audit reporting, an internal control assurance rating on a 4 point scale *substantial/satisfactory/limited/none* is assigned to each audit in support of the audit opinion on the Service area covered.
- 6.12 For 2008/09 Service Directors have reviewed the broad issues involved in providing assurance regarding the governance arrangements within their areas of responsibility, using a detailed check list. All Directors have been able to provide at least a reasonable level of assurance regarding the effectiveness of the controls in place.
- 6.13 The level of assurance on the Council's systems of internal control that can be given by the Chief Internal Auditor takes into account:
- All audit work completed during 2008/09
  - Follow up actions from previous years audits
  - Management's response to findings and recommendations
  - The resources available to deliver the audit plan
  - The certification of Service Directors in their assurance statements
  - Internal Audit performance in 2008/09
  - The reliance placed on the work of Internal Audit by the External Auditor
  - Relevant information in Audit Commission reports, including the annual Use of Resources assessment and Direction of Travel Statement
- 6.14 In addition to the factors listed above the Chief Internal Auditor undertakes a review of all completed audit assignments, which specifically covers the quality of the work, compliance with the terms of reference for the assignment, and compliance with CIPFA standards. All audit reports include an opinion on the systems reviewed and a management action plan containing recommendations and timescales to enhance the level of control.
- 6.15 Taking all of the available information into account, in particular the audit work completed, it is considered by the Chief Internal Auditor that the Council has in place a satisfactory framework of internal control, which provides reasonable assurance regarding the efficient and effective achievement of its objectives in 2008/09.

## **7. Review of Effectiveness of Internal Audit**

- 7.1 Changes to the Accounts and Audit Regulations from April 2006 include a requirement for the Authority to carry out an annual review of the effectiveness of Internal Audit. To assist the Audit and Governance Committee in discharging this requirement on behalf of the Authority, a separate report summarises the measures currently in place to monitor Internal Audit effectiveness. A summary is provided in paragraph 10 of this report.

## **8 Benchmarking Indicators**

- 8.1 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. A detailed report on the latest published benchmarking review (2007/08 for costs and 2008/09 for plans) was made to the Audit and Governance Committee in September 2008. The main conclusions from that review 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 for the last three 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, highlighting 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 were at the average.
- 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.
- Sickness levels were above average in 2007/08.

### 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.
- 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.

### Staffing

- Staff salary bandings are above average because the Team no longer includes a lower graded post of administrative assistant.
- The EFDC Audit Team is well qualified, generally just above the group averages.

- 8.2 The 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. The review also confirmed a good standard of compliance with audit best practice. There were no significant variations or changes in performance compared to earlier years, and whilst this is reassuring to some degree there is clearly scope for improvement.

## **9. Strategic Benchmarks**

- 9.1 In recent Annual Reports a comparison was made of some strategic Benchmarks that were used in a national survey. In view of the ongoing reviews into the effectiveness of the Authority's system of internal audit, it is appropriate to re-state the Council's position in these terms. The table at Appendix 2 shows that standards have generally been maintained in recent years, and were strengthened from 2007/08 by the establishment of the Audit and Governance Committee and its consolidation in 2008/09.



## 10. Review of Internal Audit

- 10.1 The Accounts and Audit Regulations 2003 (as amended on 1 April 2006) require the Council to conduct a review at least annually of the effectiveness of its system of Internal Audit. The findings of this review must be considered as part of the consideration of the system of internal control, and are included in a separate report to the Audit and Governance Committee. This Section of the Annual Internal Audit Report summarises some of the issues contained in the review of Internal Audit for 2008/09, which was conducted in the first instance by the officer Corporate Governance Group in April 2009, prior to being scrutinised by the Audit and Governance Committee.
- 10.2 There are four specific local performance targets relating to Internal Audit. These are set out below:

	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Target 2009/10
% Planned audits completed	86%	82%	89%	95%	90%
% chargeable "fee" time	67%	67%	68%	71%	72%
Average cost per audit day	£292	£314	£307	£309	£320
% User satisfaction	85%	83%	81%	85%	85%

- 10.3 Improved levels of staff sickness during 2008/09 assisted the achievement of some of the targets, including the target for the coverage of the audit plan. Further details are provided in the quarter 4 Internal Audit monitoring report to the Audit and Governance Committee.
- 10.4 To place the performance figures in the context of the resources available in 2008/09 and the two preceding years, the summary below is reproduced from Internal Audit monitoring reports, and shows an improving trend in the average number of days per audit.

	2006/07 Actual	2007/08 Actual	2008/09 Actual
Number of days to meet the audit plan	990	935	900
Number of days available	1292	1268	1250
Less statutory and annual leave	(154)	(170)	(165)
Sick leave	(133)	(81)	(41)
Training	(16)	(15)	(15)
Planning, supervisory, other non-chargeable	(135)	(150)	(157)
Available audit days	854	852	872
Bought in days	40	40	52
Total Audit Days	894	892	924
Average days per audit / follow up completed	20.3	19.0	18.5

10.5 Measures of effectiveness are based on the Audit Team' local performance indicators, referred to in paragraph 10.2. Other measures, set out below, are more subjective but are judged on an ongoing basis through review of audit reports and monitoring reports by a range of stakeholders, including service management, corporate management, members and external audit:

- adding value and supporting the achievement of the Authority's objectives;
- contributing to improved governance arrangements through the Unit's work; and
- finding an improvement in control during each follow-up audit.

10.6 The following criteria can also be considered when evaluating the effectiveness of Internal Audit.

➤ **Compliance with the CIPFA Code of Practice for Internal Audit**

The Chief Internal Auditor has undertaken a self-assessment against the checklist attached to the Code of Practice, and has confirmed a good level of compliance with the Code, with only one major improvement area reported previously, in respect of the updating of the local Internal Audit Manual. This task was progressed during 2007/08 and completed in the first quarter 2008/09.

➤ **Extent of Audit Coverage**

Internal Audit achieved 95% coverage of the audit plan in 2008/09, including all of the fundamental finance systems. This figure exceeded the target for the year.

➤ **Responsiveness**

Internal Audit responded to all requests for ad hoc support from Service management. Minor investigations were undertaken and concluded within a short period.

➤ **Customer Surveys**

Feedback from client surveys indicates that the Internal Audit role is understood and appreciated. Good working relationships are maintained and an average customer satisfaction rating of 85% was achieved in 2008/09. A detailed survey, comprising 41 questions and based on a CIPFA benchmarking model, was issued to 29 service managers by the Public Relations and Information Unit at the end of 2008/09, to comply with Members' wishes that the survey should be administered independently. In total, 16 responses were received, although not all respondents answered all the questions. On a scale *excellent, good, adequate, less than adequate, weak, or poor*, the average rating of Internal Audit was good for 40 questions and adequate for 1. There were no average scores at the extremes of the scale, unlike in 2007/08 when there were 5 average scores of 'excellent'. The overall average rating of Internal Audit was good.

➤ **Reliance by External Auditor**

In recent years the Audit Commission has been able to report, via its Management Letter, that it has placed reliance on the work of Internal Audit and delivered a managed audit. This is on the basis that Internal Audit has reviewed all material financial systems and the work was compliant with CIPFA standards.

➤ **Management Reporting**

Internal Audit reports on a quarterly basis to the officer Corporate Executive Forum and Members on its own performance, and to provide a commentary on the effectiveness of systems of internal control across Council Services.

## Appendix 1

### Analysis of work carried out in 2008/09

The original audit plan for 2008/09 is set out below, together with the status of individual audits at 31 March 2009:

Audit area	Audit type	Days allocated	Days spent 1 April – 31 March	Status at 31 March 2009	Auditor
<b>FINANCE AND ICT</b>					
<b>Finance</b>					
Bank Reconciliation	system/follow up	15	15	completed	LC
Sundry Debtors	system/follow up	20	23	completed	NH
Creditors	system/follow up	25	27	completed	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	13	completed	SL
Risk Management and Insurance	system/follow up	15	15	completed	DP
Main Accounting and Financial Ledger	system/follow up	15	15	completed	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	29	completed	LC/DP
<b>ICT</b>					
Data Security	IT security	20	20	completed	contractor
Core Business Support (network controls)	management review	10	10	completed	contractor
Housing Benefits – Electronic Data Processing	IT	10	10	completed	BB
Revenues and Benefits IT system	IT	10	13	completed	BB
<b>TOTAL</b>		<b>320</b>	<b>353</b>		
<b>PLANNING AND ECONOMIC DEVELOPMENT</b>					
Development Control	system	20	19	completed	BB
IT System (MVM)	IT	15	18	completed	BB
External Funding	system	15	17	completed	LC
<b>TOTAL</b>		<b>50</b>	<b>54</b>		
<b>ENVIRONMENT AND STREET SCENE</b>					
Car Parking	system	20	23	completed	SL
Waste Management (including bulk collections)	system	20	23	completed	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	9	completed	LC
<b>TOTAL</b>		<b>73</b>	<b>81</b>		
<b>HOUSING</b>					
Housing Rent Collection	system/follow up	20	23	completed	NH
Contract Management	system	15	17	completed	LC
Depot	system/follow up	15	19	completed	DP
Stores (Depot stocktake – inc. 09 stocktake 31 3.09)	stocktake	2	5	completed	BB
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					
<b>TOTAL</b>		<b>56</b>	<b>68</b>		

Audit area	Audit type	Days allocated	Days spent 1 April – 31 March	Status at 31 March 2009	Auditor
<b>PARTNERSHIPS AND VOLUNTARY SECTOR</b>					
Grants to Voluntary Organisations	system/follow up	20	20	completed	LC
Partnership Governance Arrangements	verification	20	23	completed	BB
<b>TOTAL</b>		<b>40</b>	<b>43</b>		
<b>COMMUNITY AND CULTURAL SERVICES</b>					
Bookings and Cash collection	system	15	16	completed	SL
External Funding	system	15	17	completed	NH
District Museum	follow up	5	6	completed	NH
<b>TOTAL</b>		<b>35</b>	<b>39</b>		
<b>CORPORATE SUPPORT SERVICES</b>					
<b>Human Resources</b>					
Temporary/Agency agreements	system/ vfm	13	13	completed	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	6	completed	DP
* 3 days allocated from contingency					
<b>Facilities Management</b>					
Commercial Property Portfolio	system/follow up	20	23	completed	NH
Reprographics	system / vfm	20	11	in progress	BB
<b>Legal</b>					
Land Charges Data Quality	verification	10	1	defer	-
<b>TOTAL</b>		<b>91</b>	<b>78</b>		
<b>MISCELLANEOUS</b>					
<b>CPA and BEST VALUE</b>					
Business Plans	verification	5	7	completed	DP
Key/Local Performance Indicators	verification	20	12	completed	DP
<b>CONTRACTS</b>					
Contract Compliance	system	20	15	in progress	SL
<b>CORPORATE</b>					
Corporate Procurement	system	10*	12	completed	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	5	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					
<b>FRAUD AND CORRUPTION</b>					
National Fraud Initiative (NFI) - 2008	biennial review	30*	21	part completed	NH
Verification of Audit Logs	IT security	15	13	completed	BB
* 5 days allocated from contingency					
<b>TOTAL DAYS ALLOCATED</b>		<b>805</b>	<b>833</b>		
Contingency/Spot checks/Minor investigations		<b>30</b>	<b>14</b>	ongoing	All
Corporate/Service Advice		<b>65*</b>	<b>77</b>	ongoing	JA/BB
* 15 days allocated from contingency					
<b>TOTAL</b>		<b>900</b>	<b>924</b>		

Appendix 2

Benchmark	EFDC Position 2006/07	EFDC Position 2007/08	EFDC Position 2008/09
Does your authority have an Audit Committee or equivalent?	Yes (equivalent)	Yes	Yes
Is your internal audit section positioned in the Chief Executive's Department, reporting directly to the Chief Executive?	Partly (reports to a Joint CE)	Partly (reports to the Chief Exec.)	Yes
Does your internal audit section have an Audit Charter	Yes	Yes	Yes
Is the purpose of your internal audit section to provide assurance on the adequacy and effectiveness of its system of internal control	Yes	Yes	Yes
Is the scope of your internal audit unrestricted and does it extend to all operations of the authority?	Yes	Yes	Yes
Internal audit does not have any line management responsibilities	Yes	Yes	Yes
Does your internal audit have unrestricted access to all records, premises and personnel of the Authority?	Yes	Yes	Yes
Do you, the Head of Internal Audit, have the right of access to the Audit Committee or equivalent?	Yes	Yes	Yes
Do you submit quarterly activity reports to management, and the Audit Committee (or equivalent), highlighting significant audit findings, audit recommendations and management's response	Yes Management Board and Finance Cabinet Committee	Yes Corporate Executive Forum and Audit and Governance Committee	Yes Corporate Executive Forum and Audit and Governance Committee
Do you have an 'audit needs assessment' which was prepared on the basis of risk and includes all systems of the authority?	Partly	Partly	Partly
Do you submit an annual audit plan to management, and the Audit Committee of the planned audit work schedule, man-days and financial budget?	Yes Management Board, Finance Cabinet Committee and Cabinet	Yes Corporate Executive Forum and Audit and Governance Committee	Yes Corporate Executive Forum and Audit and Governance Committee
Have you, in the last three years, arranged an external review of your internal audit to verify compliance with professional standards	Yes, external auditors	Yes, external auditors	Yes, external auditors
Do you conduct an annual customer satisfaction survey to find out the authority's views of the quality of internal audit work?	No (surveys are carried out on main audits)	Yes	Yes
Do you have 'managed audit status'?	Yes	Yes	Yes

## Summary of Audits carried out by Internal Audit 2008/09

Title	Service	Opinion	Main Conclusions
<p><b><u>QUARTER 1</u></b></p> <p>Building Maintenance (Works Unit) Stocktake</p>	<p>Housing (formerly Works)</p>	<p><i>Limited Assurance</i></p> <p>The error rate is still at an unacceptable level. While Management have reviewed the stock recording system to identify ways of applying greater control as agreed during last year's stocktake, clearly further input is required by Management to improve the situation. Following transfer of the Section to the Housing Directorate work has now begun to address the areas of concern.</p>	<p>Out of 561 commodity lines, the full stocktake showed that 128 lines were either in surplus or deficit over that recorded in the stock ledger. This represents an error rate of 22.8% [21% last year]. The value of the actual stock was £892 below the stock record value. The error rate equates to 0.30% of the total stock turnover for the year compared to 0.97% at the previous stocktake. This indicates that while the overall value of the errors has reduced, the error rate per item has increased.</p>
<p>Business Plans</p>	<p>All</p>	<p><i>Limited Assurance</i></p> <p>There has been an improvement in the process leading to the production of business plans for 2008/09, but a number of plans were not submitted with portfolio holder agreement by the deadline of 1 April 2008.</p> <p>Plans are compliant with current EFDC business planning guidelines.</p>	<p>At the Audit and Governance Committee in September 2007 it was resolved that all business plans be signed off by the relevant Portfolio Holder before 1 April each year; and that the Committee be informed of any Service Plans that are not signed off by the relevant Portfolio Holder before 1 April 2008.</p>
<p>Inventory Control</p>	<p>All</p>	<p><i>Limited Assurance</i></p> <p>There have been improvements in aspects of inventory control since the last audit, however inventories are still not always reviewed annually and there is a lack of control over laptops and other desirable equipment.</p>	<p>There was an improvement in data quality since the last audit. Inventories for Planning and Economic Development showed particular improvement. Records for Waltham Abbey Sports Centre, North Weald Airfield and areas of Environment/Street Scene require improvement.</p>

Title	Service	Opinion	Main Conclusions
Travel and Subsistence	All	<p><i>Limited Assurance</i></p> <p>There are generally satisfactory procedures in place to control travel and subsistence payments. However, from a relatively small sample a number of errors were identified in the application of the controls, in relation to coding, authorisations, and budgetary control. There is also a risk of non-compliance with VAT Regulations in respect of mileage claims.</p>	<p>There was a departure from Financial Regulations where a claim for subsistence was paid without a valid receipt for an approved team building event for the Community Arts Section. Furthermore the cost should not have been coded to subsistence.</p> <p>The nature of the errors identified indicates a need for improved levels of supervisory checking of claims generally.</p>
Grants to Voluntary Organisations	Assistant to the Chief Executive	<p><i>Limited Assurance</i></p> <p>The grant award process is now subject to improved controls including more structured visits, and the use of questionnaires and score sheets. However these controls are not being consistently applied when assessing individual applications.</p>	<p>Departures from policies were found and as a result grants were awarded to organisations which, according to EFDC policy, would not meet the stated criteria to qualify for a grant.</p> <p>A more consistent and co-ordinated approach in the decision making process should be adopted, and together with the consultation with other officers undertaken should provide a sound basis for either awarding or refusing a grant.</p>
HR/Payroll Integration	Corporate Support Services	<p><i>Limited Assurance</i></p> <p>Control over data quality has been poor due to the quality of input and lack of supervisory checking, leading to a high error rate in the standing data. While this had not resulted in payment errors or financial loss for the Council, the data held is in breach of the Data Protection Act requirement that “personal data should be accurate and up to date”.</p>	<p>An exercise in data cleansing and greater checking of input is needed to ensure a high level of data quality.</p> <p>Separation of duties should, where possible, be maintained by separating responsibility for the input of all standing data (name, bank details etc) from responsibility for variable data (pay, tax etc).</p>

Title	Service	Opinion	Main Conclusions
Parsonage Court (Housing) Stores	Housing	<p><i>Limited Assurance</i></p> <p>There is an adequate system in place for receipting, distribution and controlling stock, however improvements are required in the application of the system and monitoring of stock. In addition, the practice of purchasing all the goods from the same supplier may not represent best value for money and should be reviewed on a regular basis.</p>	<p>An annual stocktake is conducted by the Housing Manager. Audit conducted a full independent stocktake and found that 15 out of 72 stock items did not agree to the book record, albeit by minor amounts. In addition there was an additional stock item, which was not recorded on the stock record.</p>
Use of Consultants follow up	All	<p><i>Limited Assurance</i></p> <p>Based on a small sample there appears to have been no real change in approach in the processes for the engagement of consultants. Quotations are generally not being sought and value for money cannot be demonstrated. A particularly high volume of consultancy orders were placed by Building Control in April 2008, and did not reflect the recommendations from the audit report published a few weeks earlier.</p>	<p>The outline proposal to regularise the process via Contract Standing Orders with Portfolio Holders being involved in the approval process would provide a greater level of assurance.</p> <p>A risk has been identified in relation to self employed consultants possibly acquiring employment rights as a result of the length of engagements.</p>
Gifts and Hospitality follow up	All	<p><i>Satisfactory Assurance</i></p> <p>There has been improvement in the application of the Staff Code of Conduct following the reminders to all Directors clarifying the rules surrounding the treatment of gifts and hospitality. Whilst the examples of non-compliance with the guidelines are few in number, this may indicate that some staff are still not fully engaged with the need to demonstrate good governance in this area.</p>	<p>There has been a good level of compliance with the requirement to record offers of gifts and hospitality using the correct format since the previous audit, but there was an isolated example where inappropriate amounts of alcohol were accepted from contractors in the run up to Christmas, after the revised guidelines were issued.</p>



Title	Service	Opinion	Main Conclusions
Community and Cultural Services Bookings and Income	Community and Cultural	<p><i>Satisfactory Assurance</i></p> <p>The controls surrounding the bookings and cash collection procedures for Sports and Arts Development activities are operating satisfactorily. The system of control could be further improved by completing the audit trail from the bookings register, which would facilitate a greater degree of independent or supervisory check.</p>	<p>Bookings registers were correctly updated with payments, although consideration should be given to using the central bookings system for all suitable activities as this system provides greater controls than the manual or excel based systems.</p>
Housing Contract Partnerships	Housing	<p><i>Satisfactory Assurance</i></p> <p>The system and processes for managing the contract are generally sound and produce sufficient information to enable effective monitoring of the contract. There are some weaknesses relating to the timeliness and quality of the service provided by one of the Council's contractors, which are known to service management and should be addressed through the contract monitoring process.</p>	<p>At the time of the audit, 106 annual safety checks had lapsed beyond the 12 month statutory period and four had lapsed beyond two years (remedial action has been taken in three of the latter cases). A high percentage of the lapses related to one of the contractors. It is clearly important to ensure that safety checks are conducted on a regular basis. It is also recognised within the industry that problems in gaining access to a property can be an obstacle to achieving 100% performance in this area, however all reasonable steps must be taken to comply with the Regulations to avoid committing an offence. Available benchmarking data suggest that EFDC's safety check slippage rate is comparatively low overall, but comparison of the performance of its two contractors suggests that the overall position can still be improved upon.</p>
Planning IT System	Planning and Economic Development	<p><i>Satisfactory Assurance</i></p> <p>The controls within the MVM system are operating effectively. The system of control could be further improved by enhancing the use of the automated events processes within the system to further reduce manual intervention.</p>	<p>The audit covered the controls expected of an ICT system such as access controls and the audit / management trail, data quality and compliance with the Data Protection Act.</p>

Title	Service	Opinion	Main Conclusions
Cash Office spot checks	Finance and ICT	<p><i>Substantial Assurance</i></p> <p>Satisfactory controls are in place for the control of cash and cheque/debit/credit card payments. One float was considered to be above the needs of the users at present.</p>	<p>The cash floats and petty cash held at those sites checked during the audit agreed to the balances recorded in Finance, other than minor coinage discrepancies.</p>
<p><b><u>QUARTER 2</u></b></p> <p>Waltham Abbey Sports Centre</p>	Environment and Street Scene	<p><i>Limited Assurance</i></p> <p>Whilst there are generally sound procedures in place, improvement in their application is required in relation to overtime claim authorisations and use of petty cash.</p>	<p>There were several examples where petty cash was not administered in accordance with financial guidelines. There were also a number of errors in completing invoicing documentation. Some overtime claims were not properly authorised.</p>
External Funding and Planning Delivery Grant	Planning and Economic Development	<p><i>Limited Assurance</i></p> <p>The systems for external funding within the Planning and Economic Development Directorate need to be reviewed to ensure their compliance with EFDC's policies, financial regulations and contract standing orders. The Directorate should review its approach to the identification and pursuit of external funding opportunities, and increase the awareness of the external funding strategy amongst relevant staff.</p>	<p>The review of systems adopted over the five years that Planning Delivery Grant has been received highlighted some weaknesses. For example, the spending of the grant received was not always adequately controlled, monitoring was not effective and records maintained have not always represented a full audit trail.</p>
IT System Logs	All	<p><i>Limited Assurance</i></p> <p>Adequate audit / management trails or history logs exist of all transactions within the Council's systems. However, controls should be put in place to enable attempted accesses to be identified and logged for investigation.</p>	<p>The Corporate ICT Security Standards need to be reviewed and updated where the controls are either unavailable or alternative controls may be implemented. Once brought up to date, the standards should be reissued to system administrators.</p>

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

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

Title	Service	Opinion	Main Conclusions
District Museum Follow up	Community and Culture	<p><i>Satisfactory Assurance</i> Improvements to systems of internal control have been made since the previous audit. However staff are still occasionally using their own money to advance fund petty cash and other expenses, in breach of guidelines.</p>	<p>The previous audit provided limited assurance, due to shortcomings in some elements of internal control. For example some valuable items were uninsured at that time and there were other departures from financial regulations. These issues have now been resolved.</p>
Key/Local Performance Indicators	All	<p><i>Satisfactory Assurance</i> The majority of indicators have been produced accurately and in line with Council policy and guidelines. However data quality should be addressed in isolated areas (Corporate Support Services, Community &amp; Culture), in order to produce full assurance in this area of the Authority's performance framework.</p>	<p>The control system for the reporting of BVPs/LPIs is generally sound and sufficient background data is supplied to support the calculations. There are still isolated areas where improved documentation would support the reported figures and enable more efficient verification of the calculations.</p>
<b><u>QUARTER 3</u></b> Council Tax	Finance	<p><i>Substantial Assurance</i> The audit found that the processes and procedures for council tax provide a controlled environment and that there is documentary evidence to support each transaction.</p>	<p>The audit sought to ensure that current procedures are sound before transfer to the new IT system. Minor improvements in the control process were identified and agreed with the Senior Council Tax Officer during the audit.</p>
Cash Receipting	Finance and ICT	<p><i>Substantial Assurance</i> No errors were identified from the sample of transactions reviewed for the period April to August 2008, and together with a review of controls and procedures confirms the adequacy of the system of control for income collection. Some minor improvement areas were identified in regard to documentation and the updating of procedures.</p>	<p>The audit confirmed that income is recorded and records are maintained in a satisfactory manner. There is adequate segregation of duties for income reconciliation.</p> <p>Cash summaries are not always completed consistently where there are missed collections.</p>

Title	Service	Opinion	Main Conclusions
Creditors IT follow up	Finance and ICT	<p><i>Satisfactory Assurance</i> The control environment has improved since the last audit as evidenced by the majority of the recommendations having been implemented or being in progress. However data quality is still an issue within the Creditors system, and additional monitoring of Marketplace user accesses would reduce the risk of unauthorised activities.</p>	<p>One staff leaver who left the Authority in June 2008 still had access to the IT system. Whilst one person cannot complete a Marketplace transaction this position still represents a control risk because Marketplace is a web-based application.</p> <p>All orders sampled had been processed correctly and in line with Financial Regulations.</p>
Partnership Governance	Assistant to the Chief Executive	<p><i>Satisfactory Assurance</i> The partnerships the Council has been involved in up until now have mainly been of a strategic nature and the management and monitoring applied has been of the level expected. The protocols should now be expanded to make more explicit the linkages with the Council's key aims and objectives.</p>	<p>The inclusion of clear milestones or delivery dates, adherence to constitutional rules and the monitoring of achievement against the Council's strategic aims are all examples of the type of governance arrangements that should be developed in partnership working.</p>
Housing Benefits	Finance and ICT	<p><i>Satisfactory Assurance</i> The decline in performance as measured by the KPIs has been identified as a key issue and should be addressed by management.</p> <p>The absence of supervisory accuracy checks represents a control weakness and their reinstatement would provide greater assurance that the correct benefits are being paid. The process would also assist in identifying performance and training issues.</p>	<p>There is adequate separation of duties for assessing claims, awarding benefits and authorising payments of benefits and investigating fraudulent claims.</p> <p>The average time for processing new benefit claims was 35 for the first quarter and 39.81 for the second quarter, compared with a target of 30 days. This was mainly due to an increase in the number of new claims received.</p>

Title	Service	Opinion	Main Conclusions
Risk Management and Insurance	Finance/All	<p><i>Satisfactory Assurance</i></p> <p>The risk framework is now embedded at management level and is being monitored effectively by Members and the Risk Management Group. There is however a need to review risk management awareness at an operational level to ensure that risk principles are factored into day to day service delivery.</p>	<p>A considerable amount of work has been done to embed the risk management strategy and framework within the Authority.</p> <p>In September 2008, a report was submitted to the Finance and Performance Management Cabinet Committee detailing trends in insurance claims and a review of excess levels. Cost savings in premiums has been maintained and trends are being monitored.</p>
Concessionary Fares (follow up)	Finance and ICT	<p><i>Satisfactory Assurance</i></p> <p>The system has generally sound processes for the recording and issuing of bus passes, however there is an outstanding recommendation from the previous audit in relation to quarterly income reconciliations.</p>	<p>A new bus pass system was introduced in April 2008, resulting in changes within the system and increased administration, with approx. 6,000 additional applications requiring processing.</p> <p>A sample of transactions showed that bus passes are processed accurately and in line with current procedures.</p>
Establishment List	Corporate Support Services (HR)/All	<p><i>Satisfactory Assurance</i></p> <p>The system for maintaining the establishment list is generally sound with reconciliations to payroll data being conducted monthly within HR. The independent quarterly management checking process between HR and Directorates needs to be resumed on a regular basis.</p>	<p>A sample of starters and leavers were verified to the establishment list and November payroll data, and were recorded correctly.</p> <p>Discrepancies found during the verification of the establishment list to November's payroll data were attributed to the restructuring and now need to be corrected in order to give greater assurance on the data quality within the HR/Payroll system.</p>

Title	Service	Opinion	Main Conclusions
Payroll	Corporate Support Services (HR)/All	<p><i>Satisfactory Assurance</i></p> <p>Independent checks of manual calculations, eg starters' and leavers' pay, will provide greater assurance of their accuracy. In addition, management need to be reminded of the requirement to complete fully the monthly certificate of service returns, as these provide a further check of any changes to pay data.</p>	<p>Basic salary payments and deductions are correctly calculated. Testing showed that amendments to, and deductions from, pay are legitimate and accurate, and are all supported by relevant documentation.</p> <p>From a small sample some errors were identified in manual adjustments to pay, although the majority had been identified and corrected by Payroll staff.</p>
Treasury Management	Finance	<p><i>Limited Assurance</i></p> <p>The sample checks undertaken identified no errors on the documentation and recording of transactions. The Counterparty List supplied by the Council's retained external advisor does not fully reflect the Council's approved strategy, however there is a degree of ambiguity within the investment criteria in the strategy document. These discrepancies were not identified by any checks carried out by Accountancy.</p>	<p>Unconnected with the Council's investments with Heritable Bank, investments have been made during 2008/09 with two counterparties, whose credit ratings appear not to meet the Council's minimum requirements. The ambiguity referred to may have been a contributory factor. No financial loss has arisen from these investments.</p> <p>There is only limited evidence of supervisory checks being carried out to ensure that investments are made in compliance with established procedures.</p>
Data Security	Finance and ICT	<p><i>Limited Assurance</i></p> <p>The Authority's systems comply with the Authority's ICT Security Standards for data backup and disaster recovery, and no instances of data loss were identified. The audit has however highlighted areas where controls need to be strengthened in improving overall compliance with the ICT Security Standard, including equipment disposal and related documentation, and the use of data storage media such as memory sticks.</p>	<p>Disposal of computer equipment raises a number of security issues. It is not possible to give full assurance that equipment has left the Authority's control with no data still on it, as there has been a lack of documentation to show that the equipment was wiped, or information on how it was disposed of.</p> <p>The IT Section has evaluated software that will allow machines to be locked down and intends to roll out the software across the Authority.</p>



Title	Service	Opinion	Main Conclusions
Commercial Property Management	Corporate Support Services (Estates)	<p><i>Limited Assurance</i></p> <p>At current staffing levels and level of progress, the schedule of rent reviews and lease renewals will not be completed. In addition, procedures for monitoring the recovery of aged debts should be reviewed to ensure that rental income and cash flow is maximised.</p>	<p>The Estates Section was experiencing staffing issues at the time of the audit, which had been partly addressed with temporary agency support.</p> <p>The issue of duplication of systems for holding property management data has yet to be resolved. The implementation of a new asset management system provides a further opportunity for this issue to be addressed. A more pro-active approach is required for the monitoring of outstanding debts.</p>
<p><b>QUARTER 4</b></p> <p>Waste Management</p>	Environment and Street Scene	<p><i>Limited Assurance</i></p> <p>A number of processes within Waste Management had weaknesses in control, which in one case has resulted in a small loss of income. Records examined showed that procedures are in place for contract monitoring and stock control, however additional recording is required to maintain a management trail and greater control over stock held and issued.</p>	<p>Greater control needs to be exercised over the authorisation procedures for the purchase of green waste sacks.</p> <p>Separation of duties within the purchasing process is generally good, although the same member of staff who authorised the original order certified two invoices for payment.</p> <p>The increase in fees for the collection of bulky waste approved by Finance and Performance Management Cabinet Committee in November 2007 was not applied, resulting in a loss of income of approximately £1,160.</p>
Housing Contract Management	Housing	<p><i>Limited Assurance</i></p> <p>There are generally satisfactory procedures for managing the main Springfields (major works) contract, however the control arrangements, particularly for the smaller sub-contracts, could be improved in a number of areas. Improvement areas in reporting arrangements were identified and include the regular updating of target programmes and the prompt follow up of issues raised by the Clerk of Works.</p>	<p>An extension of time is being negotiated by the main contractor and will have budget implications. Some aspects of this outcome were due to unexpected extra works that were identified during the project. It is possible that the issues could have been identified sooner as there are some deficiencies in the project reporting process.</p> <p>Some errors in contract documentation were noted and the appointment of the Clerk of Works was not wholly in compliance with Contract Standing Orders.</p>

Title	Service	Opinion	Main Conclusions
Building Maintenance Unit	Housing	<p><i>Limited Assurance</i></p> <p>There has been only limited evidence of improvement in the operation and management of the Works Unit since the previous audit. Monitoring controls remain weak and productivity and job allocations remain in need of review. The ongoing Housing Management review will need to address the governance issues currently identified within the Building Maintenance function.</p>	<p>Progress on implementing effective change to practices and procedures has been hampered by staffing issues during 2008/09.</p> <p>Further monitoring and management review of the arrangements for securing value for money should take place. There appears to be a significant amount of overtime for out of hours call out (additional payment of £43.25 per call out), with an average of 6-7 jobs completed per day per operative over the weekend period, which is significantly higher than the average number of routine jobs during normal working, even allowing for the different nature of the jobs in some cases.</p>
Corporate Procurement	Finance/All	<p><i>Limited Assurance</i></p> <p>The Authority has made progress in implementing the Procurement Strategy during 2008/09, particularly in establishing the Procurement Steering and User Groups to disseminate information and promote good practice across the Authority. The progress during 2008/09 needs to be built upon by raising the awareness of staff, enforcing the use of framework agreements already in place, and developing the Essex Marketplace reporting facilities, to improve controls generally and assist the identification of value for money.</p>	<p>While there is some good practice in terms of the ordering and receipt of goods, the audit identified some areas for development, in particular, in the areas of selection of suppliers, staff training and management information.</p> <p>The framework agreements in respect of purchasing furniture, stationery, cleaning materials, paper, IT hardware and consumables have yet to be enforced across the Authority. Therefore, the Council procures certain goods from a number of different suppliers whose ability to provide value for money goods or services has not been fully tested.</p>
Accounting and General Ledger	Finance	<p><i>Substantial Assurance</i></p> <p>A sound accounting system is in place and the controls were generally found to be operating satisfactorily.</p>	<p>Key controls in place and tested include standard account coding, loading of transactions from feeder systems (eg payroll), transfer of year end balances, systems access and journal entries.</p>

Title	Service	Opinion	Main Conclusions
Creditors	Finance/All	<p><i>Satisfactory Assurance</i></p> <p>There has been an improvement in the ordering and receipting processes within the Directorates, particularly in the areas relating to details and prices on the orders. However, there are still occasional lapses in the application of separation of duties between the raising and authorising of orders and invoices.</p>	<p>The key controls in relation to ordering, receipting and payments of goods and services are operating effectively, although the occasional breach of rules in relation to separation of duties in ordering and invoicing remains a concern. It is clear that the transaction identified from the sample was for normal Council business and no fraudulent intent was involved.</p>
Housing Rent Collection	Housing	<p><i>Satisfactory Assurance</i></p> <p>The systems for collecting housing rent income and reconciling income for all payments methods contain sound controls with an adequate level of documentation in place. Current rent arrears are increasing and should continue to be monitored by Housing Management.</p>	<p>Current rent arrears as at December 2008 for Council dwellings (£523k) and Garage tenants (£12.6k) had increased from December 2007, although former tenant arrears had decreased to £242k. The new Benefits IT system went live in January 2009 and the dip in benefits performance pending its implementation appears to have had an effect on the rents arrears figures.</p>
Leisure Contract Monitoring	Environment and Street Scene	<p><i>Satisfactory Assurance</i></p> <p>The Leisure Contract is being actively managed and where occasions of non-compliance have been noted, appropriate action is being taken to deal with them. Some issues were identified mainly relating to the timeliness in implementing action points raised by EFDC's monitoring officer, and the accuracy of data provided by SLM.</p>	<p>A number of the contract requirements appear not to have been complied with by the contracting firm, SLM. For example, the income share calculations have not been agreed yet and no income share payments have been made to EFDC. Officers should persist in their efforts to resolve these issues in order to protect the Council's operational and financial interests.</p>

Title	Service	Opinion	Main Conclusions
IT Network Security	Finance and ICT	<p><i>Satisfactory Assurance</i> The review of the network identified that it has sufficient capacity to meet the requirements of the Council. Key devices have been configured to minimise the threat of unauthorised access and the network management appears to be in a proactive controlled process. However, several areas have been identified where controls could be improved.</p>	<p>The configuration of system accounts was found to be at a basic level with a relatively low level of security.</p> <p>The audit recommended that a desktop project be setup and more secure desktop configurations implemented.</p>
Sundry Debtors	Finance/All	<p><i>Satisfactory Assurance</i> There are generally satisfactory procedures in place for debt recovery, however there are a number of risks concerning the monitoring and recovery of aged debts, which weakens the overall level of assurance in the control environment.</p>	<p>The audit reviewed the key controls in place for the collection and recovery of sundry debts, including sample testing of recent debts, aged debts, referrals to Legal, arrangements, fees and charges, refunds, credit balances, reconciliation procedures and write offs. The value of debts aged over 180 days has increased since the last audit despite regular management reporting</p>
Budgetary Control	Finance/All	<p><i>Satisfactory Assurance</i> Budgets are properly prepared, accurately loaded onto the general ledger, and estimates working papers retained which support the approved budget.</p> <p>There has been a general improvement in the budget monitoring processes within directorates.</p>	<p>There is a satisfactory system of quarterly financial monitoring based on reports prepared by Accountancy. The corporate budget monitoring standard has led to a number of adverse budget exception reports to senior management. The reporting of significant favourable variances would give a more rounded picture of the Authority's budgetary position.</p>

Title	Service	Opinion	Main Conclusions
Development Control	Planning and Economic Development	<p><i>Satisfactory Assurance</i></p> <p>The systems and controls in place provide a good level of management assurance that planning applications are properly processed and fees are correctly charged, collected and banked.</p>	<p>Applications are dealt with promptly and treated consistently with adequate separation of duties being applied.</p> <p>Procedures for the charging and collection of planning fees are in accordance with Statute, and the Authority's Standing Orders and Financial Regulations. Documentary evidence is held to support applications and the fees received.</p>
Revenues and Benefits IT	Finance and ICT	<p><i>Satisfactory Assurance</i></p> <p>Testing and reconciliation was carried out to a level that gives management assurance in the quality and accuracy of the data within the Academy system for Council Tax and Benefits.</p>	<p>Some outstanding issues are interface specific and are either awaiting the next release of software or are currently being worked on in-house. While each outstanding issue presents a risk to the accurate posting of data, monitoring and manual intervention are in place as an interim measure, and have been tested during the audit.</p>

## STANDARD DEFINITIONS OF ASSURANCE

<b>ASSURANCE CLASSIFICATIONS</b>	
<b>Full assurance</b>	Full assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed;
<b>Satisfactory assurance</b>	Satisfactory assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk;
<b>Limited assurance</b>	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed;
<b>No assurance</b>	No assurance as weaknesses in control, or consistent non-compliance with key controls, could result [or have resulted] in failure to achieve the organisation's objectives in the areas reviewed.