**East Devon**
**District Council**

To: Members of the Audit and Corporate Governance Committee
(Councillors: David Atkins, Ray Bloxham, Roger Boote,
Derek Button, Bob Buxton, Chris Gibbings, Ken Potter, Tim Wood)

Risk Management Champion – Councillor Peter Bowden
Data Quality Champion – Councillor Graham Troman
Chief Executive
Corporate Directors
Internal Audit & Risk Manager
Head of Finance

## Audit and Corporate Governance Committee
## Thursday 26 March 2009,
## Council Chamber at 2.30pm

Members of the public are welcome to attend this meeting.
- A period of 15 minutes has been provided to allow members of the public to raise questions.
- In addition, after a report has been introduced by the relevant Portfolio Holder and/or officer, the Chairman of the Committee will ask if any member of the public would like to speak in respect of the matter and/or ask questions.
- All individual contributions will be limited to a period of 3 minutes – where there is an interested group of objectors or supporters, a spokesperson should be appointed to speak on behalf of the group.
- The public is advised that the Chairman has the right and discretion to control questions to avoid disruption, repetition and to make best use of the meeting time.

## AGENDA

**Page/s**

1 **Public question time** – standard agenda item (15 minutes)

Members of the public are invited to put questions to the Committee through the Chairman.

- Each individual questioner exercising the right to speak during this public question time is restricted to speaking for a total of 3 minutes.

- Councillors also have the opportunity to ask questions of the Leader and/or Portfolio Holders during this time slot whilst giving priority at this part of the agenda to members of the public.

The Chairman has the right and discretion to control question time to avoid disruption, repetition, and to make best use of the meeting time

2 To confirm the minutes of the meeting of the Audit & Governance Committee held on 29 January 2009.                                                                                    4 - 7

3 To receive any apologies for absence.

4    To consider any items which in the opinion of the Chairman, should be dealt with as matters of urgency because of special circumstances.

(Note:  Such circumstances need to be specified in the minutes; any Member wishing to raise a matter under this item is requested to notify the Chief Executive in advance of the meeting).

5    To agree any items to be dealt with after the public (including the press) have been excluded. There are no items which Officers recommend should be dealt with in this way.

| | | | |
|---|---|---|---|
| 6 | Annual Audit and Inspection Letter | Martin Green<br>CAA Lead | 8 - 23 |
| 7 | Annual Audit Fee 2009-10 | Grant Thornton | 24 - 28 |
| 8 | Future of the Corporate Risk Management Arrangements | Cllr Peter Bowden | Verbal report |
| 9 | Internal Audit and Corporate Governance Work Plans 'v' budget and resources available to complete them | Internal Audit and Governance Manager | 29 - 57 |
| 10 | Internal Audit Activity – 1 January to 31 March 2009 | Internal Audit and Governance Manager | 58 - 74 |
| 11 | Corporate Governance Activity - 1 January to 31 March 2009 | Internal Audit and Governance Manager | 75 - 85 |
| 12 | Corporate Governance arrangements and the Council's Partnership:<br>A training event will be arranged for this topic. | Internal Audit and Governance Manager | Verbal report |

**Members please note:**
You must declare any personal or prejudicial interests in an item whenever it becomes apparent that you have an interest in the business being considered.
- Make sure you say the reason for your interest as this has to be included in the minutes.
- If your interest is prejudicial you must leave the room unless you have obtained a dispensation from the Council's Standards Committee or where Para 12(2) of the Code can be applied. Para 12(2) allows a Member with a prejudicial interest to stay for the purpose of making representations, answering questions or giving evidence relating to the business but only at meetings where the public are also allowed to make representations. If you do remain, you must not exercise decision-making functions or seek to improperly influence the decision; you must leave the meeting room once you have made your representation.
- You also need to declare when you are subject to the party whip before the matter is discussed.

## Getting to the Meeting – for the benefit of visitors
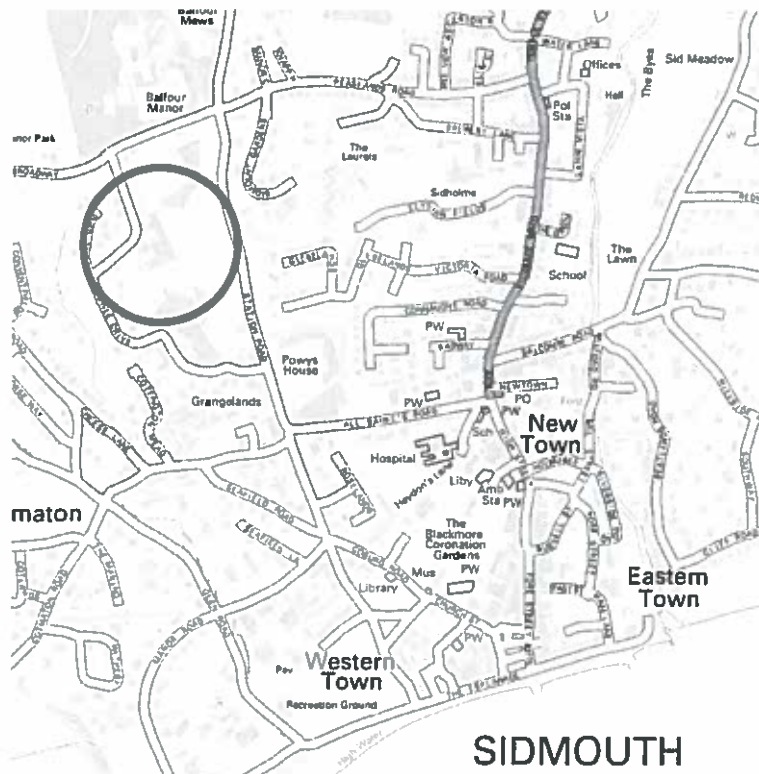


SIDMOUTH

The entrance to the Council Offices is located on Station Road, Sidmouth. **Parking** is limited during normal working hours but normally easily available for evening meetings.

The following **bus service** stops outside the Council Offices on Station Road: **From Exmouth, Budleigh, Otterton and Newton Poppleford** – 157

The following buses all terminate at the Triangle in Sidmouth. From the Triangle, walk up Station Road until you reach the Council Offices (approximately ½ mile). **From Exeter** – 52A, 52B **From Honiton** – 340 (Railway Station), 387 (Town Centre) **From Seaton** – 52A, 899 **From Ottery St Mary** – 382, 387

Please check your local timetable for times.

The Committee Suite has a separate entrance to the main building, located at the end of the visitor and Councillor car park. The rooms are at ground level and easily accessible; there is also a toilet for disabled users. The doors to the civic suite (meeting rooms) will be opened ¼ hour before the start time of the meeting. Councillors are reminded to bring their key fobs if they wish to access the area prior to that time. A hearing loop system will be in operation in the Council Chamber.

## For a copy of this agenda in large print, please contact the Democratic Services Team on 01395 517546

# EAST DEVON DISTRICT COUNCIL

# Minutes of a Meeting of the Audit and Governance Committee held at Knowle, Sidmouth on 29 January 2009

| | |
|---|---|
| **Present:** | Councillors: |
| | Ray Bloxham (Chairman) |
| | David Atkins |
| | Bob Buxton |
| | Chris Gibbings |
| **Also Present:** | Councillors: |
| | Peter Bowden - Member Champion for Risk Management |
| | Graham Troman – Member Champion for Data Quality |
| | Simon Jones – Grant Thornton |
| | Barrie Morris – Grant Thornton |
| **Officers Present:** | Tanith Cox – Internal Audit and Governance Manager |
| | Christopher Holland – Democratic Services Officer |
| | Diccon Pearse – Corporate Director |
| | Mark Williams – Chief Executive |
| **Apologies:** | Councillors: |
| | Roger Boote |
| | Ken Potter |
| | Tim Wood |

The meeting started at 2.30 pm and ended at 4.13 pm

## *30    Public Questions
No questions were raised by members of the public or Councillors.

## *31    Minutes
The minutes of the meeting of the Audit and Governance Committee held on 27 November 2008 were confirmed and signed as a true record subject to the addition of Councillor Bob Buxton's name as being present.

## *32    Exclusion of the Public
**RESOLVED:**      that the classification given to the documents to be submitted to the Committee, be confirmed, and that the reports relating to exempt information, be dealt with under Part B.

## *33    Use of Resources and Data Quality report 2007-08
The Committee considered the report of Grant Thornton, the Council's external auditors, which set out their findings regarding the Council's use of resources using the Audit Commission's five themes and key lines of enquiry. (KLoE). The report was required under the Audit Commission's Code of Audit Practice and related the authority's ability to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The report also showed the results of an assessment of the Council's data quality management arrangements using Audit Commission criteria. It was noted that the Council's overall score had been maintained as a 3.

Grant Thornton made a number of recommendations which were outlined in the report and had been noted by members and Officers. The Chairman stated that it was encouraging to see the Council's score maintained even after changes in external auditor and the changes to the KLoE criteria. It was noted that many of the recommendations made had already been adopted since the report had been undertaken.

**\*33    Use of Resources and Data Quality report 2007-08 (cont'd)**

> **RESOLVED:**        that the report be noted.

**\*34    Grants Report 2007-08**

The Committee considered the report of Grant Thornton, the Council's external auditors, regarding the accuracy of grant claims and returns to the various Government departments and other agencies. Overall, the number of claims that were amended or qualified increased from 2007/08.

Grant Thornton made a number of recommendations regarding grants to improve performance further. These were outlined in the report and were noted by members and Officers.

> **RESOLVED:**        that the report be noted.

**\*35    Schedule of responses from Heads of Service to the data quality checking recommendations**

The Committee considered the report of the Internal Audit and Governance Manager, which outlined responses from Heads of Service to the data quality checking recommendations, presented to the Audit and Governance Committee on 27 November 2009. Members noted the various improvements which Heads of Service had proposed and in many cases already implemented to comply with Internal Audit's recommendations.

> **RESOLVED:**        that the Heads of Service responses be noted.

**\*36    The Council's work on the National Fraud Initiative and potential savings identified from the data matching exercise**

The Committee considered the report of the Internal Audit and Governance Manager which detailed the most serious cases and potential savings for the authority as requested by the Committee at their meeting on 27 November 2008. It was noted that although the report showed potential savings of over £100,000 , the Internal Audit & Governance Manager did say that the anomalies would probably have been discovered during cyclical work reviews (ie 'single person discount review')

> **RESOLVED:**        that the report be noted.

**\*37    The Council's allocation and distribution of mobile phones**

The Committee considered the report of the Internal Audit and Governance Manager which had been undertaken at the request of the Committee at it's meeting on 27 November 2008. The report set out the findings of the Internal Audit section and outlined possible savings if the recommendations therein were implemented. It was noted that some recommendations needed to be referred to the Council's Human Resources service and the report would therefore be considered by the Strategic Management Team (SMT) and Human Resources in due course.

The Chief Executive stated that SMT would normally assess such a report before it came to Committee when it was initially highlighted by Internal Audit. He reported that SMT would look into the recommendations.

> **RESOLVED:**    1)    that the report be noted.
>
> 2)    that the report and recommendations be referred for consideration to the Council's Strategic Management Team.

**\*38**   **Internal Audit Activity for the period 1 November to 31 December 2008**

The Committee considered the report of the Internal Audit and Governance Manager relating to the Internal Audit activity report, which explained audit activity for the third quarter and indicated where audits were progressing well whilst identifying those that had slipped against the internal audit plan. The report also outlined the audits which were deemed unlikely to be completed. Members' expressed their continuing concern at the shortage of resources in the Audit team.

> **RESOLVED:**   that the report be noted.

> **RECOMMENDED:**   that the Executive Board support the provision of £60,000 as set out in next years revenue estimates for external contractor support for the Internal Audit Service.

**\*39**   **Corporate Governance activity report for the period 1 November 2008 to 31 December 2008**

Members of the Committee considered the report of the Internal Audit and Governance Manager regarding the Corporate Governance Activity for the period 1 November 2008 to 31 December 2008. This included the Corporate Governance Assurance Statement - Action Plan and Progress on Corporate Governance Work Plan - 2008/09.

> **RESOLVED:**   that the report be noted.

**\*40**   **Corporate Governance arrangements and the Council's Partnerships**

The Internal Audit and Governance Manager circulated a booklet to accompany a presentation on Corporate Governance arrangements and the Council's Partnerships. Due the large amount of information to read it was agreed to defer this item to the next meeting.

> **RESOLVED:**   that the matter be deferred this item to the next meeting of the Committee.

**\*41**   **Exclusion of the Public**

> **RESOLVED:**   that under Section 100(A) (4) of the Local Government Act 1972 the public (including the press) be excluded from the meeting as exempt information is likely to be disclosed and on balance the public interest is in discussing the items in private session (Part B).

**\*42**   **Audit of ICT Services**

The Committee considered the report of the Internal Audit and Governance Manager related to an audit of ICT Services carried out by the Internal Audit Service from September to November 2008. The audit focused on management controls, access controls, operational controls and system development controls.

Members noted that the audit had highlighted a number of issues, which needed addressing. It was acknowledged that in many of the areas highlighted as problematical, action had been taken subsequently to remedy the issues. It was noted that had the audit been carried out at the time of the meeting, the results would have been very more positive.

Members were concerned that the relevant Portfolio Holders had not been aware of some of the issues highlighted by the audit. The Chief Executive stressed that it was for individual Portfolio Holders to ensure that they were adequately involved in their areas of responsibility.

> **RESOLVED:**   that, in respect of major projects, consideration be given by SMT to the introduction of arrangements for 'post project' reports to Members.

Chairman  .......................................................    Date .......................................................................

# Annual Audit and Inspection Letter

East Devon District Council

Audit 2007/08

March 2009

# Contents

# Key messages

1   The Council's delivery of affordable housing in the last 18 months has been limited as it has focused its efforts on the Cranbrook development. Because of the fundamental change in the market place the Cranbrook development has been delayed and is now likely to commence in three years time.

2   The Council has delivered improvements in a number of its priority service areas including environment, housing and access to services. It has improved more of its performance indicators than most district councils and has an above average proportion of these in the best quartile. The Council achieves good value for money.

3   Housing benefits and planning services remain comparative weaknesses for the Council although there have been some recent improvements following systems reviews.

4   The Council has retained its overall score of 3 (out of 4) for use of resources. There will be a revised assessment from spring 2009 which is likely to be more challenging.

5   The Auditor issued an unqualified audit opinion on the Council's financial statements and a positive conclusion on its arrangements to secure value for money although he did make recommendations for improvements in future accounts preparation.

## Action needed by the Council

6   The Council should:

- diversify its approach to affordable housing;

- focus on securing further improvement in under-performing service areas such as planning and housing benefits; and

- ensure that it is well positioned to meet the challenge of the revised use of resources assessment in 2009.
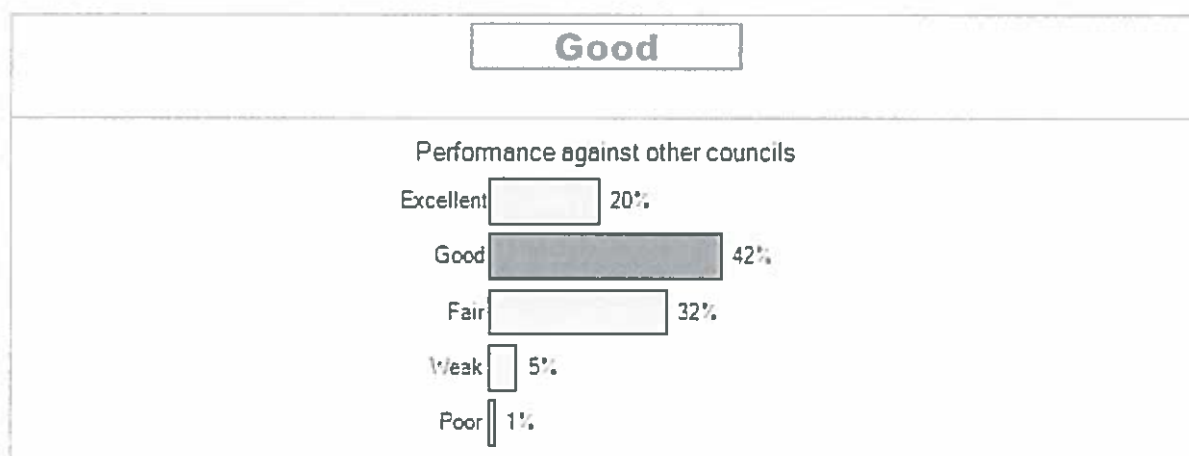
# Purpose, responsibilities and scope

7  This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.

8  I have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. I have made recommendations to assist the Council in meeting its responsibilities.

9  This letter also communicates the significant issues to key external stakeholders, including members of the public. I will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. (In addition the Council is planning to publish it on its website).

10  Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:

- the Council's accounts;
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
- whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.

11  This letter includes the latest assessment on the Council's performance under the CPA framework, including my Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.

12  I have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

# How is East Devon District Council performing?

13 East Devon District Council was assessed as good in the Comprehensive Performance Assessment carried out in 2003. These assessments have been completed in all district councils and I are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

**Figure 1    Overall performance of district councils in CPA**

| Good |
| --- |

Performance against other councils

| | |
| --- | --- |
| Excellent | 20% |
| Good | 42% |
| Fair | 32% |
| Weak | 5% |
| Poor | 1% |

Source: Audit Commission

**The improvement since last year - my Direction of Travel report**

**What evidence is there of the Council improving outcomes?**

14 The Council is making good progress in a number of priority areas but with some notable exceptions. Overall 65 per cent of a basket of performance indicators (PIs) used by the Audit Commission improved over the year, which is above the average for all district councils. Forty per cent are in best quartile performance, which is higher than the 33 per cent average of district councils. However, there are some priority services where performance is poor, for example, housing benefits and planning/development control.

### Affordable Homes

15  The Council with partners has not delivered any affordable housing since April 2008. During 2007/08 it delivered 43 affordable housing units but this performance is amongst the worst nationally. The Cranbrook development is now unlikely to commence for three years because of the fundamental change in the market place. However the Council is working hard in partnership with the County Council and Exeter City Council to get financial backing to deliver the infrastructure needed to support the development which, if successful, will reduce the extent of the delay. In the meantime the Council needs also to consider other strategies for providing affordable housing.

### Thriving economy

16  Performance in Housing Benefits is poor and amongst the worst nationally. Processing times did not improve during 2007/08. The average time to process new claims and change of circumstances has not improved since last year and remains amongst the worst performers nationally, the number of cases processed correctly is also amongst the worst nationally and the amount of Housing Benefit overpayments recovered as a percentage of all HB overpayments has deteriorated and is also amongst the worst nationally. The Council reports significantly improved performance in some areas after a system review of the service and I will undertake an inspection in April 2009.

17  The performance in planning applications deteriorated last year across all indicators and is amongst the worst performers nationally. The Council subsequently undertook a system review of the service and there has been some recent improvement although it is not yet clear if this will be sustained.

### Safe, clean and green environment

18  The Council is making good progress on climate change and associated issues. For example, the increased emphasis has led to the development of a 'green team' to increase capacity and deliver improvements such as the completion of a pollution prevention scheme in Exmouth. The Council is also working well with the Community to address the significant erosion issues in East Devon. Consequently there is clarity on what the community wants to do, what coastal defences work and what solutions are affordable and sustainable.

19  The Council is working hard to deliver improvements in services and the environment. Some of the Council's key development plans are coming to fruition and, during the year, work began to build a comprehensive leisure facility on the seafront in Exmouth. The Council has also bought a twenty acre former marshland site to enhance and protect the local environment. The Axe Wetlands project will create a large nature reserve within the estuary. Another example of significant improvement during the year is the prestigious Quality Coast award won by Exmouth seafront in recognition of the sustainable high standards achieved.

### Recycling

20  Performance in waste services is currently mixed. The amount of waste collected per head of population and the cost of waste collection per household are amongst the best performers nationally but the actual combined recycling and composting rate remains amongst the worst performers for districts at 22 per cent (average 34 per cent). The Council has recently piloted a new waste collection service and this has proven to be very successful achieving high recycling rates but this initiative currently only operates in one fifth of the District.

### Excellent service for our customers

21  The Council has accomplished a number of improvements in the housing service over the last year. It has introduced measures to achieve improvement in meeting the needs of the local community and reducing homelessness. In particular, the introduction of housing option advice, measures to prevent homelessness such as home visits for all young people excluded from home, funding a youth worker and funding an officer to work with the Citizens Advice Bureau. The Council has also introduced a 'rent in advance scheme' to help people access accommodation in the private sector who cannot afford the initial outlay. It has achieved level 2 of the Equality standard for local government.

22  The Council is also improving access in its housing service. It held a tenants and leaseholder conference during the year and, as a consequence of a housing inspection carried out by the Audit Commission last year, it is putting in place a number of improvements that should enhance the relationship between the Council and its tenants and leaseholders. For example, the new Housing Review Board includes tenant and independent community representatives. Other improvements include the new tenant application system, now tenants can find out about available properties on the website, by telephone, through the local press, local libraries and town and parish notice boards and can bid for these.

23  The Council is improving access to services, for example it has increased the service areas it supports through the Customer Service Centre. Access to the benefits service has also improved recently with the introduction of a visiting officer and the environmental health team recently won a 'customer service' award. However, the recent changes in the waste service put significant pressure on the Customer Services Centre and managers are learning from this experience to ensure there are proper contingency arrangements in place to deal with times of significant pressure. Councillors have also raised concerns that further improvements are needed when contacting the Council by telephone to ensure callers speak to an individual rather than voicemail.

### An inspirational council

24  The Council communicates well with the community through press releases, the website and newsletters. A joint council tax and performance booklet is published each year to inform the public on the Councils achievements and performance. It also regularly publishes a resident's magazine which highlights achievements during the preceding three months. Of particular note this year is the introduction of public speaking at committee which has improved public participation.

Value for Money

25   The Council is performing well with regards to value for money. The Council compares well with its benchmark group, with generally good levels of performance and satisfaction compared to levels of expenditure. However, whilst performance across a number of services is comparatively good, the Council does not have a system to demonstrate consistent high performance or value for money across the whole range of its services. The Council has a good understanding of its locality, its population and the impact that this has on costs and accessibility of services. Comparatively high levels of satisfaction are achieved, and there are sound arrangements in place for communicating with, and seeking input from, the local population. The Council understands the longer term costs of some of its decisions, particularly in procurement and in housing investment. Its engagement with Leisure East Devon indicates its willingness to seek opportunities to improve value for money in partnership with the private sector.

How much progress is being made to implement improvement plans to sustain future improvements?

26   The Council has good plans in place and these are aligned to the Sustainable Community Plan. Its corporate plan provides clarity about the Council's long term vision and how it fits with other strategic plans such as the Local Plan and parish plans. The themes from the Community Plan have been mapped against the corporate plan and consequently it is clear that the activities from one set of objectives and priorities feed into the other. For each of its priorities the Council clearly states the actions needed to achieve its vision.

27   The Council has a good financial strategy in place. The strategy identifies budget gaps, provides 'what if' analysis and risk assessments. It also includes predicted costs for the servicing of the new community at Cranbrook. This means that it can better support decision making for senior managers and Councillors.

28   A revised homelessness strategy has been adopted during the last 12 months. The new Strategy 2008/09 sets out the homelessness problem in the District and how the Council is to address this in collaboration with its partner organisations and within the context of the Housing Strategy objectives. The strategy includes a comprehensive action plan with measurable targets which aim to maintain progress in tackling homelessness in the district.

29   The Council monitors and reports performance well, it regularly reports to senior officers and Councillors. Councillors receive quarterly monitoring reports against performance indicators and progress against individual service plans. There is good evidence that Councillors challenge performance and bring officers to account. Recently the Council also reviewed its Corporate Plan to ensure that it remains fit for purpose in the current economic climate.

30   The Council is using system review effectively to tackle underperforming areas, For example, planning and housing benefits. It has set up a Housing Review Board to help drive and monitor progress of improvement in the housing services following an Audit Commission inspection.

31  Staff sickness continues to be an issue for the Council and it is taking appropriate measures to address this.  There is continued high focus on sickness absence through return to work interviews and sickness trigger meetings which highlight to managers any potential issues. Absence management continues to be part of the core management development programme. There is also a programme of stress audits to ensure that any potential causes of absence are minimised and the Council is carrying out a number of well being initiatives to emphasise its importance.

32  The Government's announcement of a review of local government in Devon by the Boundary Committee throughout much of 2008 has taken up considerable time of some key officers and slowed efforts to share services with other authorities in the county. The uncertainty that Local Government re-organisation brings and the difficult future investment decisions have already contributed to a slow down in the ongoing improvement of the Council overall and could continue to do so.

33  The Council has been affected this year by the recession which has hampered its ability to achieve the priorities of developing a thriving economy. Income has fallen in areas such as investment returns, planning applications, land charges and building control as a result of the current downturn in the housing market. The downturn in the economy was also reflected in business rates due to a rise in the number of business insolvencies.

# The audit of the accounts and value for money

34  Your appointed auditor has reported separately to the Audit and Governance Committee on the issues arising from his 2007/08 audit and has issued:

- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 29 September 2008; and

- a report on the Best Value Performance Plan confirming that the Plan has been audited.

35  Key issue to note are:

- the Council processed a number of adjustments to the accounts, increasing net expenditure by £437,000 and decreasing net assets by £1,195,000; and

- the Auditor made a number of recommendations in his ISA260 report to improve the Council's arrangements to prepare the accounts, particularly with regard to improving the audit trail and accuracy of the draft accounts, which the Council agreed to implement for the 2008/09 audit.

## Use of Resources

36  The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.

- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).

- Financial management (including how the financial management is integrated with strategy to support council priorities).

- Financial standing (including the strength of the Council's financial position).

- Internal control (including how effectively the Council maintains proper stewardship and control of its finances).

- Value for money (including an assessment of how well the Council balances the costs and quality of its services).

37  For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

| Element | Assessment |
|---|---|
| Financial reporting | 2 out of 4 |
| Financial management | 3 out of 4 |
| Financial standing | 2 out of 4 |
| Internal control | 3 out of 4 |
| Value for money | 3 out of 4 |
| **Overall assessment of the Audit Commission** | **3 out of 4** |

Note: 1 = lowest, 4 = highest

The key issues arising from the audit

38 The outcome of the Council's accounts audit resulted in a reduction in its financial reporting score. The Auditor made a number of recommendations to enhance the Council's processes to prepare the accounts, which the Council is making progress towards implementing, for the 2008/09 financial statements.

39 The Auditor found that the Council has sound standards for financial management. Medium-term financial planning underpins corporate objectives and business planning processes, and an affordable capital programme has been set. The Executive Board regularly considers financial and non-financial information. There are satisfactory arrangements in place for managing the corporate asset base, though the Council would benefit from updating its capital strategy and asset management plans.

40 The Council consistently maintains spending within its annual budget, but in recent years has built up high levels of reserves. The Council's policy is to have a general fund of at least 7.5 per cent of the net revenue budget. However, at 32 per cent at the end of 2007/08 the balance was significantly above this, and a further £12m is held in a capital fund. There was no clear specific plan for its use at the time of the assessment, although it is understood that the Council is strengthening its arrangements in this area, with specific proposals being formalised. The Auditor found that the Council could also improve its management information relating to debt arrears across all significant categories of income, not just council tax and NNDR.

41 The Council continues to maintain sound internal control arrangements. It identifies and manages its significant business risks, including any risks associated with key partnerships. The Audit and Governance Committee's responsibilities include the consideration of risk management and ensuring that corporate internal control and corporate governance arrangements are appropriate. The Council is proactive in promoting high standards of ethical behaviour amongst members and staff, though further work is needed to ensure that counter-fraud arrangements are adequately resourced and that its arrangements for ensuring probity are fully embedded.

42   The Council generally provides services that are value for money when compared to similar authorities, and comparatively high levels of consumer satisfaction are achieved. Overall, there is a reasonable balance between costs and performance. There are strong internal processes for setting corporate objectives and linking these to financial and service plans and members and officers actively use this information to review and challenge value for money.

## Data Quality

43   The Council has adequate arrangements in place to ensure the quality of the data it uses for corporate decision-making. The Auditor's detailed review of a sample of five performance indicators identified that they were all fairly stated. However, the Auditor identified a number of areas where the Council could improve its data quality management arrangements by:

- ensuring that data quality issues are considered by those charged with governance;

- embedding data quality issues within risk management arrangements;

- establishing formal protocols for all instances of internal and external data sharing; and

- ensuring that job descriptions adequately reflect responsibilities for data quality.

## Advice and Assistance work

44   The Council asked that the Auditor provide training for members of the Audit and Governance Committee to enhance their understanding of the accounts and improve their ability robustly to scrutinise them. The Auditor provided this through a workshop in June before the Committee approved the draft accounts. Members of the Committee raised a number of pertinent issues and questions before approving the accounts, and these resulted in a number of presentational changes to improve the clarity of information.

## Dealing with the public

45   Following the Boundary Committee's initial consultation on a single unitary authority in Devon, the Council undertook a publicity campaign to oppose the proposals. This campaign included direct mailings to local residents, web sites and a range of other media and publications. As a result of the Council's actions, the Auditor received a small number of complaints and concerns from local electors within East Devon over the legitimacy of the approach and the expenditure being incurred. To address these concerns, the Auditor assessed how the Council has complied with the Code of Publicity, which provides guidance on how local authorities should use publicity. To ensure that the response was appropriate and proportionate, he also liaised with the appointed auditors of other local authorities within Devon.

46   The Auditor concluded that some elements of the Council's publicity did not fully comply with the Code insofar as it presented a single perspective and was selective in the key issues identified. The Code requires that publicity on controversial issues should not be overly simplistic and should consider arguments for and against the views of the Council. He recognised the Council's assertions that similar material had been produced by other authorities and concerns raised by the Council over the legitimacy of the Committee's consultation process. The issue of whether public funds have been mis-used is more tenuous, as there are specific powers for Councils to inform local residents, but this should be done in a balanced way. As such, the Auditor concluded it was not in the public interest to pursue this issue further, but to reinforce to the Council its statutory responsibilities in this area.

47   The Council recognises the Auditor's concerns and has assured the Auditor regarding future publicity arising from the Boundary Committee's proposals.

# Looking ahead

48 The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.

49 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.

50 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.

# Closing remarks

51  This letter has been discussed and agreed with the Chief Executive and Treasurer. A copy of the letter will be presented at the audit committee on 26 March 2009. Copies need to be provided to all Council members.

52  Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2    Reports issued

| Report | Date of issue |
|---|---|
| Audit and inspection plan | March 2007 |
| Interim audit report | June 2008 |
| ISA260 report | September 2008 |
| Opinion on financial statements | September 2008 |
| Value for money conclusion | September 2008 |
| Annual audit and inspection letter | March 2009 |

53  The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

54  This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Martin Green
Comprehensive Area Assessment Lead

March 2009

# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

## Grant Thornton

Mr Mark Williams
Chief Executive
East Devon District Council
Council Offices
Knowle
Sidmouth
Devon
EX10 8HL

10 March 2009

Dear Mark

### ANNUAL AUDIT FEE 2009-10

Further to our discussions, I am writing to confirm the audit work that we propose to
undertake for the 2009-10 financial year at East Devon District Council. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit
  Practice and work mandated by the Audit Commission for 2009-10; and

- reflects only the audit element of work and excluding any inspection and assessment
  fees that will be undertaken by the Audit Commission or other regulators. Your
  Comprehensive Area Assessment Lead will be writing to you separately on
  inspection fees.

As I have not yet completed my audit for 2008-09 the audit planning process for 2009-10,
including the risk assessment, will continue as the year progresses and fees will be reviewed
and updated as necessary.

The Audit Commission has clarified their expectations with regard to the statutory basis of
the audit fee setting process. If everything else is equal, the fee payable is the scale fee, and
any variation to the scale fee needs to be justified on the grounds of more or less work being
undertaken than is envisaged within the scale fee.

The Audit Commission has published its work programme and scales of fees 2009-10. The
scale fee for East Devon District Council is £109,500 (excluding VAT). The fee proposed
for 2009-10 is in line with the above scale fee. This compares to the planned fee of £101,900
for 2008-09. A summary of this is shown in the following table.

**Audit fee**

| Audit area | Planned fee 2009-10 | Planned fee 2008-09 |
|---|---|---|
| Financial statements | £67,500 | £62,500 |
| Use of Resources/VFM Conclusion | £40,500 | £39,400 |
| WGA | £1,500 | Included above |
| **Total audit fee** | **£109,500** | **£101,900** |
| Certification of claims and returns | £26,000 | £26,000 |

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2008-09. A separate plan for the audit of the financial statements will be issued in November 2009, once the outcomes of the 2008-09 audit are known. This will detail the risks identified, planned audit procedures and any changes in fee. The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Corporate Director (Economy) and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Governance Committee.

My use of resources assessments will be based upon the evidence from three themes:

- managing finances;
- governing the business; and
- managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009-10. My work on use of resources informs my 2009-10 value for money conclusion. However, I have identified a number of potential significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table below:

| Risk | Planned work | Timing of work |
|---|---|---|
| The Council is facing a challenging revenue budget, with reduced income streams and increasing demand for services. To mitigate this, the Council has adopted an approach that considers both the 2009-10 and 2010-11 budgets together, with flexibility between years. This requires the Council to closely monitor the delivery of actual compared to planned outcomes against the budget throughout the year and, where necessary, clearly report explanations and take action for any variances.<br><br>There is a risk that these arrangements are not robust to avoid financial difficulties. | We will review the Council's budget setting process and budget monitoring during the year, and consider how effectively the budget is managed to maintain delivery of service objectives and priorities. | April 2009 - March 2010 |

| Risk | Planned work | Timing of work |
|---|---|---|
| During 2008-09 there have been instances of non-compliance with the Council's constitution and standing orders. These documents along with financial regulations and polices and procedures need to be regularly updated. If this is not done there is a risk that they are not complied with or they are not sufficiently flexible to reflect the needs of the Council. | As part of our use of resources work we will review the work undertaken by the Procurement Group, officers and members to review and update the constitution, standing orders, financial regulations and policies and procedures to ensure they remain fit for purpose. | March - August 2010 |
| During 2007-08 and 2008-09 we have been reviewing the effectiveness of Internal Audit as part of our audit programme, and a TAFF was set up by the Audit Committee to ensure Internal Audit deliver an effective service. There have been difficulties in recruiting and retaining the staff required, and there is a risk that the staffing levels are not achieved on an ongoing basis and the required level of assurance is not achieved from the completed programme. | As part of our use of resources work we will review the restructured Internal Audit plan. We will also consider the outcome from the re-prioritisation process planned for 2009 which will include central services as well as the Council's options in terms of future service delivery. | February - June 2010 |
| The Council is in the process of revising its process to document and monitor the corporate risk register. There is a risk that during the period of transition risks are not adequately managed or that the revised process is not sufficiently robust. | As part of our use of resources work we will review the work of the Risk Group. This will involve considering the adequacy of arrangements to ensure services have taken ownership of the risk register and evidencing that action is being taken with appropriate controls in place to mitigate and control risks. | February - June 2010 |

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The Audit Manager supporting me in the delivery of the Council's is Kate Jefferies, who can be contacted on 0117 305 7678.

I am committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact Richard Tremeer, the Head of Government Audit (richard.tremeer@gtuk.com).

Yours sincerely

**BARRIE MORRIS**
**Director**
**For Grant Thornton UK LLP**

T 0117 305 7708
F 0117 305 7784
E barrie.morris@gtuk.com

**c.c. Diccon Pearse, Corporate Director (Economy)**
**c.c. Councillor Ray Bloxham, Chair of the Audit and Governance Committee**

# Appendix 1:     Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit and Governance Committee.

Table 1

| Planned output | Indicative date |
|---|---|
| Financial statements audit plan | November 2009 |
| Interim report | June 2010 |
| ISA260 report to those charged with governance | September 2010 |
| Auditor's report giving the opinion on the financial statements and value for money conclusion | September 2010 |
| Use of resources report | September 2010 |
| Annual audit letter (subject to current proposals being consulted on by the Audit Commission) | November 2010 |
| Grants report | November 2010 |

## Agenda Item 9

| |
|---|
| **Audit and Governance Committee** |
| **26 March 2009** |
| **TC** |

East Devon District Council

## Internal Audit & Corporate Governance Work Plans 'v' budget and resources available to complete them.

### Summary

In its meeting of the 29th January the Joint Overview & Scrutiny Committee recommended that "the need for agency staff for the Internal Audit service, in order to carry out required statutory audits for the forthcoming year, be further considered when the 2009/10 Audit Plan has been agreed by the Audit and Governance Committee".

There is an expectation that Internal Audit will not be able to complete their Annual Plans in the 2009/10 year due to lack of budget and trained staff resources. This report gives an overview of the original plan and gives guidance as to which audits are deemed to be high risk and therefore mandatory/preferred and those that for a limited period can be rolled over or deleted from the plan. The report also highlights the current issues surrounding staff resources and the projected budget required to deliver the revised audit plans.

The report also highlights the expectations placed upon the Council by the external auditors and Audit Commission in terms of their reviews of our internal control, data quality and Use of Resources/Corporate Governance Key Lines of Enquiry.

### Recommendations

Members are asked to :

a) Approve the revised audit plan
b) Approve the option to advertise for a permanent member of staff, on the basis that should this fail, the council will continue to employ contractor staff, and
c) Agree the projected budget to deliver the revised audit plan (in terms of staff resources)

### a) Reasons for Recommendation

There is an expectation that Internal Audit will not be able to complete their Annual Plans, the recommendation asks that members consider the issues raised and the revised plans.

### b) Alternative Options

None

### c) Risk Considerations

- Failure to complete the 'mandatory' core audits will result in criticism from the External Auditors, this could result in the External Auditors themselves completing the work and re-charging the Council.
- Failure to complete the 'preferred' audits will affect the Council's governance arrangements, errors and/or irregularities may go undetected, and the Use of Resources / Corporate Governance Key Lines of Enquiry will reflect this.
- Failure to complete the entire audit plan containing high, medium and low risk audits which have been carefully risk assessed and which are plotted over a 5 year period could affect the Council's governance arrangements and errors and/or irregularities may go undetected.

### d) Policy and Budgetary Considerations

The budgetary implications are set out in the main body of the report.

### e) Date for Review of Decision

Executive Board – April 2009

## Main Body of the Report

### Scope and Objectives

In its meeting of the 29th January the Joint Overview & Scrutiny Committee recommended that "the need for agency staff[1] for the Internal Audit service, in order to carry out required statutory audits for the forthcoming year, be further considered when the 2009/10 Audit Plan has been agreed by the Audit and Governance Committee".

This report gives an overview of the original plan and gives guidance as to which audits are deemed to be high risk and therefore mandatory/preferred and those that for a limited period can be rolled over or deleted from the plan.

The report also highlights the current issues surrounding staff resources and the projected budget required to deliver the revised audit plans.

### Background

The Council's Audit and Governance function has been without two members of staff since May 2007 (senior auditor) and July 2007 (principal auditor on maternity leave), the remaining principal auditor resigned her post and left in April 2008. The Council therefore lost all internal audit staff, with the exception of the internal audit and governance manager.

Members will recall that the Council recruited two trainee auditors who took up their posts in the summer of 2008. Neither were trained or competent to tackle the complex audits that comprise the bulk of the 'type 1'[2] and 'type 2'[3] audits and this is why it was, and still is essential that contractors remain with the team, firstly to provide ongoing on-the-job training and support for the trainees, but secondly to ensure that the core and preferred audits are completed to an acceptable standard.

Unfortunately, in February 2009, one of the trainee auditors resigned his post, his last day of service was the 10th March.

Various temporary audit contractors have come and gone over the period. By their very nature, competent audit contractors are very hard to come by; at the present time the Council has been fortunate to find two trained and proficient contractors, but because of budget costs the Council is in danger of losing them.

(A gentle reminder for members is the recommendation made by the Internal Audit & Governance TAFF – 8th May 2008 that contractor staff should remain with the team for 18-24 months or until the transfer of services under the local government re-organisation, should this occur.)

There is an expectation from the External Auditors and the Audit Commission that they will be able to rely on the work completed by internal audit in order for them to give an unqualified opinion. Indeed, in their Audit and Inspection Plan 2008-09, Grant Thornton state that "we will assess your internal audit function to identify where we can rely on the internal audit work" (para 4.10).

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[1] Referred to as 'audit contractors'
[2] Core Financial and External Audit compliant
[3] 'Cipfa' Standards / Financial & Anti-fraud compliant

## Current Authorised Establishment

The current establishment of internal audit staff is 4.5fte; one full-time principal auditor, one part-time principal auditor, two senior auditors and the Audit & Governance Manager. Due to the difficulty in recruiting qualified staff to the senior auditor positions the Committee has previously been advised of the appointment of two trainees and the use of experienced contract staff.

The part time principal auditor is due to commence maternity leave from 1st June for 12 months, however the cost of this needs to be met from the internal audit budget (there is no central cost centre for these expenses). Further one of the two trainees has resigned their position.

Therefore, from June 2009 the actual internal audit workforce will comprise 1 trainee auditor and 1 internal audit and governance manager.

## Current Budget

The 2009-10 salary budget is £123,247 for the Manager, part-time principal and 2 trainee auditors. There is no budget for additional permanent or temporary staff. The funding for the full-time principal auditor has been withdrawn.

## Original 2009/10 Internal Audit Plans

These comprised:

- General Plan + computer audit plan, contract audit plan and Street Scene audit plan
- Corporate Governance work plan
- Internal Audit work not completed in 2008/09 to be rolled over into 2009/10

These documents appear at appendices 1 (1A, 1B and 1C), 2 and 3

The original work plans were based on an audit establishment of 3.5fte + the manager, making a total of 4.5fte. The total man-days available to carry out the original internal audit plan is 679, the internal audit work plan requires 674, which provided a small contingency of 5 days (surplus).

In reality, the days required by the internal audit work plan exceed this amount in that many of the day allowances prescribed in the internal audit work plan have needed to be extended to take account of the time spent providing supervision and on-the-job training to trainee audit staff.

The original work plan contains a variety of different types of audits ranked from Type 1 to Type 5. An explanation of the different types of audits can be found on page 6 of appendix 1.

## Revised 2009/10 Internal Audit Plans

It would appear prudent to produce realistic internal audit plans based upon the core (mandatory) audits and the audits ranked as 'high' in the 5-year plan risk assessment.

The audits have been categorised into 'types' and it is proposed that the revised plan will cover type 1, type 2 audits and one or two type 5 audits.

The categories are explained below:

Type 1 – Core financial and External Audit compliant – an example is payroll or housing benefits -
Type 2 – Core Procedural and Cipfa Guideline compliant – an example is computer audit or contract audit
Type 3 – Financial, Anti-Fraud compliant - an example is Street Scene or customer service centre.
Type 4 – Organisation, Management and HR related – an example is organisational development audits
Type 5 – Corporate and / or Strategic – an example is national indicators or CRSA[4] checking

By way of explanation 'Type 1' audits focus on the Council's core financial systems and are classified as 'mandatory' by the External Auditors. This means that the Council must complete

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[4] Control Risk Self Assessment – part of the Governance Assurance Statement

them. If the Council fails to complete these audits, it is very likely that the External Auditors will complete them and charge the Council for this work.

Type 2 audits focus on core processes and are the subject of specific Cipfa Guidelines. They are classified as 'preferred' as they are deemed to be 'high risk' and include financial elements and are vulnerable to error and/or irregularity.

Like Type 1 audits, Type 2 audits are subject to a prescribed level of testing dictated by the various Guidelines which describe the risks within the various systems and define the scope and objectives of any testing and/or evaluation. This level of prescribed testing influences the time required to complete each audit.

There are however, several other elements that need to feature within the revised plan relating to Type 5 (corporate and/or strategic), these are the National Indicator reviews and the corporate governance reviews spread throughout the year. The corporate governance reviews consist of:

- Reviewing the CRSA schedules produced by the Heads of Service
- Reviewing the actions contained in the Annual Governance Statement – Action Plan,
- Monitoring the newly populated corporate risk register to ensure that it has been updated on a timely basis, and
- Reviewing the integrity of the risks and controls being entered into the system and ensuring that they have been sensibly and appropriately evaluated.

The revised internal audit work plans appear at appendix 4 (4A, 4B).

## Resource Requirements

Members will note that there is a predicted shortfall of 272 days between the resources required and the resources available. This figure is made up of the original audit days and the days required for training/supervision by the manager/audit contractor.

It is essential that the trainee is supervised on each and every audit. The manager of the section can provide some supervisory cover but does have a separate 'Corporate Governance' work plan to complete. Therefore it is essential to ensure adequate resources are engaged to assist the manager in the monitoring, supervision, training and support of the trainee.

There are two issues facing the council:

- i) How to address the immediate shortfall in resources, and
- ii) The future provision of an internal audit service

In view of the problems that have been experienced with external contractors being required to undertake the day to day supervision of trainee auditors it is considered inappropriate, under the present circumstances, to take on a replacement junior. Instead one of the following options can be pursued:

Option 1 - continue to hire existing contractor staff to provide full-time support to assist the manager in providing continuous monitoring, supervision, training and support to the trainee and to undertake the audits in the audit plan.

Option 2 - appoint a principal auditor, or approach neighbouring council's to establish whether they have spare resources, to assist the manager in providing continuous monitoring, supervision, training and support to the trainee and to undertake the audits in the audit plan.

## Option(s)/Costs

**Option 1** - predicted contractor costs are as follows:

| | |
|---|---|
| One contractor to provide full-time support 180 days @ £30 per hour = | 39,960 |
| One contractor to cover the audit of NIs 40 days @ £25 per hour = | 7,400 |
| One contractor to cover computer audit 40 days @ £40 per hour | 11,840 |
| | 59,200 |

**Option 2** – appointment of principal auditor as follows:

| | |
|---|---|
| Principal Auditor[5] | 36,180 |
| One contractor to cover the audit of NIs 40 days @ £25 per hour = | 7,400 |
| One contractor to cover computer audit 40 days @ £40 per hour | 11,840 |
| | 55,420 |

## Budget Position – Option 1

The computation is as follows:

| | |
|---|---|
| Existing budget | 123,247 |
| Less:  Trainee Auditor | 19,845 |
| | 103,402 |
| Add:  Budget required for contractor staff | 59,200 |
| | 162,602 |

## Budget Position – Option 2

The computation is as follows:

| | |
|---|---|
| Existing budget | 123,247 |
| Less:  Trainee Auditor | 19,845 |
| | 103,402 |
| Add:  Principal Auditor | 36,180 |
| Budget required for contractor staff | 19,240 |
| | 158,822 |

Increase over existing budget – Option 1, £39,355 and Option 2, £35,575

An additional sum of £13,660 has been provided in the existing budgets for the training costs relating to the trainee auditor.

## Preferred Option

The preferred option is to pursue the possibility of recruiting a principal auditor, on the basis that should this fail, the council will continue to employ contractor staff until a long-term solution can be found.

With regard to the longer term, consideration will be given during the early part of 2009/10 on the future provision of an internal audit service.  To facilitate this, the Committee will be fully appraised of the options at the next Audit & Governance meeting scheduled for 18th June 2009.

## Corporate Governance Work Plan

The work plan will not change fundamentally providing the required resources are provided.  If the assistance is not provided then this work plan is not feasible and will remain incomplete, this would have serious implications in regard to the audited control of some of the most significant of the council's systems.

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[5] Salary + oncosts @ 25%

## Conclusion

It is essential that the Council maintains its high standards of conduct and continues to promote a culture of good governance; to do this it needs to have a respected and visible internal audit and governance service that undertakes audits across the wide spectrum of internal controls and within all areas of the Council.

Choosing to recruit two trainee auditors without filling the vacant principal auditor post places an additional burden on the existing manager and increases the need to spend money on contractors to provide supervision, training and support. Nevertheless if the required funds are made available, it should be possible to complete the revised audit plan in the 2009/10 year.

With regard the medium and lower risk audits, members should be aware that failing to complete these audits will impact on the overall arrangements for adequate corporate governance, therefore these audits should be subject to review as soon as resources are available.

## Legal Implications

None

## Financial Implications

As set out in the report

## Consultation on Reports to the Executive

N/A

## Background Papers

Specified appendices

Tanith Cox - 2687
Internal Audit and Governance

Audit & Governance Committee
26 March 2009

## INTERNAL AUDIT PLAN – 2009/10

| Audit Subject | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope | Driver |
|---|---|---|---|---|---|---|---|---|
| **Main Accounting System** (including Capital Accounting and VAT) | AUA01 | 0802, 0808CIP, 0808EXT | 3 | 20 | 2 | 25 | Type 1 Core Financial and External Audit Compliant CRM review and update | Relates directly to the council's values and vision and contributes to the council's CAA assessment and Corporate Governance Arrangements. |
| Council Tax (including any cash floats) | AUA06 | 0806, 0810CIP, 0810EXT | 3 | 10 | 2 | 15 | Type 1 Core Financial and External Audit Compliant Fraud & Corruption Module No 6 CRM review and update | |
| NNDR (including any cash floats) | AUA07 | 0805, 0816CIP, 0816EXT | 2 | 7 | 1 | 10 | Type 1 Core Financial and External Audit Compliant CRM review and update | |
| Housing Rents (including any cash floats) Update Corporate Risk Register | AUA05 | 0451, 0467CIP, 0467EXT | 3 | 10 | 2 | 15 | Type 1/2 Core Financial and External Audit Compliant Core Procedural and Cipfa Guideline compliant and Fraud & Corruption Module No 6 CRM review and update | |
| Payroll (including Travel Claims and Car Leasing) | AUA03 | 0610, 0611, 0612, 0613, 0614, 0627CIP, 0627EXT | 3 | 15 | 2 | 20 | Type 1 Core Financial and External Audit Compliant Fraud & Corruption Module No 12 Fraud & Corruption Module No 13 CRM review and update | |
| Creditors (Corporate Purchase Cards and Cash Floats). | AUA02 | 0813, 0813CIP, 0813EXT | 2 | 8 | 2 | 12 | Type 1 Core Financial and External Audit Compliant Fraud & Corruption Module No 7 CRM review and update | |
| Debtors | AUA09 | 0815, 0815CIP, 0815EXT | 2 | 7 | 1 | 10 | Type 1 Core Financial and External Audit Compliant Fraud & Corruption Module No 4 CRM review and update | |
| **Carried Forward** | | | 18 | 77 | 12 | 107 | | |

CRM Review consists of monitoring the newly populated corporate risk register to ensure that it has been updated on a timely basis, and reviewing the integrity of the risks and controls being entered into the system and ensuring that they have been sensibly and appropriately evaluated.

INTERNAL AUDIT PLAN – 2009/10

| Audit Subject | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope | Driver |
|---|---|---|---|---|---|---|---|---|
| **Brought Forward** | | | 18 | 77 | 12 | 107 | | Contributes to the Council's CAA Assessment which considers anti-fraud measures and contributes to the council's Corporate Governance Arrangements. Core System retesting satisfies the requirements of the external auditors. |
| Income & Cashiers (including cash floats) | AUA10 | 0803, 0812CIP, 0812EXT | 2 | 7 | 1 | 10 | Type 1 Core Financial and External Audit Compliant Fraud & Corruption Module No 4 CRM review and update | |
| **Treasury Management** (Loans/Investments) | AUA08 | 0801, 0809CIP, 0809EXT | 2 | 12 | 1 | 15 | Type 1 Core Financial and External Audit Compliant CRM review and update | |
| **Housing / Council Tax Benefits +** (including cash floats) | AUA04 | 0804, 0807, 0811CIP, 0811EXT | 2 | 18 | 2 | Bens 22 | Type 1 Core Financial and External Audit Compliant Fraud & Corruption Module No 1 CRM review and update | |
| **HB Grant Claim** | | | | 10 | | Grant 10 | | |
| **Housing Benefit Fraud** | | | 1 | 3 | 1 | 5 | | |
| **COMPUTER AUDIT** (See separate Computer Audit Work Plan) | AUD | 0701, 0702, 0703, 0704, 0705, 0706, 0707, 0708, 0709, 0710, 0711CIP, 0711EXT 0712CIP, 0712EXT, 0713CIP, 0713EXT 0714AUD, 0715CIP, 0716CIP, 0716EXT, 0717CIP, 0718AUD | 5 | 70 | 5 | 80 | Type 2 – Type 5 Cipfa Standards Financial, Anti-Fraud compliant Organisation, Management and HR related Corporate and / or Strategic CRM review and update | |
| **Customer Service Centre** (including any cash floats) | AUB01 | 0560 | 2 | 16 | 2 | 20 | Type 3 Financial & Anti-Fraud CRM review and update | |
| **'Core system' retesting for External Auditors** (consultancy ad-hoc) | | 0808EXT, 0810EXT 0816EXT, 0467EXT 0627EXT, 0813EXT 0815EXT, 0812EXT 0809EXT, 0811EXT | - | 10 | - | 10 | External Audit Compliant | |
| **Carried Forward** | | | 32 | 223 | 24 | 279 | | |

CRM Review consists of monitoring the newly populated corporate risk register to ensure that it has been updated on a timely basis, and reviewing the integrity of the risks and controls being entered into the system and ensuring that they have been sensibly and appropriately evaluated.

# INTERNAL AUDIT PLAN – 2009/10

| Audit Subject | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope | Driver |
|---|---|---|---|---|---|---|---|---|
| **Brought Forward** | | | 32 | 223 | 24 | 279 | | |
| Street Scene<br><br>(See separate Street Scene Internal Audit Work Plan) | AUSS | 0264, 0265, 0551, 0552, 0553, 0554, 0555, 0556, 0557, 0559, 0561AUD 0402, 0409CIP | 5 | 34 | 5 | 44 | Type 2/3<br>Core Procedural and Cipfa Guideline compliant and Financial & Anti-Fraud CRM review and update | |
| Licensing | AUE27 | 0663, 0664, 0667AUD | 2 | 7 | 1 | 10 | Type 3<br>Financial & Anti-Fraud CRM process | |
| HR | AUE15 | 0601, 0603, 0605, 0608, 0625CIP | 2 | 5 | 1 | 8 | Type 4<br>Organisation, Management and HR CRM process | |
| Cemeteries | AUE24 | Outstanding | 2 | 5 | 1 | 8 | Type 3<br>Financial & Anti-Fraud CRM process | |
| Procurement (including print, post and stationery) | AUB07 | Outstanding | 2 | 5 | 1 | 8 | Type 2 and 3<br>Core Procedural and Cipfa Guideline compliant and<br>Financial & Anti-Fraud CRM process | |
| Electoral Registration | AUE04 | 0851, 0852, 0853, 0854AUD | 2 | 2 | 1 | 5 | Type 3<br>Financial & Anti-Fraud CRM process | |
| Environmental Health – Commercial & Pollution | AUE37 | 0753, 0754, 0755, 0762AUD | 2 | 5 | 1 | 8 | Type 3 and 5<br>Financial & Anti-Fraud Corporate and / or Strategic CRM review and update | |
| Environmental Health – Private Sector Housing | AUE38 | 0752, 0756, 0761AUD | 2 | 5 | 1 | 8 | Type 3 and 5<br>Financial & Anti-Fraud Corporate and / or Strategic CRM review and update | |
| **Carried Forward** | | | 51 | 291 | 36 | 378 | | |

CRM Review consists of monitoring the newly populated corporate risk register to ensure that it has been updated on a timely basis, and reviewing the integrity of the risks and controls being entered into the system and ensuring that they have been sensibly and appropriately evaluated.

## INTERNAL AUDIT PLAN – 2009/10

| Audit Subject | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope | Driver |
|---|---|---|---|---|---|---|---|---|
| **Brought Forward** | | | **51** | **291** | **36** | **378** | | |
| **Economic Development (including industrial sites and Tourism)** | AUE09 | Outstanding | 2 | 15 | 1 | 18 | Type 2/3<br>Core Procedural and Cipfa Guideline compliant and<br>Financial & Anti-Fraud<br>CRM process | |
| **Disposal and Purchase of Assets + Asset Register** | AUB04 | 0159AUD | 2 | 2 | 1 | 5 | Type 2 and 3<br>Core Procedural and Cipfa Guideline compliant<br>and<br>Financial & Anti-Fraud<br>CRM review and update | |
| **Building Control**<br>(Note 1) | AUE19 | 0503, 0510AUD | 1 | 6 | 1 | 8 | Type 2/3<br>Core Procedural and Cipfa Guideline compliant and<br>Financial & Anti-Fraud<br>CRM review and update | |
| **Land Charges** | AUE21 | 0508, 0513AUD | 2 | 2 | 1 | 5 | Type 2/3<br>Core Procedural and Cipfa Guideline compliant and<br>Financial & Anti-Fraud<br>CRM review and update | |
| **Planning Administration**<br>(Note 1) | AUE20 | Within DC risk assessments | 2 | 5 | 1 | 8 | Type 2/3<br>Core Procedural and Cipfa Guideline compliant and<br>Financial & Anti-Fraud<br>CRM review and update | |
| **Development Control**<br>(Note 1) | AUE17 | 0504, 0505, 0507, 0512AUD | 2 | 5 | 1 | 8 | Type 2/3<br>Core Procedural and Cipfa Guideline compliant and<br>Financial & Anti-Fraud<br>CRM review and update | |
| **Section 106** | AUE18 | Within other planning/development risk assessments | 2 | 2 | 1 | 5 | Type 3<br>Financial & Anti-Fraud<br>CRM review and update | |
| **Planning Policy & Conservation** | AUE39 | 0501, 0502, 0509AUD | 2 | 2 | 1 | 5 | Type 3<br>Financial & Anti-Fraud<br>CRM review and update | |
| **Cranbrook Art Grant** | AUE12 | Outstanding | 1 | 3 | 1 | 5 | Type 3<br>Financial & Anti-Fraud<br>CRM process | |
| **Carried Forward** | | | **67** | **333** | **45** | **445** | | |

CRM Review consists of monitoring the newly populated corporate risk register to ensure that it has been updated on a timely basis, and reviewing the integrity of the risks and controls being entered into the system and ensuring that they have been sensibly and appropriately evaluated.

# INTERNAL AUDIT PLAN – 2009/10

| Audit Subject | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope | Driver |
|---|---|---|---|---|---|---|---|---|
| **Brought Forward** | | | 67 | 333 | 45 | 445 | | |
| Home Safeguard (Note 1) | AUE03 | 0459, 0460, 0464CIP | 2 | 7 | 1 | 10 | Type 2 and 3 Core Procedural and Cipfa Guideline compliant and Financial, Anti-Fraud compliant CRM review and update | |
| Housing Needs (Note 1) | AUE05 | 0452, 0453, 0454, 0455, 0462, 0463CIP | 2 | 7 | 1 | 10 | Type 2 Core Procedural and Cipfa Guideline compliant CRM review and update | |
| Housing Management (Note 1) | AUE25 | 0456, 0457, 0465CIP | 2 | 10 | 1 | 13 | Type 2/3 Core Procedural and Cipfa Guideline compliant and Financial, Anti-Fraud compliant CRM review and update | |
| Housing Client Services (Note 1) | AUE40 | Outstanding | 2 | 2 | 1 | 5 | Type 2/3 Core Procedural and Cipfa Guideline compliant and Financial, Anti-Fraud compliant CRM review and update | Contributes to the Council's CAA |
| Contract Audit : (See separate Contract Audit Work Plan) | AUC | Within service areas | 12 | 48 | 10 | 70 | Type 2 and 3 Core Procedural and Cipfa Guideline compliant and Financial, Anti-Fraud compliant CRM review and update | Contributes to the Council's CAA |
| Environment – Growth Area Delivery Plan | AUE08 | 0255, 0256, 0259, 0260, 0261, 0262, | 2 | 2 | 1 | 5 | Type 3 and 5 Financial & Anti-Fraud Corporate and / or Strategic CRM review and update | |
| | | | | | | | | |
| **SUB - TOTAL - Carried Forward** | | | 89 | 409 | 60 | 558 | | |

CRM Review consists of monitoring the newly populated corporate risk register to ensure that it has been updated on a timely basis, and reviewing the integrity of the risks and controls being entered into the system and ensuring that they have been sensibly and appropriately evaluated.

# INTERNAL AUDIT PLAN – 2009/10

| Audit Subject | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope | Driver |
|---|---|---|---|---|---|---|---|---|
| **Brought Forward** | | | 89 | 409 | 60 | 558 | | |
| | | | | | | | | |
| **OTHER AUDIT DUTIES** | | | | | | | | |
| Governance Statement Controls | - | - | - | 15 | - | 15 | Type 5 – Corporate and / or Strategic | |
| Construction/lne Admin | - | - | - | 15 | - | 15 | Type 3 –Financial, Anti-Fraud compliant | |
| Corporate Risk Register (Update and Review) | - | - | - | 10 | - | 10 | Type 5 – Corporate and / or Strategic | |
| National Indicators | - | - | - | 40 | - | 40 | Type 5 – Corporate and / or Strategic | |
| Consultancy | - | - | - | 20 | - | 20 | | |
| Audit Contingency | - | - | - | 16 | - | 16 | | |
| **AUDIT DAYS REQUIRED TO COMPLETE AUDIT PLAN** | | | 89 | 525 | 60 | 674 | | |
| **TOTAL DAYS AVAILABLE** | | | | | | 679 | | |

*Notes to the Internal Audit Plan*

(*Note 1*) Audit Commission adversely commented on the regularity of systems audit work (their Data Quality Audit Report refers ref: R2), consequently audits relating to these areas are scheduled.

A Legend is produced below to explain Type 1 to 5 Audit Work

Type 1 – Core financial and External Audit compliant
Type 2 – Core Procedural and Cipfa Guideline compliant
Type 3 – Financial, Anti-Fraud compliant
Type 4 – Organisation, Management and HR related
Type 5 – Corporate and / or Strategic

# COMPUTER AUDIT - INTERNAL AUDIT PLAN – 2009/10

| Audit Area | Audit Subject | CRM Days | Audit Days | F/Up Days | Total Days | Type & Scope |
|---|---|---|---|---|---|---|
| Computer Management | Staff Hardware and Software | .5 | 2.25 | .25 | 3 | Type 2 Core Procedural and Cipfa Guideline compliant, and |
| | Accuracy and Integrity of Costs | .5 | 2.25 | .25 | 3 | |
| | Compliance with council policies | - | - | - | - | Type 3 Financial, Anti-Fraud compliant, and |
| | Relevance, reliability and integrity of information | .25 | 1.5 | .25 | 2 | |
| | Compliance with statutory requirements | .25 | 1.5 | .25 | 2 | Type 5 Corporate and/or Strategic, and CRM review and update |
| | Safeguarding of council's assets | .25 | 1.5 | .25 | 2 | |
| Total | | | | | 12 | |
| Project Management | Monitoring of projects | 1 | 5 | 1 | 7 | |
| | Provision of advice on internal controls | - | 2 | - | 2 | |
| | Review of project methodology | .25 | .5 | .25 | 1 | |
| | Review of Development Test Cycle | .25 | .5 | .25 | 1 | |
| Total | | | | | 11 | |
| Information Security | Virus Controls and Firewalls | .25 | 1.5 | .25 | 2 | |
| | Access Controls – (ICT software) | .25 | 1.5 | .25 | 2 | |
| | Security Alerts | - | - | - | - | |
| | Backing up | .25 | .5 | .25 | 1 | |
| | Flood, Fire, UPS and physical / logical safeguards | - | - | - | - | |
| Total | | | | | 5 | |
| Help Desk | Support and Customer Service | .25 | 1.5 | .25 | 2 | |
| | Help Desk Procedures | - | - | - | - | |
| | Touchpaper Computer System | - | 1 | | 1 | |
| Total | | | | | 3 | |
| Installation Controls | Operational functioning (including work scheduling and procedures) | | 1 | | 1 | |
| | File Library Controls (development 'v' production (test/live systems) | | 1 | | 1 | |
| | General Installation Security | | 1 | | 1 | |
| Total | | | | | 3 | |
| In-house Developed Systems | Change Controls | | 1 | | 1 | |
| | Audit Trails, Logs and Journals | | 1 | | 1 | |
| | Monitoring Tools | | 1 | | 1 | |
| Total | | | | | 3 | |
| Carried Forward | | 4.25 | 29 | 3.75 | 37 | |

1

# COMPUTER AUDIT - INTERNAL AUDIT PLAN – 2009/10

| Audit Area | Audit Subject | CRM Days | Audit Days | F/Up Days | Total Days | Type & Scope |
|---|---|---|---|---|---|---|
| Brought Forward | | 4.25 | 29 | 3.75 | 37 | **Type 2**<br>Core Procedural and Cipfa Guideline compliant, and<br><br>**Type 3**<br>Routine Financial, Anti-Fraud compliant, and<br><br>**Type 5**<br>Corporate and/or Strategic, and CRM review and update |
| Bought-in Software Packages | Change Controls | - | - | - | - | |
| | Audit Trails, Logs and Journals | - | - | - | - | |
| | Monitoring Tools | - | - | - | - | |
| | GIS – Overlay access controls | .25 | .5 | .25 | 1 | |
| Total | | | | | 1 | |
| Operating Systems and Systems Software | Change Controls | - | - | - | - | |
| | Audit Trails, Logs and Journals | - | - | - | - | |
| | Monitoring Tools | - | - | - | - | |
| Total | | | | | 0 | |
| Hardware | Audit Trails, Logs and Journals | .25 | .5 | .25 | 1 | |
| | Monitoring Tools | .25 | .5 | .25 | 1 | |
| Total | | | | | 2 | |
| Audit Monitoring | Mobile and Land Line | | 18 | | 18 | |
| | Audit Logs – Trent and Cedar | | 18 | | 18 | |
| Total | | | | | 36 | |
| General Client Help | | | 2 | | 2 | |
| Contingency | | | 2 | | 2 | |
| | | | | | | |
| | | | | | | |
| Total Audit Days | | 5 | 70.5 | 4.5 | 80 | |

CRM Review consists of monitoring the newly populated corporate risk register to ensure that it has been updated on a timely basis, and reviewing the integrity of the risks and controls being entered into the system and ensuring that they have been sensibly and appropriately evaluated.

Legend
Type 1 – Core financial and External Audit compliant
Type 2 – Core Procedural and Cipfa Guideline compliant
Type 3 – Financial, Anti-Fraud compliant
Type 4 – Organisation, Management and HR related
Type 5 – Corporate and / or Strategic

# CONTRACT AUDIT - INTERNAL AUDIT PLAN – 2009/10

| Audit Area | Audit Subject | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope |
|---|---|---|---|---|---|---|
| Planning & Countryside | Economic Development | .5 | 1 | .5 | 2 | Type 2 Core Procedural and Cipfa Guideline compliant, and |
| | Planning | 1 | 1 | 1 | 3 | |
| Financial Services | Debt Recovery, Machine Maintenance, Revenue Collection | 1 | 4 | 1 | 6 | |
| | Bank Contract | .5 | 1 | .5 | 2 | Type 3 Financial, Anti-Fraud compliant, and |
| | Procurement | 1 | 8 | 1 | 10 | |
| Housing | Home Safeguard | .5 | 1 | .5 | 2 | |
| | Housing Management | 5 | 16 | 2 | 23 | Type 5 Corporate / Strategic |
| | Housing Client Services | .25 | .5 | .25 | 1 | |
| Street Scene | Property Services | 1 | 8 | 2 | 11 | |
| | Other Street Scene (Technical) | 1 | 8 | 1 | 10 | |
| Carried Forward | | 11.75 | 48.5 | 9.75 | 70 | |

Existing Corporate Risks will be subject to updating, control/action checking and review by the auditor.

Legend
Type 1 – Core financial and External Audit compliant
Type 2 – Core Procedural and Cipfa Guideline compliant
Type 3 – Financial, Anti-Fraud compliant
Type 4 – Organisation, Management and HR related
Type 5 – Corporate and / or Strategic

# STREET SCENE - INTERNAL AUDIT PLAN – 2009/10

| Audited Areas | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/Up Days | Total Days | Type & Scope |
|---|---|---|---|---|---|---|---|
| **Audit 1**<br>Amenity Areas<br>Sports Grounds, Parks and Pleasure Grounds | SS01<br>SS03 | 0264, 0265, 0551, 0552, 0553, 0554, 0555, 0556, 0557, 0559, 0561AUD 0402, 0409CIP | 1 | 2 | 1 | 4 | Type 3 and 5<br>Financial & Anti-Fraud<br>Corporate and/or Strategic<br>CRM review and update |
| **Audit 2** | | 0558, 0558AUD | - | - | - | - | |
| **Audit 3**<br>Contaminated Land<br>Refuse and Recycling | SS07<br>SS08 | | 2 | 8 | 1 | 11 | Type 2/ 3 and 5<br>Core Procedural and Cipfa Guideline compliant and Financial & Anti-Fraud<br>Corporate and/or Strategic<br>CRM review and update |
| **Audit 4**<br>Coast Protection<br>Flood Protection<br>Water Safety | SS09<br>SS10<br>SS12 | | .5 | 2 | .5 | 3 | Type 3 and 5<br>Financial & Anti-Fraud<br>Corporate and/or Strategic<br>CRM review and update |
| **Audit 5** | | | - | - | - | - | |
| **Audit 6**<br>Seafront Lighting Schemes<br>Security Lighting Schemes<br>Street Nameplates<br>Depots | SS18<br>SS19<br>SS20<br>SS21 | | 1 | 2 | 1 | 4 | Type 3 and 5<br>Financial & Anti-Fraud<br>Corporate and/or Strategic<br>CRM review and update |
| **Audit 7**<br>Civil Engineering Contracts | SS22 | | .5 | 4 | .5 | 5 | Type 2/3 and 5<br>Core Procedural and Cipfa Guideline compliant and Financial & Anti-Fraud<br>Corporate and/or Strategic<br>CRM review and update |
| **Audit 8**<br>Communal Areas | SS23 | | .5 | 1 | .5 | 2 | Type 3<br>Financial & Anti-Fraud<br>CRM review and update |

# STREET SCENE - INTERNAL AUDIT PLAN – 2009/10

| Street Scene Contingency | | 15 |
|---|---|---|
| Total Audit Days | 5.5 | 19 | 4.5 | 44 |

CRM Review consists of monitoring the newly populated corporate risk register to ensure that it has been updated on a timely basis, and reviewing the integrity of the risks and controls being entered into the system and ensuring that they have been sensibly and appropriately evaluated.

Legend
Type 1 – Core financial and External Audit compliant
Type 2 – Core Procedural and Cipfa Guideline compliant
Type 3 – Financial, Anti-Fraud compliant
Type 4 – Organisation, Management and HR related
Type 5 – Corporate and / or Strategic

**CORPORATE GOVERNANCE WORK PLAN 2009/10**

| Month | | Update Audit and Governance Policies, Strategies, Procedures, Codes of Practice, Explanatory Leaflets etc. Ongoing throughout the year. [2] | NFI [3] | Partnership Mapping and partnership corporate governance arrangements (but see note on reverse) [4] | Annual Governance Statement 2008/09 [5] | Key Lines of Enquiry 2008/09 - Use of Resources KLoEs and Corporate Governance KLoEs [6] | Corporate Risk Management - System Procurement and implementation, data transfer and cleansing. System Admin [7] | Data Quality Initiatives – BVPI and NI checking [8] | Audit & Governance Training for council staff and members [9] | Ongoing Management of staff resources, workloads and plans of the Internal Audit Section [10] |
|---|---|---|---|---|---|---|---|---|---|---|
| **2009** | | | | | | | | | | |
| April | | | | | | | | | | |
| May | Audit & Governance Committee Reports [1] | | | | | | | | | |
| June | | | | | | | | | | |
| July | | | | | | | | | | |
| August | Audit & Governance Committee Reports [1] | | | | | | | | | |
| September | | | | | | | | | | |
| October | | | | | | | | | | |
| November | Audit & Governance Committee Reports [1] | | | | | | | | | |
| December | | | | | | | | | | |
| **2010** | | | | | | | | | | |
| January | A & G & CRMG Committee Reports [1] | | | | Annual Governance Statement 2009/10 [5] | | | | | |
| February | A & G & CRMG Committee Reports [1] | | | | | | | | | |
| March | | | | | | | | | | |

# Notes to the Corporate Governance Plan

[1] Audit & Governance Committee – this Committee meets 5 times, it is supplemented by an Audit & Governance Committee Agenda, which prompts for different reports from the various officers (both internal and external) who report to it. The Committee requires regular updates on progress of internal audit and corporate governance work together with action plans relating to the Annual Governance Statement, Key Audit Findings and Risks and Computer Audit Monitoring. The Corporate Risk Management Group meets quarterly and is supplemented by a Committee Agenda which prompts fro different reports relating to CRM.

[2] Policies, procedures and Codes – the IA and Governance section take responsibility for many financial and ethical policies and codes, these need to be reviewed on an annual basis and updated where applicable. Policies include the Code of Corporate Governance, Anti-Fraud, Theft and Corruption Policy, Disposal Policy, Guide to Corporate Risk Management, Guide to Internal Audit and the Audit Charter.

[3] NFI – National Fraud Initiative, the Audit & Governance Manager is the key contact and co-ordinating officer and deals with incoming and outgoing queries, investigates cases of potential fraud relating to council staff, co-ordinates investigations by other sections and/or directorates and ensures the Audit Commission's database is updated by nationally agreed deadlines.

[4] Partnership Mapping – The council's partnerships are required to be mapped and assessed to establish whether or not they include adequate corporate governance arrangements, a risk assessment is also undertaken and an action plan detailing recommendations is produced. This work is essential criteria under our Use of Resources assessments. Until the resource issue within the section is resolved it is not possible to be clear about target or completion dates.

[5] Annual Governance Statement - Accompanies the council's financial statements and is signed off by the Chief Executive and the Leader of the Council, reviewed by the External Auditors and complements the council's corporate governance arrangements. The Audit and Governance Committee keep the Governance Statement Action Plan under review.

[6] Key Lines of Enquiry 2008/09 - this includes the 'harder test' KLoEs under Use of Resources and the KLoEs relating to Corporate Governance. Both sets of KLoEs are required to be completed for the Annual Governance Statement (item 5 above). Key Lines of Enquiry are reviewed by the External Auditors and support the council's rating under CAA.

[7] Corporate Risk Management is to be re-launched within the council with the procurement and implementation of a new Corporate Risk Management System and a new work process whereby Heads of Service are responsible for updating the Corporate Risk Register. The Audit & Governance Manager is the council's key contact for Corporate Risk Management and works with members and staff to ensure the council's risks are identified and mitigated as far as possible. The Audit & Governance Manager will remain the systems administrator for the Risk Register.

[8] Co-ordinate the review of the council's National Indicators and prepare supplementary reports to council staff and members.

[9] Audit & Governance Training

[10] Ongoing Management of the Internal Audit Section – management of staff, systems, workloads, plans, procedures etc pertaining to the internal audit service.

# INTERNAL AUDIT WORK NOT COMPLETED IN 2008/09 – TO BE ROLLED OVER INTO 2009/10

| Audit Subject | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope | Driver |
|---|---|---|---|---|---|---|---|---|
| **Brought Forward** | | | | | | | | |
| **Street Scene**<br><br>(Part completed - see separate Street Scene Internal Audit Work Plan) | AUSS | 0264, 0265, 0551, 0552, 0553, 0554, 0555, 0556, 0557, 0559, 0561AUD 0402, 0409CIP | 4.5 | 21 | 4.5 | 30 | Type 3<br>Financial & Anti-Fraud<br>CRM review and update | |
| **Procurement (including print, post and stationery)**<br><br>(Features in 2009/10 plan, therefore not applicable) | AUB07 | Outstanding | | | | | Type 2 and 3<br>Core Procedural and Cipfa Guideline compliant<br>and<br>Financial & Anti-Fraud<br>CRM process | |
| **Communications and Improvement** | AUE31 | 0615, 0616, 0618, 0619, 0620, 0621, 0622, 0623, 0624, 0628 | 2 | 6 | 2 | 10 | Type 4 and 5<br>Organisation, Management and HR related<br>and<br>Corporate and / or Strategic<br>CRM review and update | |
| **Learning and Development** | AUE14 | 0607, 0626AUD | 1 | 6 | 1 | 8 | Type 4 and 5<br>Organisation, Management and HR related<br>and<br>Corporate and / or Strategic<br>CRM review and update | |
| **Environmental Health - Environmental Protection** | AUE26 | 0752, 0757, 0758, 0763AUD | 1 | 6 | 1 | 8 | Type 3 and 5<br>Financial & Anti-Fraud<br>Corporate and / or Strategic<br>CRM review and update | |
| **Environmental Health – Health & Safety Officer** | AUE35 | 0751, 0756, 0764AUD | .5 | 2 | .5 | 3 | Type 4<br>Organisation, Management and HR related<br>CRM review and update | |
| **Carried Forward** | | | 9 | 41 | 9 | 59 | | |

# INTERNAL AUDIT WORK NOT COMPLETED IN 2008/09 – TO BE ROLLED OVER INTO 2009/10

| Audit Subject | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/Up Days | Total Days | Type & Scope | Driver |
|---|---|---|---|---|---|---|---|---|
| **Brought Forward** | | | 9 | 41 | 9 | 59 | | |
| **Disposal and Purchase of Assets + Asset Register** (Features in 2009/10 plan, therefore roll-over days not required.) | AUB05 | 0159AUD | | | | 5 | Type 2 and 3 Core Procedural and Cipfa Guideline compliant and Financial & Anti-Fraud CRM review and update | Contributes to the Council's CAA Assessment which considers anti-fraud measures and contributes to the council's Corporate Governance Arrangements. |
| **Building Control** (Features in 2009/10 plan, therefore roll-over days not required.) | AUE19 | 0503, 0510AUD | | 6 | 1 | 8 | Type 3 Financial & Anti-Fraud CRM review and update | |
| **Countryside** | AUE30 | 0257, 0263, 0506, 0511AUD | 1 | 3 | 1 | 5 | Type 3 Financial & Anti-Fraud CRM review and update | |
| **Planning Administration** (Features in 2009/10 plan, therefore roll-over days not required.) | AUE20 | Within DC risk assessments | 1 | 6 | 1 | 8 | Type 3 Financial & Anti-Fraud CRM review and update | |
| **Development Control** (Features in 2009/10 plan, therefore roll-over days not required.) | AUE17 | 0504, 0505, 0507, 0512AUD | 1 | 6 | 1 | 6 | Type 3 Financial & Anti-Fraud CRM review and update | |
| **Section 106** (Features in 2009/10 plan, therefore roll-over days not required.) | AUE18 | Within risk assessments above | 1 | 3 | 1 | 5 | Type 3 Financial & Anti-Fraud CRM review and update | |
| **Cranbrook Art Grant** (Features in 2009/10 plan, therefore roll-over days not required.) | AUE12 | Outstanding | 1 | 3 | 1 | 5 | Type 3 Financial & Anti-Fraud CRM process | |
| **Contract Audit :** (Part completed - see separate Contract Audit Work Plan) | AUC | Within service areas | 3.5 | 10 | 3.5 | 17 | Type 2 and 3 Core Procedural and Cipfa Guideline compliant and Financial, Anti-Fraud compliant CRM review and update | |
| **Environment – Growth Area Delivery Plan** (Features in 2009/10 plan, therefore roll-over days not required.) | AUE08 | 0255, 0256, 0259, 0260, 0261, 0262, | 1 | 3 | 1 | 5 | Type 3 and 5 Financial & Anti-Fraud Corporate and / or Strategic CRM review and update | |
| **ADDITIONAL DAYS NEEDED TO COMPLETE** | | | 13.5 | 54 | 13.5 | 81 | | |

# INTERNAL AUDIT WORK NOT COMPLETED IN 2008/09 – TO BE ROLLED OVER INTO 2009/10 SEPARATE INTERNAL AUDIT WORK PLAN – STREET SCENE

| Audit Subject | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope |
|---|---|---|---|---|---|---|---|
| Public Conveniences | SS05 | | .5 | 2 | .5 | 3 | Type 5 Corporate and/or Strategic CRM review and update |
| Street Cleansing | SS06 | | .5 | 2 | .5 | 3 | Type 3 and 5 Financial & Anti-Fraud Corporate and/or Strategic CRM review and update |
| Bus Shelters | SS17 | | .25 | .5 | .25 | 1 | Type 3 and 5 Financial & Anti-Fraud Corporate and/or Strategic CRM review and update |
| Civil Engineering | SS22 | | .5 | 4 | .5 | 5 | Type 3 and 5 Financial & Anti-Fraud Corporate and/or Strategic CRM review and update |
| Car Parks –revenue, permits, cash floats operations and computer system | SS14 | 0558, 0558AUD | .5 | 9 | .5 | 10 | Type 3 Financial & Anti-Fraud CRM review and update |
| Beaches and Foreshore | SS11 | | .25 | .5 | .25 | 1 | Type 5 Corporate and/or Strategic CRM review and update |
| Cemetaries | SS04 | | .5 | 1 | .5 | 2 | Type 3 and 5 Financial & Anti-Fraud Corporate and/or Strategic CRM review and update |
| Maintenance to buildings/structures | SS16 | | .5 | 1 | .5 | 2 | Type 3 Financial & Anti-Fraud CRM review and update |
| Under SLA - Sewage Treatment Works | SS24 | | .25 | .5 | .25 | 1 | Type 3 Financial & Anti-Fraud CRM review and update |
| Under SLA - Supervision and Management | SS25 | | .25 | .5 | .25 | 1 | Type 3 Financial & Anti-Fraud CRM review and update |
| Under SLA - Blocked Drains | SS26 | | .25 | .5 | .25 | 1 | Type 3 Financial & Anti-Fraud CRM review and update |
| ADDITIONAL DAYS NEEDED TO COMPLETE | | | 4.25 | 21.5 | 4.25 | 30 | |

**INTERNAL AUDIT WORK NOT COMPLETED IN 2008/09 – TO BE ROLLED OVER INTO 2009/10**

**SEPARATE INTERNAL AUDIT WORK PLAN – CONTRACTS**

| Audit Subject | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope |
|---|---|---|---|---|---|---|---|
| **Planning & Countryside** | | | | | | | |
| Countryside | AUE30 | | .5 | 1 | .5 | 2 | Type 2 Core Procedural and Cipfa Guideline compliant, and |
| Planning | AUE20 | | .5 | 2 | .5 | 3 | |
| **Environmental Health** | | | | | | | |
| Environmental Protection | AUE26 | | .5 | 1 | .5 | 2 | Type 3 Financial, Anti-Fraud compliant, and |
| **Financial Services** | | | | | | | |
| Debt Recovery, Machine Maintenance, Revenue Collection | AUA09C | | 1 | 4 | 1 | 6 | Type 5 Corporate and/or Strategic, and CRM review and update |
| Learning & Development | | | .5 | 1 | .5 | 2 | |
| Policy | | | .5 | 1 | .5 | 2 | |
| **ADDITIONAL DAYS NEEDED TO COMPLETE** | | | 3.5 | 10 | 3.5 | 17 | |

## REVISED INTERNAL AUDIT PLAN – 2009/10

| Audit Subject | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope | Driver |
|---|---|---|---|---|---|---|---|---|
| **Main Accounting System** (including Capital Accounting and VAT) | AUA01 | 0802, 0808CIP, 0808EXT | 3 | 20 + 3 training days | 2 | 25 + 3 training days | Type 1 Core Financial and External Audit Compliant CRM review and update | Relates directly to the council's values and vision and contributes to the council's CAA assessment and Corporate Governance Arrangements. |
| **Council Tax** (including any cash floats) | AUA06 | 0806, 0810CIP, 0810EXT | 3 | 10 + 2 training days | 2 | 15 + 2 training days | Type 1 Core Financial and External Audit Compliant Fraud & Corruption Module No 6 CRM review and update | |
| **NNDR** (including any cash floats) | AUA07 | 0805, 0816CIP, 0816EXT | 2 | 7 + 2 training days | 1 | 10 + 2 training days | Type 1 Core Financial and External Audit Compliant CRM review and update | |
| **Housing Rents** (including any cash floats) Update Corporate Risk Register | AUA05 | 0451, 0467CIP, 0467EXT | 3 | 10 + 2 training days | 2 | 15 + 2 training days | Type 1 Core Financial and External Audit Compliant Fraud & Corruption Module No 6 CRM review and update | |
| **Payroll** (including Travel Claims and Car Leasing) | AUA03 | 0610, 0611, 0612, 0613, 0614, 0627CIP, 0627EXT | 3 | 15 + 2 training days | 2 | 20 + 2 training days | Type 1 Core Financial and External Audit Compliant Fraud & Corruption Module No 12 Fraud & Corruption Module No 13 CRM review and update | |
| **Creditors** (Corporate Purchase Cards and Cash Floats). | AUA02 | 0813, 0813CIP, 0813EXT | 2 | 8 + 2 training days | 2 | 12 + 2 training days | Type 1 Core Financial and External Audit Compliant Fraud & Corruption Module No 7 CRM review and update | |
| **Debtors** | AUA09 | 0815, 0815CIP, 0815EXT | 2 | 7 + 2 training days | 1 | 10 + 2 training days | Type 1 Core Financial and External Audit Compliant Fraud & Corruption Module No 4 CRM review and update | |
| **Carried Forward** | | | 18 | 92 | 12 | 122 | | |

CRM Review consists of monitoring the newly populated corporate risk register to ensure that it has been updated on a timely basis, and reviewing the integrity of the risks and controls being entered into the system and ensuring that they have been sensibly and appropriately evaluated.

# REVISED INTERNAL AUDIT PLAN – 2009/10

| Audit Subject | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope | Driver |
|---|---|---|---|---|---|---|---|---|
| Brought Forward | | | 18 | 92 | 12 | 122 | | Contributes to the Council's CAA Assessment which considers anti-fraud measures and contributes to the council's Corporate Governance Arrangements. Core System retesting satisfies the requirements of the external auditors. |
| Income & Cashlers (including cash floats) | AUA10 | 0803, 0812CIP, 0812EXT | 2 | 7 + 2 training days | 1 | 10 + 2 training days | Type 1 Core Financial and External Audit Compliant Fraud & Corruption Module No 4 CRM review and update | |
| Treasury Management (Loans/Investments) | AUA08 | 0801, 0809CIP, 0809EXT | 2 | 12 + 2 training days | 1 | 15 + 2 training days | Type 1 Core Financial and External Audit Compliant CRM review and update | |
| Housing / Council Tax Benefits + (including cash floats) | AUA04 | 0804, 0807, 0811CIP, 0811EXT | 2 | 18 | 2 | Bens 22 Grant 10 | Type 1 Core Financial and External Audit Compliant Fraud & Corruption Module No 1 CRM review and update | |
| HB Grant Claim | | | | 10 | | | | |
| Housing Benefit Fraud | | | 1 | 3 + 5 training days | 1 | 5 + 5 training days | | |
| COMPUTER AUDIT (See separate Computer Audit Work Plan) | AUD | 0701, 0702, 0703, 0704, 0705, 0706, 0707, 0708, 0709, 0710, 0711CIP, 0711EXT 0712CIP, 0712EXT, 0713CIP, 0713EXT 0714AUD, 0715CIP, 0716CIP, 0716EXT, 0717CIP, 0718AUD | 5 | 40 + 5 training days | 5 | 50 + 5 training days | Type 2 – Type 5 Cipfa Standards Financial, Anti-Fraud compliant Organisation, Management and HR related Corporate and / or Strategic CRM review and update | |
| 'Core system' retesting for External Auditors (consultancy ad-hoc) | | 0808EXT, 0810EXT 0816EXT, 0467EXT 0627EXT, 0813EXT 0815EXT, 0812EXT 0809EXT, 0811EXT | - | 10 | - | 10 | Type 1 External Audit Compliant | |
| Carried Forward | | | 30 | 206 | 22 | 258 | | |

CRM Review consists of monitoring the newly populated corporate risk register to ensure that it has been updated on a timely basis, and reviewing the integrity of the risks and controls being entered into the system and ensuring that they have been sensibly and appropriately evaluated.

**REVISED INTERNAL AUDIT PLAN – 2009/10**

| Audit Subject | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope | Driver |
|---|---|---|---|---|---|---|---|---|
| **Brought Forward** | | | **30** | **206** | **22** | **258** | | |
| Procurement (including print, post and stationery) | AUB07 | Outstanding | 2 | 5 + 1 training day | 1 | 8 + 1 training day | Type 2 and 3 Core Procedural and Cipfa Guideline compliant and Financial & Anti-Fraud CRM process | |
| Disposal and Purchase of Assets + Asset Register | AUB04 | 0159AUD | 2 | 2 + 1 training day | 1 | 5 + 1 training day | Type 2 and 3 Core Procedural and Cipfa Guideline compliant and Financial & Anti-Fraud CRM review and update | |
| Home Safeguard  (Note 1) | AUE03 | 0459, 0460, 0464CIP | 2 | 7 + 1 training day | 1 | 10 + 1 training day | Type 2 and 3 Core Procedural and Cipfa Guideline compliant and Financial, Anti-Fraud compliant CRM review and update | |
| Housing Needs  (Note 1) | AUE05 | 0452, 0453, 0454, 0455, 0462, 0463CIP | 2 | 7 + 1 training day | 1 | 10 + 1 training day | Type 2 Core Procedural and Cipfa Guideline compliant CRM review and update | |
| Contract Audit :  (See separate Contract Audit Work Plan) | AUC | Within service areas | 9 | 39 + 5 training days | 6 | 54 + 5 training days | Type 2 and 3 Core Procedural and Cipfa Guideline compliant and Financial, Anti-Fraud compliant CRM review and update | |
| | | | | | | | | |
| **SUB - TOTAL - Carried Forward** | | | **47** | **275** | **32** | **354** | | |

CRM Review consists of monitoring the newly populated corporate risk register to ensure that it has been updated on a timely basis, and reviewing the integrity of the risks and controls being entered into the system and ensuring that they have been sensibly and appropriately evaluated.

## REVISED INTERNAL AUDIT PLAN – 2009/10

| Audit Subject | Audit Ref No | Risk Register Ref | CRM Days | Audit Days | F/Up Days | Total Days | Type & Scope | Driver |
|---|---|---|---|---|---|---|---|---|
| Brought Forward | | | 47 | 275 | 32 | 354 | | |
| Car Parks b/f from the Street Scene Audit Plan – High Risk | | | 1 | 8 + 5 training day | 1 | 10 + 2 training day | Type 2 and 3 Core Procedural, Financial & Anti-Fraud CRM review and update | |
| OTHER AUDIT DUTIES | | | | | | | | |
| Governance Statement Controls | - | - | - | 15 | - | 15 | Type 5 – Corporate and / or Strategic | |
| Constructionline Admin | - | - | - | 15 | - | 15 | Type 3 – Financial, Anti-Fraud compliant | |
| Corporate Risk Register (Update and Review) | - | - | - | 10 | - | 10 | Type 5 – Corporate and / or Strategic | |
| Section 106 monies | AUE18 | - | 2 | 2 | 1 | 5 | | |
| National Indicators | - | - | - | 40 | - | 40 | Type 5 – Corporate and / or Strategic | |
| Consultancy | - | - | - | 20 | - | 20 | | |
| Audit Contingency | - | - | - | 16 | - | 16 | | |
| AUDIT DAYS REQUIRED TO COMPLETE AUDIT PLAN | | | 50 | 403 | 34 | 487 | | |

| CURRENT RESOURCES | TOTAL DAYS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 1 PART TIME PRINCIPAL AUDITOR[1] | 20 | | | | | | | |
| 1 TRAINEE AUDITOR | 195 | | | | | | | |
| | | | | | | | | |
| TOTAL DAYS AVAILABLE | | | | | | 215 | | |
| SHORTFALL (DAYS) | | | | | | 272 | | |

CRM Review consists of monitoring the newly populated corporate risk register to ensure that it has been updated on a timely basis, and reviewing the integrity of the risks and controls being entered into the system and ensuring that they have been sensibly and appropriately evaluated.

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[1] Maternity leave from 1st June 2009

REVISED COMPUTER AUDIT - INTERNAL AUDIT PLAN – 2009/10

| Audit Area | Audit Subject | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope |
|---|---|---|---|---|---|---|
| Computer Management | Staff Hardware and Software | .5 | 2 | .5 | 3 | Type 2<br>Core Procedural and Cipfa Guideline compliant, and<br><br>Type 3<br>Financial, Anti-Fraud compliant, and<br><br>Type 5<br>Corporate and/or Strategic, and CRM review and update |
| | Accuracy and Integrity of Costs | .5 | 2 | .5 | 3 | |
| | Compliance with council policies | - | - | - | - | |
| | Relevance, reliability and integrity of information | .5 | 2 | .5 | 3 | |
| | Compliance with statutory requirements | .5 | 1 | .5 | 2 | |
| | Safeguarding of council's assets | .5 | 1 | .5 | 2 | |
| Total | | | | | 13 | |
| Project Management | Monitoring of projects | .5 | 6 | .5 | 7 | |
| | Provision of advice on internal controls | - | 3 | - | 3 | |
| | Review of project methodology | .5 | 1 | .5 | 2 | |
| | Review of Development Test Cycle | .5 | 1 | .5 | 2 | |
| Total | | | | | 14 | |
| Information Security | Virus Controls and Firewalls | .25 | 2.5 | .25 | 3 | |
| | Access Controls – (ICT software) | .25 | 2.5 | .25 | 3 | |
| | Security Alerts | - | - | - | - | |
| | Backing up | .25 | .5 | .25 | 1 | |
| | Flood, Fire, UPS and physical / logical safeguards | - | - | - | - | |
| Total | | | | | 7 | |
| Help Desk | Support and Customer Service | .25 | 2.5 | .25 | 3 | |
| | Help Desk Procedures | | 2 | | 2 | |
| | Touchpaper Computer System | | 1 | | 1 | |
| Total | | | | | 6 | |
| Carried Forward | | 5 | 30 | 5 | 40* | |

CRM Review consists of monitoring the newly populated corporate risk register to ensure that it has been updated on a timely basis, and reviewing the integrity of the risks and controls being entered into the system and ensuring that they have been sensibly and appropriately evaluated.

*reflects the agreed contract auditor days as per the report dated 26th March 2009

Legend
Type 1 – Core financial and External Audit compliant
Type 2 – Core Procedural and Cipfa Guideline compliant
Type 3 – Financial, Anti-Fraud compliant
Type 4 – Organisation, Management and HR related
Type 5 – Corporate and / or Strategic

1

# REVISED CONTRACT AUDIT - INTERNAL AUDIT PLAN – 2009/10

| Audit Area | Audit Subject | CRM Days | Audit Days | F/ Up Days | Total Days | Type & Scope |
|---|---|---|---|---|---|---|
| Financial Services | Debt Recovery, Machine Maintenance, Revenue Collection | 1 | 4 | 1 | 6 | Type 2 Core Procedural and Cipfa Guideline compliant, and |
| | Bank Contract | .5 | 1 | .5 | 2 | |
| | Procurement | 1 | 8 | 1 | 10 | Type 3 Financial, Anti-Fraud compliant, and |
| Housing | Home Safeguard | .5 | 1 | .5 | 2 | |
| | Housing Management | 5 | 16 | 2 | 23 | Type 5 Corporate / Strategic |
| | Housing Client Services | .25 | .5 | .25 | 1 | |
| Street Scene | Technical Services | 1 | 8 | 1 | 10 | |
| | | | | | | |
| Carried Forward | | 9.25 | 38.5 | 6.25 | 54 | |

CRM Review consists of monitoring the newly populated corporate risk register to ensure that it has been updated on a timely basis, and reviewing the integrity of the risks and controls being entered into the system and ensuring that they have been sensibly and appropriately evaluated.

Legend
Type 1 – Core financial and External Audit compliant
Type 2 – Core Procedural and Cipfa Guideline compliant
Type 3 – Financial, Anti-Fraud compliant
Type 4 – Organisation, Management and HR related
Type 5 – Corporate and / or Strategic

# Agenda Item 10

**East Devon** District Council

**Internal Audit activity report for the period 1ˢᵗ January 2009 to 31ˢᵗ March 2009, including:**

- **Audit Plan Monitoring to 31ˢᵗ March 2009**
- **Audit Assurance Opinions**

The attached Activity Report gives brief details on the staffing situation within the council's Audit and Governance section and gives an overview of the use of temporary contractors.

The report also highlights Internal Audit activity for the fourth quarter and indicates where audits are progressing well and identifies those that have slipped against the internal audit plan. Members will note the progress made and also be informed of the audits that remain outstanding and those that have been rolled over into future years.

## Recommendations

**Members are asked to note and keep under review the:**

- **Audit Plan Monitoring Document**

a) **Reasons for Recommendation**
To ensure that progress is made on the plans of Internal Audit in line with Member expectations.

b) **Alternative Options**
None

c) **Risk Considerations**
- The responsibilities of the Section 151 Officer will not be fulfilled
- Weaknesses in internal controls, potential fraud and irregularities may go undetected
- Criticism from External Audit and other external review agencies

d) **Policy and Budgetary Considerations**
None

e) **Date for Review of Decision**
N/a

**Main Body of the Report**

**Audit Staffing**

The council's Audit and Governance Committee will have received the affiliated report detailing 'Internal Audit Work Plans 'v' budget and resources available'. That report sets out the current situation within the internal audit and governance section with regard staffing.

**Audit Activity**

- **Appendix 1 – Audit Plan Monitoring Document (using Appendix 2 to evaluate)**

This schedule provides a summary of activity for the period and assists Members in following the progress of audits, investigations and/or add-hoc work completed.

**Interpretation:**

**First Quarter – April to June 2008**
The first quarter consists of a variety of shorter and middle length audits of a non-financial nature which served as a good training platform for the two trainees. The exception to this was the BVPI work which covers a specialist area and this work was completed by an audit contractor.

All work has been completed for this quarter.

No resources were available to complete the monitoring of logs, projects and project management or the corporate governance assurance checks. Members are aware that the corporate risk register is to be replaced, therefore no work has been done to update this.

**Second Quarter – July to September 2008**
The second quarter consists of a mix of more complex audits, such as the Main Accountancy System and ICT Services. The Main Accountancy Audit had been deferred by the acting Financial Services Manager until February, but this remains incomplete in this quarter.

A specialist contractor was brought in to complete the ICT Services audit, leaving one contractor and trainee staff to work on the remaining audits.

One audit (procurement) will be rolled over into the 2009/10 year and one (countryside) will not be completed.

**Third Quarter – October to December 2008**
This quarter's plan consists of a range of more complex financial audits, such as creditors, debtors and income and cashiers – all these audits have been commenced and some have been finished (Debtors and Housing Strategy).

Other than the audit of car parks no other audit scheduled for the third quarter will be completed either this year or next year.

**Fourth Quarter – January to March 2009**
With the exception of Learning and Development and the Street Scene Audit Plan, this quarter's plan contains the remaining complex financial audits, such as payroll, treasury management, housing benefits, housing rents, council tax and non-domestic rates. These are core systems and must be completed by the council to the satisfaction of the external auditors, failure to do this will mean the council will be criticised by the external auditors who will conduct the audits themselves and charge the council accordingly.

All these essential audits have been commenced and two are at 'draft report' stage (payroll and treasury management).

**Unplanned and Ad-hoc Audit Work**
There has been no unplanned or ad-hoc audit work other than the usual advice to staff and managers on council policy, financial regulations and contract standing orders (usually provided by the Manager).

**Follow Up Audits**

Follow up audits are important because although a 'final audit report' may have been issued by internal audit, unless a 'follow up' is completed, Members cannot assume that all the recommendations for mitigation of risks have been implemented.

Eight follow up audits have been completed (no issues outstanding), and two are overdue and will be picked up by the audit contractor who will be commencing with the council in April.

- **Appendix 2 – Audit Assurance Opinions**

A document to be referred to when reviewing the Audit Plan Monitoring document and which defines the levels of assurance given by the auditor when undertaking each audit assignment.

**Conclusion**

The role of Internal Audit continues to change and expand according to demand; changing legislation and the requirements of our external review agencies. This report covers the period 1st January 2009 to 31st March 2009. A report covering the period 1st April 2009 to 30th June 2009 will be presented at the next meeting of the Audit and Governance Committee scheduled for 18th June 2009.

**Legal Implications**

No legal observations

**Financial Implications**

No financial observations

**Consultation on Reports to the Executive**

None

**Background Papers**

□ Specified appendices

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Tanith Cox - 2687
Internal Audit and Governance

Audit & Governance Committee
26 March 2009

APPENDIX 1

# INTERNAL AUDIT PLAN MONITORING TO 31st MARCH 2009

## PROGRESS AND MONITORING OF 2008/09 INTERNAL AUDIT PLAN

Detailed below is a summary of the work completed so far in 2008/09, showing the 'Areas for Improvement' found during the audit, the number of suggested Actions and the audit Assurance Level allocated by the auditor.

| | Name of Audit | Stage of Audit | Start Date | Date of Draft Report | Date of Final Report | Days - (Planned 'v' actual) | Report Reference | Areas for Improvement | | | Assurance Level | Actions | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | | | | | | | | High | Medium | Low | | Total | Total Agreed |
| Quarter 1 | Crime and Disorder | Final Report | Aug 2008 | Aug 2008 | September 2008 | 2 / 5 | AUE10 | - | 6 | - | AA | 6 | 6 |
| | Street Scene – Grounds Maintenance | Extra work by Corp Director | May 2008 | Nov 2008 | Nov 2008 | 16 / 20 | SS02 | - | 3 | - | LA | 7 | 7 |
| | Street Scene – Refuse and Recycling | Final Report | Nov 2008 | Jan 2009 | Jan 2009 | 10 / 15 | SS08 | 0 | 7 | 0 | AA | 7 | 7 |
| | Street Scene – Property Services | Final Report | April 2008 | May 2008 | May 2008 | 15 / 15 | SS27 | 1 | 8 | - | AA | 9 | 9 |
| | Bus Concessions | Final Report | Oct 2008 | Dec 2008 | Jan 2009 | 8 / 13 | AUB06 | 1 | 5 | - | AA | 6 | 6 |
| | Insurance | Final Report | May 2008 | June 2008 | July 2008 | 8 / 15 | AUE07 | 2 | 6 | 1 | AA | 9 | 9 |
| | BVPI | Final Report | April 2008 | June 2008 | June 2008 | 40 / 40 | AUB02 | - | 21 | - | AA | 21 | 21 |
| | Financial Assistance Grants | Draft Report | July 2008 | Nov 2008 | Nov 2008 | 5 / 5 | AUE29 | - | - | - | SA | - | - |
| | Markets | Final Report | June 2008 | July 2008 | Sept 2008 | 5 / 15 | AUE11 | 3 | 14 | - | NA | 17 | 17 |
| | | | | | | 109 | | | | | | | |

## PROGRESS AND MONITORING OF 2008/09 INTERNAL AUDIT PLAN

| | Name of Audit | Stage of Audit | Start Date | Date of Draft Report | Date of Final Report | Days - (Planned 'v' actual) | Report Reference | Areas for Improvement High | Medium | Low | Assurance Level | Actions Total | Total Agreed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Quarter 1 | Disposal and Purchase of Assets and Asset Register | Testing | Oct 2008 | | | 109 5 / | AUB05 | | | | | | |
| | | | | | | Delayed due to lack of trained resources and rolled into 2009/10 | | | | | | | |
| | Art Development | Final Report | July 2008 | Sept 2008 | Oct 2008 | 5 / 15 | AUE23 | 0 | 15 | 0 | LA | 21 | 21 |
| | Leisure Centre Management & Contract | Final Report | Dec 2008 | Jan 2009 | Feb 2009 | 10 / 15 | AUE36 | 0 | 6 | 0 | AA | 6 | 6 |
| | Housing Needs | Final Report | Aug 2008 | Nov 2008 | Dec 2008 | 12 / 35 | AUE05 | 0 | 16 | 0 | LA | 16 | 16 |
| | Consultancy | | | | | 2 / 2 | | | | | | | |
| | **Ongoing through Quarter** | | | | | | | | | | | | |
| | Monitoring of logs, projects and project management | | | | | Narrative report s submitted to A & G – Nov 08/Jan 09 | | | | | | | |
| | Constructionline | | | | | 4 /10 | Estimated over-run as auditors received training from C'line trainer | | | | | | |
| | Corporate Risk Register | | | | | 2 / | Not completed – new Corporate Risk Register to be procured | | | | | | |
| | | | | | | 161 | | | | | | | |

## PROGRESS AND MONITORING OF 2008/09 INTERNAL AUDIT PLAN

| | Name of Audit | Stage of Audit | Start Date | Date of Draft Report | Date of Final Report | Days - (Planned 'v' actual) | Report Reference | Areas for Improvement | | | Assurance Level | Actions | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | High | Medium | Low | | Total | Total Agreed |
| Quarter 1 | Corporate Governance Assurance Checks | | | | | 161 / 10 | Not completed due to lack of trained resources | | | | | | |
| | Contingency | | | | | 1 / 172 | | | | | | | |

## PROGRESS AND MONITORING OF 2008/09 INTERNAL AUDIT PLAN

| Name of Audit | Stage of Audit | | Start Date | Date of Draft Report | Date of Final Report | Days - (Planned 'v' actual) | Report Reference | Areas for Improvement High | Medium | Low | Assurance Level | Actions Total | Total Agreed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Main Accounting System | Evaluation | | March 2009 | | | 25 / | AUA01 | | | | | | |
| Customer Service Centre (start date must be Sept/Oct 2008) | | | | | | | HoS requested delay – due to commence Feb 2009 | | | | | | |
| | Draft Report | | Aug 2008 | Sept 2008 | Oct 2008 | 20 / 22 | AUB01 | - | 9 | - | LA | 9 | 9 |
| Home Safeguard | Final Report | | June 2008 | August 2008 | August 2008 | 12 / 16 | AUE03 | - | 10 | - | AA | 10 | 10 |
| Procurement | Testing | | Aug 2008 | | | 18 / | AUB07 | | | | | | |
| | | | | | | Council entering into partnership with TDC, audit not possible at this time | | | | | | | |
| Legal Services | Draft Report | | Sept 2008 | Dec 2008 | Dec 2008 | 10 / 10 | AUE32 | - | 4 | - | LA | 4 | 4 |
| Democratic Services | Draft Report | | Sept 2008 | Dec 2008 | Dec 2008 | 8 / 8 | AUE34 | - | 4 | 1 | LA | 5 | 5 |
| Computer Audit | Draft Report | | Sept 2008 | Nov 2008 | Dec 2008 | 36 / 50 | AUD01 | 6 | 33 | - | LA | 39 | 38 |
| Countryside | | | | | | 7 / | | | | | | | |
| | | | | | | Audit rolled over into 2009/2010 | | | | | | | |
| Street Scene – Emergency Planning/Business Continuity | Final Report | | June 2008 | August 2008 | August 2008 | 3 / 5 | SS13 | - | 7 | - | AA | 7 | 7 |
| Consultancy | | | | | | 3 / 3 | | | | | | | |
| | | | | | | 142 | | | | | | | |

Quarter 2

4

## PROGRESS AND MONITORING OF 2008/09 INTERNAL AUDIT PLAN

| | Name of Audit | Stage of Audit | Start Date | Date of Draft Report | Date of Final Report | Days - (Planned 'v' actual) | Report Reference | Areas for Improvement High | Areas for Improvement Medium | Areas for Improvement Low | Assurance Level | Actions Total | Actions Total Agreed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Quarter 2** | **Ongoing through Quarter** | | | | | 142 | | | | | | | |
| | Monitoring of logs, projects and project management | | Nov 2008 | Nov 2008 | Nov 2008 | 11 / 10 | | | | | | | |
| | Constructionline | | | | | 4 / 10 | Narrative report submitted to A & G – Nov 08 & Jan 09 / Estimated over-run as auditors still learning system | | | | | | |
| | Corporate Risk Register | | | | | 2 / | Not completed – new Corporate Risk Register to be procured | | | | | | |
| | Contingency | | | | | 1 / 1 | | | | | | | |
| | | | | | | 160 | | | | | | | |

## PROGRESS AND MONITORING OF 2008/09 INTERNAL AUDIT PLAN

| | Name of Audit | Stage of Audit | Start Date | Date of Draft Report | Date of Final Report | Days - (Planned 'v' actual) | Report Reference | Areas for Improvement | | | Assurance Level | Actions | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | High | Medium | Low | | Total | Total Agreed |
| Quarter 3 | Creditors (start date must be Nov/Dec 2008) | Draft Report | Nov 2008 | | | 17 / | AUA02 | | | | | | |
| | Debtors | Final Report | Nov 2008 | Jan 2009 | Feb 2009 | 13 / 18 | AUA09 | 0 | 6 | 0 | LA | 6 | 5 |
| | Income & Cashiers | Testing | Jan 2009 | | | 13 / | AUA10 | | | | | | |
| | Policy | | | | | 12 / | AUE31 | Audit rolled over into 2009/2010 | | | | | |
| | Environmental Health – Environmental Protection | | | | | 10 / | AUE26 | Audit rolled over into 2009/2010 | | | | | |
| | Environmental Health – Health & Safety Officer | | | | | 3 / | AUE35 | Audit rolled over into 2009/2010 | | | | | |
| | Housing Management (Housing Strategy Unit) | Final Report | Nov 2008 | Feb 2009 | Feb 2009 | 20 / 25 | AUE25 | 0 | 10 | 0 | LA | 10 | 10 |
| | Building Control & Planning Administration | | | | | 19 / | AUE19 AUE20 | Audit rolled over into 2009/2010 | | | | | |
| | | | | | | 107 | | | | | | | |

## PROGRESS AND MONITORING OF 2008/09 INTERNAL AUDIT PLAN

| | Name of Audit | Stage of Audit | Start Date | Date of Draft Report | Date of Final Report | Days - (Planned 'v' actual) | Report Reference | Areas for Improvement High | Areas for Improvement Medium | Areas for Improvement Low | Assurance Level | Actions Total | Actions Total Agreed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Quarter 3 | Development Control & Section 106 | | | | | 107 | | | | | | | |
| | | | | | | 13 / | E17/18 | | Audit rolled over into 2009/2010 | | | | |
| | Cranbrook Art Grant | | | | | 5 / | AUE12 | | Audit rolled over into 2009/2010 | | | | |
| | Growth Area Delivery Plan | | | | | 5 / | AUE08 | | Audit rolled over into 2009/2010 | | | | |
| | Car Parks & Civil Engineering | | | | | 20 / | SS14 | | Audit rolled over into 2009/2010 | | | | |
| | Consultancy | | | | | 2 / 2 | | | | | | | |
| | **Ongoing through Quarter** | | | | | | | | | | | | |
| | Monitoring of logs, projects and project management | | | | | 11 / 11 | Narrative report submitted to A & G – Nov 08 & Jan 09 | | | | | | |
| | Constructionline | | | | | 4 / 4 | | | | | | | |
| | Corporate Risk Register | | | | | 2 | Will not be completed – new Corporate Risk Register to be procured | | | | | | |
| | Contingency | | | | | 1 | | | | | | | |
| | | | | | | 170 | | | | | | | |

## PROGRESS AND MONITORING OF 2008/09 INTERNAL AUDIT PLAN

| | Name of Audit | Stage of Audit | Start Date | Date of Draft Report | Date of Final Report | Days - (Planned 'v' actual) | Report Reference | Areas for Improvement High | Medium | Low | Assurance Level | Actions Total | Total Agreed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Quarter 4 | Payroll | Draft Report | Jan 2009 | | | 20 / | AUA03 | | | | | | |
| | Treasury Management & Bank Fees | Draft Report | Jan 2009 | | | 16 / | AUA08 | | | | | | |
| | Housing & Council Tax Benefits | Testing | Feb 2009 | | | 32 / | AUA04 | | | | | | |
| | Housing Rents | Testing | Feb 2009 | | | 15 / | AUA05 | | | | | | |
| | Council Tax | Testing | Feb 2009 | | | 15 / | AUA06 | | | | | | |
| | NNDR | Testing | March 2009 | | | 10 / | AUA07 | | | | | | |
| | Learning & Development | | | | | 10 / | AUE14 | | | | | | |
| | Core System retesting for External Audit | | | | | 10 / | AUE19 AUE20 | | | | | | |
| | Street Scene -- See separate plan | | | | | 20 / | E17/18 | | | | | | |
| | Consultancy | | | | | 3 / | | | | | | | |
| | | | | | | 151 | | | | | | | |

## PROGRESS AND MONITORING OF 2008/09 INTERNAL AUDIT PLAN

| | Name of Audit | Stage of Audit | Start Date | Date of Draft Report | Date of Final Report | Days - (Planned 'v' actual) | Report Reference | Areas for Improvement High | Areas for Improvement Medium | Areas for Improvement Low | Assurance Level | Actions Total | Actions Total Agreed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Quarter 4 | **Ongoing through Quarter** | | | | | 151 | | | | | | | |
| | Monitoring of logs, projects and project management | | | | | | Narrative report submitted to A & G – Nov 08 & Jan 09 | | | | | | |
| | Constructionline | | | | | 4 | | | | | | | |
| | Corporate Risk Register | | | Will not be completed – new Corporate Risk Register to be procured | 2 | | | | | | | | |
| | Contingency | | | | | 1 | | | | | | | |
| | | | | | | 169 | | | | | | | |

Please refer to ASSURANCE LEVEL OPINIONS to interpret the 'Level of Assurance'.

Legend

- Completed task
- Mild concerns or minor set backs
- Serious problems or significant delays
- Work in progress or task not yet due
- Audits to be carried forward to 2009/10

## AUDIT INVESTIGATIONS FOR THE PERIOD

Detailed below is a summary of the audit investigations undertaken in 200809 showing the 'Areas for Improvement' found during the review, the number of suggested Actions and the audit Assurance Level allocated by the auditor.

| Identity of Investigation | Stage of Work Completed | Start Date | Date of Draft Report | Date of Final Report | Report Reference | Areas for Improvement | | | Assurance Level | Actions | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | High | Medium | Low | | Total | Total Agreed |
| | | | | | | | | | | | |
| | | | | | | | | | | | |

## UNPLANNED AND AD-HOC AUDIT WORK – 2008/09

Detailed below is a summary of the unplanned and ad-hoc audit work undertaken in 2008/09, showing the number of suggested 'actions' (if appropriate) and the audit Assurance Level (if appropriate) allocated by the auditor.

| Details of Unplanned and/or ad-hoc work | Start Date | End Date | Assurance level given | Actions Remaining | | Comment from Head of Service |
|---|---|---|---|---|---|---|
| | | | | Total | Total Agreed | |
| There has been no unplanned and/or ad-hoc work other than the investigations detailed above | | | | | | |
| 2009 | | | | | | |

# 'FOLLOW-UP AUDIT' COMPLETED IN PERIOD

Detailed below are the follow-up audits undertaken in 2008/09 detailing any actions remaining (with the comments of the Head of Service if appropriate)

| Name of Follow up and Report Reference | Start or Scheduled Date | Stage of Follow Up | Actions Outstanding | Comment from Head of Service |
|---|---|---|---|---|
| Crime and Disorder | Jan 2009 | Completed | 0 | N/A |
| Street Scene – Grounds Maintenance | Apr 2009 | | | |
| Street Scene – Refuse and Recycling | Apr 2009 | | | |
| Street Scene – Property Services | Aug 2008 | Completed | 4 | One relating to LED contract and another 2 are ongoing and one relating to ICT |
| Bus Concessions | March 2009 | | | |
| Insurance | Oct 2008 | Completed | 2 | One is due to be completed in December 2008 and the other needs to be followed up |
| BVPI and National Indicators | Oct 2008 | Completed | 0 | Reports to A & G Committee in November 2008 and January 2009. |
| Financial Assistance Grants | Jan 2009 | Completed | 0 | |
| Markets | Nov 2008 | Completed | | N/A |
| Disposal and Purchase of Assets and Asset Register | N/A | | | |
| Art Development | Jan 2009 | Completed | - | N/A |
| Leisure Centre Management | June 2009 | | | |
| Housing Needs | March 2009 | | | |

| Name of Follow up and Report Reference | Start or Scheduled Date | Stage of Follow Up | Actions Outstanding | Comment from Head of Service |
|---|---|---|---|---|
| Main Accountancy System | | | | |
| Customer Service Centre | Dec 2008 | Completed | 0 | N/A |
| Home Safeguard | Nov 2008 | | | Delayed – will be picked up by audit contractor, D Haddon in April/May 2009 |
| Procurement | N/A | | | |
| Legal Services | April 2009 | | | |
| Democratic Services | April 2009 | | | |
| Computer Audit | Sept 2009 | | | |
| Countryside | N/A | | | |
| Emergency Planning and Business Continuity | Nov 2008 | | | Delayed – will be picked up by audit contractor, D Haddon in April/May 2009 |
| Creditors | | | | |
| Debtors | April 2009 | | | |
| Income and Cashiers | | | | |
| Policy | N/A | | | |
| Environmental Health – EH Protection | N/A | | | |
| Environmental Health – H & S Officer | N/A | | | |

| Name of Follow up and Report Reference | Start or Scheduled Date | Stage of Follow Up | Actions Outstanding | Comment from Head of Service |
|---|---|---|---|---|
| Housing Management | May 2009 | | | |
| Building Control | N/A | | | |
| Planning Administration | N/A | | | |
| Development Control | N/A | | | |
| Section 106 | N/A | | | |
| Cranbrook Arts Grant | N/A | | | |
| Environment – Growth Are Delivery Plan | N/A | | | |
| Street Scene – Car Parks, Civil Engineering | N/A | | | |
| Payroll | | | | |
| Treasury Management, Bank Fees & Contract | | | | |
| Housing & Council Tax Benefits + HB Grant Claim | | | | |
| Housing Rents | | | | |
| Council Tax | | | | |
| NNDR | | | | |
| Learning & Development | N/A | | | |
| Street Scene Audits from Street Scene Plan | N/A | | | |

## AUDIT 'ASSURANCE' OPINIONS

The definitions for the levels of assurance that can be given are:

| | Level | System Adequacy | Control Application | Sensitivity | Previous Recommendations | Corporate Risk Register |
|---|---|---|---|---|---|---|
| **Positive opinion** | SA – Substantial Assurance | Robust system that incorporates best practice and a satisfactory level of customer service and/or service delivery. | 100% of controls tested found to be operating satisfactory. | Minimal external profile to the system. | 100% of previously agreed recommendations implemented. | Corporate risk register updated and all controls and or actions found to be implemented. |
| | AA – Adequate Assurance | System adequate but could be improved And/or Levels of customer service and/or service delivery could be raised. | 90% - 100% of controls tested found to be operating satisfactorily. | Potential for some embarrassment. | 90% – 100% of previously agreed recommendations implemented. | Corporate risk register updated and 90% to 100% of controls and actions found to be implemented. |
| **Neutral opinion** | LA – Limited Assurance | System is operating but work-arounds or extra processes are in place to support it. And/or System needs reviewing and/or upgrading. | 80% - 90% of controls tested found to be operating satisfactorily. | Potential for some embarrassment and/or legal problems / challenges. | 80% – 90% of previously agreed recommendations implemented. | Corporate risk register update has lapsed by more than 18 months And/or 80% to 90% of controls and actions found to be implemented. |
| **Negative opinion** | NA – No Assurance | System is not adequate, many work-arounds are needed to provide an adequate service. And/or System needs replacing. | Below 80% of controls tested found to be operating satisfactorily And/or Significant breakdown in the application of controls. | Major public relations or legal problems / challenges. | Less than 80% of previously agreed recommendations implemented. | Corporate risk register update has lapsed by more than 24 months And/or Below 80% of controls and actions found to be implemented. |

# Agenda Item 11

| |
|---|
| **Audit and Governance Committee** |
| **26th March 2009** |
| **TC** |

**East Devon District Council**

**Corporate Governance activity report for the period 1st January 2009 to 31st March 2009, including**

- **Corporate Governance Assurance Statement - Action Plan**
- **Progress on Corporate Governance Work Plan - 2008/09**
- **Review of Corporate Governance Codes, Policies and Guides introduced during the year**

## Summary

The report and appendices outline the work undertaken to ensure the council's corporate governance arrangements are effective and in compliance with its local Code of Corporate Governance.

## Recommendations

**Members are asked to note progress:**

- The progress made so far on the Corporate Governance Work Plan for 2008/09

**Members are asked to note and keep under review the:**

- Annual Governance Statement - Action Plan

a) **Reasons for Recommendation**

In order that the status and role of Corporate Governance can be confirmed at Member level and to ensure that progress is being made on the Governance plans in line with Member expectations.

b) **Alternative Options**

None

c) **Risk Considerations**

- Failure to comply with our own Local Code of Corporate Governance
- Failure to comply with the Corporate Governance 'Key Lines of Enquiry'
- Failure to maintain our Use of Resources score
- Failure to maintain our current CAA rating
- Failure to progress the actions within the Annual Governance Statement
- Criticism from External Audit and other external review agencies

d) **Policy and Budgetary Considerations**

There are no budgetary considerations

e) **Date for Review of Decision**

N/a

**Main Body of the Report**

**Introduction**

This report shows the activity for the period January to March 2009.

**Audit Staffing**

The Internal Audit Activity Report gives a full explanation of the staffing situation within the Audit & Governance team and it should be noted that a lack of resources in internal audit has had an impact on the corporate governance function.

**Corporate Governance Work**

This report makes reference to the following documents (which are attached as appendices):

> Appendix 1 - Annual Governance Statement - Action Plan (coded for ease of interpretation)
> Appendix 2 – progress on Corporate Governance Work Plan 2008/09 (coded)

**Annual Governance Statement (AGS) Action Plan**

The Internal Audit & Governance Manager is pleased to report that 5 of the 8 actions within the AGS Action Plan have been completed. Of those that have not been completed, item number 6 has received a comment from the Head of Service giving assurance that the missing money has been accounted for. Item number 7 is outstanding and item number 8 features within the revised internal audit plan and will be reviewed during the year.

**Use of Resources - Key Lines of Enquiry**

The Internal Audit and Governance Manager has commenced work on the Key Lines of Enquiry [KLoE] for 2008/09. These KLoE focus more on value for money achievements, outputs and outcomes rather than on processes, and are more strategic and less detailed. The KLoE allocated to the Internal Audit and Governance Manager are:

| Theme No | Theme | KLoE No | Key Line of Enquiry |
|---|---|---|---|
| 2.3 | Does the council promote and demonstrate the principles and values of good governance ? | 2.3.1 | Has adopted, promotes and demonstrates, the principles of good governance. |
| | | 2.3.4 | Applies the principles and values of good governance to its partnership working. |
| 2.4 | Does the council manage its risks and maintain a sound system of internal control ? | 2.4.1 | The Council has effective risk management which covers partnership working. |
| | | 2.4.2 | Has a clear strategy and effective arrangements, including allocation of appropriate resources, to manage the risk of fraud and corruption. |
| | | 2.4.3 | Has a sound system of internal control including internal audit. |

**Corporate Risk Management**

A key component of the council's corporate governance arrangements is the identification, assessment and monitoring of corporate risks.

The current corporate risk register is to be replaced, and the council has opted to utilise the SPAR.net system that is already being used in the council to monitor performance (BVPI/NIs).

The project is being driven by the newly formed Corporate Risk Management Group (CRMG). The CRMG is a member/officer group consisting of councillors P Bowden (who was elected Chairman), R

Bloxham, K Potter and **T** Wood, officers are Corporate Director and Audit & Governance Manager. Other officers will be co-opted when necessary.

The Group has made good progress and the new system has already been customised to reflect the council's CRM[1] Toolkit and management structure. The software developers are a local company who will migrate any existing data and provide training.

The first stages of the system's roll-out will incorporate presentations to Directors and Heads of Service, during which time discussions will take place on the population of the new Corporate Risk Register, and whether to use existing data which has been updated or to input risks from scratch.

A risk register which informs and influences decision making is an essential tool in the active management of corporate risk and it is imperative a new system be introduced.

### NFI (National Fraud Initiative) Data Investigation

The council has now received the latest datasets relating to the 2008/09 data matching exercise. This exercise is co-ordinated by the Internal Audit & Governance Manager who ensures login and password details are allocated to responsible officers and monitors completion of the on-line database.

There are 18 datasets holding a total of 1,321 data matches ranging from housing benefit to creditors. A report detailing the council's work on this exercise and the potential savings identified will be presented to the committee in January 2010.

The exercise will be subject to the requirements of the Code of Data Matching brought to this committee in September 2008.

### Governance Policies, Strategies and Codes introduced during the year

The following Policies, Strategies and Codes have been introduced during the 2008/09 year:

| | |
|---|---|
| Audit & Governance Committee **March 2008** | Updated Corporate Risk Management Policy and Strategy, Updated Corporate Risk Management Toolkit. Audit & Governance Committee – Updated Statement of Purpose |
| Audit & Governance Committee - **June 2008** | None |
| Audit & Governance Committee **September 2008** | Fraud Strategy introducing the Fraud Forum |
| Audit & Governance Committee **November 2008** | Local Code of Data Matching Anti-Money Laundering Policy and Strategy and Money Laundering Report Forms |
| **Policies and Strategies In draft** | Disposal Policy and Strategy Audit Strategy to replace the 'Audit Charter' |
| **To be revised during the 2009/10 year** | Financial Regulations Financial Operating Procedures Easy Guide to Financial Operating Procedures Contract Standing Orders Audit Plan Monitoring Document Audit Assurance and Opinions Template Anti-Fraud, Theft and Corruption Policy and Quick Guide Leaflet Whistle Blowing Policy and Quick Guide Leaflet Internal Audit & Corporate Governance Quick Guide Leaflet Code of Corporate Governance Contract Tendering Policy Retention and Disposal of Documents Policy |

/continued

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[1] Corporate Risk Management

| Following implementation of the new Corporate Risk Management system | Corporate Risk Management Policy, Strategy and Toolkit<br>Corporate Risk Management Quick Guide Leaflet<br>Corporate Risk Management Laminated Quick Guide (A4 sheet)<br>Corporate Risk Business Card |
|---|---|
| **Corporate Governance Issue** | RIPA Policy |

## Legal Implications

None

## Financial Implications

None

## Consultation on Reports to the Executive

N/A

## Background Papers

Corporate Governance Work Plans
Annual Governance Statement - Action Plan
RIPA Policy

Tanith Cox - 2687
Internal Audit and Governance

Audit & Governance Committee
26 March 2009

## GOVERNANCE STATEMENT ACTION PLAN

The following areas for improvement have been identified:

| No | Area for Improvement | Suggested Action | Theme | Resp. Officer | HoS /Director response or verbal report at meeting |
|---|---|---|---|---|---|
| 1 | Disaster Recovery Plans (DRP) and Business Continuity Planning (BCP) is not adequate to protect the council or its assets. | A simulated disaster recovery exercise was conducted by ICT last year (2007) and several lessons were learned from it. | Corporate Governance | CP | The first IT service continuity test was carried out successfully in 2007. An additional set up and test has been carried out for Home Safeguard and was successful. The ICT infrastructure will be changing significantly as a result of the Microsoft Migration and this will require changes in service continuity systems and therefore a new test. The migration is expected to be complete in November and a test conducted before April 2009. |
| | | IA recommended that managers/directors should, as part of their annual Performance Excellence Review (PER), be required to attend BCP training. | Corporate Governance | MR/KJ | Raised within the recent audit of the area (IA ref SS13, point 5.1.2). IA recommended that training requirements are reviewed and mandatory courses introduced. A follow up is scheduled for November 2008. In the meantime HoHR to arrange for the PER forms to be updated. |
| | | IA recommended that new appointments at manager/director level must attend DR/BC training as part of their induction. | Corporate Governance | KJ | HoHR to ensure all new appointments at manager/director level attend BCP training.<br><br>January 2009 - the Chief Executive issued these further comments:<br>Preparations for next years budget and subsequent ones may result in significant changes to what has been the norm, the council will need to prioritise where and what it spends. This will mean actions may need to reviewed, including the provision of mandatory course. |

Verified

| No | Area for Improvement | Suggested Action | Theme | Resp. Officer | HoS /Director response or verbal report at meeting |
|---|---|---|---|---|---|
| 2 | BACS payroll file remains unsecured until it is copied to the relevant network drive where an automated ICT process secures.<br><br>The file is therefore vulnerable to manipulation from the time it is manually saved until it is secured by ICT. | The software company have confirmed that a fix for this issue is not available in the current version of the software being used by the council.<br><br>The cost of resolving this security issue (approx £40k) outweighs the benefits, therefore the council is accepting the risk of vulnerability.<br><br>The Head of Organisational Development has confirmed that access controls are in place and IA are verifying this during the audit of Payroll.<br><br>Until the software is developed (V10.5), this will continue to be a risk for the council. | Corporate Governance | KJ | The Council has decided to accept this risk |
| 3. | Delineation of decision-making powers and duties of councillors and officers, which are sufficient, understood and aligned to the council's strategic responsibilities. | Review decision-making powers of councillors and officers and ensure they are aligned to strategic responsibilities.<br><br>The new Council considered this in May this year. The HoL&DS will review member responsibilities and feed into the annual constitution review. | Structures and Processes<br><br>Ref:<br>KLoE 2.2.1.1 | DL / RP | The HoL&DS has reviewed member responsibilities and the Constitution has been updated. |

Verified

| No | Area for Improvement | Suggested Action | Theme | Resp. Officer | HoS /Director response or verbal report at meeting |
|---|---|---|---|---|---|
| 4. | The Council monitors disability, gender and ethnicity of its workforce and attempts to monitor this information regarding applicants. However, this is not robust as people do not always provide this information. | Implement on-line Application Forms to ensure these fields are mandatory. | Structures and Processes<br><br>Ref: Page 7<br>KLoE 2.6.2.2 | KJ | The Council monitors ethnicity of its workforce and records this information using its integrated HR/Payroll Services system. This information is regularly reported in the Organisational and Workforce Development Strategy. Wherever possible we attempt to gain ethnicity information regarding applicants. However, this is not complete as some candidates do not complete this part of the application form. This will be remedied when we are able to move to using on line application forms. This work has been delayed again due to other ICT priorities and resource issues in ICT. |
| 5. | Asset Management Strategy is not fit for purpose and not integrated with the council's broader priorities and plans | The council's Asset Management Strategy needs to be revised and updated to include a definition of standards and to consider options for direct provision and alternatives. | Structures and Processes<br><br>Ref: Page 9<br>KLoE 2.7.1<br>KLoE 2.7.2 | KH / NH /DB | The revised Asset Management Plan has now been successfully drafted to ensure the necessary linkages to the Council's Corporate Strategy. The revised plan was considered and approved by the Corporate Overview Committee on 7th January 2009. The Plan will be considered for approval at the Executive Board Meeting of 14th Jauary 2009. |

Verified

| No | Area for Improvement | Suggested Action | Theme | Resp. Officer | HoS /Director response or verbal report at meeting |
|----|---------------------|------------------|-------|---------------|----------------------------------------------------|
| 6. | Issues with car park money collection, potential loss of income and / or irregularity | Head of Service(s) SD to ensure new contractor commences as soon as possible | Corporate Governance | SD | Summary statement from Principal Auditor (contractor). - A discrepancy of approx £40k has occurred in regard to differences in cash box collections and banking. IA are currently investigating this<br><br>- A second affiliated discrepancy has arisen of approx £4k (now reduced to £1,505) resulting from missing cash box collections that have occurred since April 2008.<br><br>A verbal report to members will be provided by the Principal Auditor (contractor) at the Audit & Governance meeting.<br><br>A verbal report to members will be provided by the HoS at the June 2008 A&G Committee.<br><br>Jan 2009 – Statement from acting Financial Services Manager (Contractor)<br>After further investigation and following additional information supplied by G4S we have found the missing money – partly held in our cashiers suspense account and partly on an exceptions list.<br><br>The Head of Finance has now put in place revised procedures to avoid a recurrence of this. |

| No | Area for Improvement | Suggested Action | Theme | Resp. Officer | HoS /Director response or verbal report at meeting |
|---|---|---|---|---|---|
| 7. | Licensing data and administration | Centralise licensing function | Corporate Governance | SS / RP | HoS (SS & RP) have agreed that the centralisation of the licensing administration is appropriate and workable. Officers are in the process of transferring all the relevant data, which has been made a bit more difficult by our migration to CAPS.<br><br>March 2009<br>The protracted migration of our computer systems (now almost a year longer than originally projected) has delayed the transfer of this function. A timetable for data transfer from EH is under discussion with ICT; this has been delayed from Autumn 2008. Meanwhile, the Licensing Manager is preparing for handover and has been liaising with his counterpart in Mid Devon where they have a similar set up in readiness for the transfer. |
| No | Area for Improvement | Suggested Action | Theme | Resp. Officer | HoS /Director response or verbal report at meeting |
| 8. | Administration and control of Section 106 monies | Dedicated officer now made responsible for this area of work – IA to review to ensure administration and control is satisfactory | Corporate Governance | KL | This audit was scheduled to be audited in the third quarter – October to December 2008 but lack of resources prevented this. It now features within the revised audit plan for 2009/10. |

# CORPORATE GOVERNANCE WORK PLAN 2008/09

| Month | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **2008** | | | | | | | | |
| April | | | Partnership Mapping and partnership corporate governance arrangements [4] | Annual Governance Statement 2007/8 [5] | Key Lines of Enquiry 2007/08 – Use of Resources and Corporate Governance [6] | Data Quality Initiatives (brought forward) [7] | Audit and Governance Training [9] Councillors and Staff | Ongoing management of the internal audit and governance service, including staff, budgets, workplans and workloads [10] |
| May | Audit and Governance Committee Reports [1] | Direction of Travel KLoEs [2] | | | | | | |
| June | | | | | | | | |
| July | Update Audit and Governance Policies, Procedures Codes [3] | | | Annual Governance Statement Action Plan | | | | |
| August | Audit and Governance Committee Reports [1] | | | Monitoring and referral to A & G Committee | | | | |
| September | | | | | | | | |
| October | | | | | | | | |
| November | Audit and Governance Committee Reports [1] | | | | | | | |
| December | | | | | | | | |
| **2009** | | | | | | | | |
| January | | | | | | Internal Audit and Governance Service Plans [8] | | |
| February | Audit and Governance Committee Reports [1] | | | | | | NFI exercise 2008/09 [11] | |
| March | | | | | | | | |

Legend: Completed  On going  delayed

## Notes to the Corporate Governance Work Plan 2008/09

[1] Audit and Governance Committee – this Committee meets quarterly, it is supplemented by an Audit and Governance Committee Agenda Timetable, which prompts for different reports from the various officers (both internal and external) who report to it. The Committee requires regular updates on progress of internal audit and corporate governance work together with action plans relating to the Statement of Internal Control, the Corporate Governance Assurance Statement, Key Audit Findings and Risks and Computer Audit Monitoring.

[2] Direction of Travel KLoEs - Populate KLoE database with evidence and explanatory data

[3] Policies, procedures and Codes – the IA and Governance section take responsibility for many financial and ethical policies and codes, these need to be reviewed on an annual basis and updated where applicable. Policies include the Code of Corporate Governance, Anti-Fraud, Theft and Corruption Policy, Disposal Policy, Guide to Corporate Risk Management, Guide to Internal Audit and the Audit Charter. A major project for this year is the review of IA fraud investigation procedures and the introduction of a fraud response plan and fraud investigation checklist.

[4] Partnership Mapping – carried over from 2007/08, the council's partnerships are required to be mapped and assessed to establish whether or not they have effective corporate governance arrangements, a risk assessment is also undertaken and an action plan detailing recommendations is produced. This work is classified as 'essential criteria' under our Use of Resources and satisfies levels 2, 3 and 4 of these assessments. Until the resource issue within the section is resolved it is not possible to be clear about target or completion dates.

[5] Annual Governance Statement - replaces the Corporate Governance Assurance Statement and Statement of Internal Control. (Is a hybrid of both). Accompanies the council's financial statements and is signed off by the Chief Executive and the Leader of the Council, reviewed by the External Auditors and complements the council's corporate governance arrangements. The Audit and Governance Committee keep the Governance Statement Action Plan under review.

[6] Key Lines of Enquiry 2007/08 this includes the 'harder test' KLoEs under Use of Resources and the KLoEs relating to Corporate Governance, these are required for the Governance Statement (item 5 above). Key Lines of Enquiry are reviewed by the External Auditors and supports the council's rating under CPA

[7] Data Quality Initiatives - review of the council's BVPI's and the systems that support them (including the SPAR.net system). Working with Head of ICT and Policy Manager on the DQ KLoEs to obtain a satisfactory rating.

[8] Internal Audit and Governance Service Plan – highlights key achievements in the year, gives details of customer satisfaction, reviews performance and specifies the contribution to key corporate outcomes by the Service.

[9] Audit and Governance Training to Councillors and staff.

[10] Ongoing Management of the Internal Audit and Governance Section – management of staff, systems, workloads, plans, procedures relating to the internal audit and governance service.

[11] NFI exercise.