

Report to the Audit & Governance Committee



Report reference: AGC-011-2010/11
Date of meeting: 20 September 2010

**Epping Forest
District Council**

Portfolio: Finance & Economic Development.

Subject: Internal Audit Monitoring Report April - June 2010

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 first quarter monitoring report for 2010/11:

- (a) The reports issued between April and June 2010 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); and
- (d) The 2010/11 Audit Plan status report (Appendix 4); and

(2) The Committee is also requested to confirm that it is satisfied with the effectiveness of the work of Internal Audit in the first quarter 2010/11.

Executive Summary:

This report provides a summary of the work undertaken by the Internal Audit Unit between April and June 2010, and details the overall performance to date against the Audit Plan for 2010/11. The report also contains a status report on previous priority 1 audit recommendations.

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 first quarter are listed in paragraph 5 below.

2. A number of systems audits were carried out in the first quarter which has included the completion of two major audits that were started toward the end of the last financial year, Waste Management and Housing Rents. Additional work was required for sample testing as identified by the external auditors which exceeded the days allocated in the plan, resulting in other work being delayed.

3. The Audit Team continued to provide advice and guidance on a range of subjects to management on the application of Contract Standing Orders and Financial Regulations and work began on a simplified guidance for staff which will result in more directed training.

4. Attendance by the Chief Internal Auditor at a number of Corporate officer groups including Corporate Governance, Risk Management and Use of Resources continued and supervision and management time has included quality assurance of audit reports and working files.

Reports Issued

5. The following audit reports were issued in the first quarter:

- (a) Full Assurance:
 - None.
- (b) Substantial Assurance:
 - Commercial Property Management;
 - Housing Rent Collection and Arrears;
 - Countrycare;
 - Business Plans 2010/2011;
 - Fleet Operations Income;
 - Network Security;
 - Budgetary Control;
 - Main Accounting System;
 - ICT Procurement; and
 - Procurement.
- (c) Limited Assurance:
 - Waste Management.
- (d) No Assurance:
 - None.

6. Due to the externalisation of a proportion of the audit plan to Deloitte and Touche Public Sector Internal Audit Limited during December 2009, a number of financial and ICT audits were scheduled for completion during March 2010. While the work had been carried out by 31 March not all of the reports had been received as they were within the contractor's quality control process. These reports were received in draft during the first quarter but five remained to be issued as final due to discussions between the contractor and client officers. It is intended that the contracted out work will be spread throughout 2010/11 to ensure completion before 31 March 2011.

Follow Up of Previous Limited Assurance Audits (Appendix 3)

7. Attached at Appendix 3 is a summary schedule of previous limited assurance audits to ensure follow up both by Internal Audit and Service Management. The table shows the situation as at 30 June.

Audit Plan 2010/11 (Appendix 4)

8. The status of the 2010/11 Audit Plan is set out at Appendix 4.

Performance Management

9. The Internal Audit Team has local performance indicator targets to meet in 2009/10, as set out below:

| | Actual 2007/08 | Actual 2008/09 | Actual 2009/10 | Target 2010/11 | Actual 2010/11 Quarter 1 |
|-------------------------------|----------------|----------------|----------------|----------------|--------------------------|
| % Planned audits completed | 89% | 95% | 87% | 90% | 14% |
| % chargeable "fee" staff time | 68% | 71% | 69% | 72% | 56% |
| Average cost per audit day | £307 | £309 | £300 | £320 | £351 |
| % User satisfaction | 81% | 85% | 94% | 85% | - |

10. The indicators are calculated as follows:

- (a) % Planned audits completed - a cumulative calculation is made each quarter based on the approved plan as amended for additional work (e.g. investigations) during the year;
- (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 divided by the number of fee earning days extracted from the time recording system; and
- (d) % User satisfaction - a calculation is made each quarter based on returned client surveys for each audit giving a score on a five point scale 0 (poor) – 5 (excellent). The score is backed up by the client's comments on a range of issues related to the audit.

11. The figure for planned audits completed of 14% falls short of the quarter 1 target of 22.5% due in part to the vacancy within the unit. Recruitment took place during the first quarter resulting in an appointment and the new member of staff taking up the post at the end of May. The unit is now fully staffed.

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.