

EAST AYRSHIRE COUNCIL

GOVERNANCE AND SCRUTINY COMMITTEE – 19 JUNE 2009

ANNUAL REPORT 2008/09

Report by the Chief Auditor

1 PURPOSE OF REPORT

- 1.1 Internal Audit has completed the audit of the Council's internal control systems for the year ended 31 March 2009.
- 1.2 The Annual Report is primarily designed to direct your attention to matters of significance that have arisen out of the 2008/09 audit process, and offer an opinion on the adequacy and effectiveness of the Council's systems of internal control.

2 BACKGROUND

- 2.1 The Financial Regulations of the Council require that Internal Audit present an annual report to members, showing the activity of the Internal Audit section, progress achieved against plan, and a summary of the significant audit findings for the previous financial year.
- 2.2 The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom sets out organisational and operational standards for internal audit services. The Code was revised in 2006 to reflect changes arising from amendments to Audit Regulations and practice relating to corporate governance and risk management that further emphasise the importance of Internal Audit to the proper management of organisations.

3 INTERNAL CONTROL

- 3.1 In order to ensure the proper conduct of its business, the Council has a responsibility to develop, implement and maintain systems of internal control. The framework of internal control is defined as the whole system of controls, financial and otherwise, established by management in order to carry out the business of the authority in an orderly and efficient manner. A sound control system will help safeguard assets, ensure records are reliable, promote operational efficiency and ensure adherence to policy and procedures.
- 3.2 It is primarily the responsibility of management to establish an appropriate and sound system of internal control, and to monitor the continuing effectiveness of that system. It is the responsibility of the Chief Auditor to provide an independent and objective opinion on the overall adequacy and effectiveness of the control environment and stewardship of public funds. The Chief Auditor's annual report is presented to those charged with governance and should be used to support the Council's Statement on Internal Control.

4 ANNUAL REPORT 2008/09

- 4.1 The attached report (Appendix 1) summarises the audit work carried out in 2008/09. The report presents an analysis of the performance of the Internal Audit section during the year ending 31 March 2009, and provides a summary of the audit assignments completed in the financial year.
- 4.2 The Internal Audit Annual Statement on the adequacy of Internal Control is contained within Appendix 1(a) of the annual report. My overall opinion, based on the work carried out, is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control systems in the year to 31 March 2009.
- 4.3 Internal Audit has put forward a range of recommendations in the areas examined and action plans have been developed in consultation with the relevant Executive Director or Executive Head of Service which, when implemented, will result in a continued improvement in the overall control environment.

5 POLICY/LEGAL/FINANCIAL/RISK IMPLICATIONS

- 5.1 The Council's Financial Regulations and Standing Orders set out responsibilities for governance.
- 5.2 The Council places a high degree of importance on the need to ensure that its arrangements for corporate governance are adequate and effective and are subject to ongoing review and improvement, and to this end the Council has adopted a Local Code of Corporate Governance modelled on the CIPFA/SOLACE framework for Corporate Governance in Local Government. The Code is reviewed annually.

6 RECOMMENDATIONS

- 6.1 The Governance and Scrutiny Committee is asked to note the contents of the Annual Report 2008/09.

Colin Houston
Chief Auditor
29 May 2009
CH/G&Scover0809vfinal

LIST OF BACKGROUND PAPERS

Annual Audit Plan 2008/09 and Mid Year Progress Report 2007/08
East Ayrshire Council Financial Regulations, Accounting Policy Bulletins, Standing Orders, Standard Circulars and Local Code of Corporate Governance
CIPFA Code of Practice for Internal Audit in Local Government in the UK

Anyone wishing further information on the content of this report should contact the Chief Auditor on Tel. No. (01560) 323836.

EAST AYRSHIRE COUNCIL

INTERNAL AUDIT ANNUAL REPORT 2008/09

Report by the Chief Auditor

1 PURPOSE OF REPORT

- 1.1 This report directs attention to matters of significance that have arisen out of the 2008/09 internal audit process, and offers an independent and objective opinion on the adequacy and effectiveness of the Council's systems of internal control, and the Council's stewardship of public funds.
- 1.2 The annual assurance programme of work was set out in the 2008/09 Internal Audit Plan. The plan was presented to the Governance and Scrutiny Committee on 4 April 2008.
- 1.3 A mid year progress report on audit activity was presented to the Governance and Scrutiny Committee on 19 December 2008.

2 INTERNAL CONTROL ENVIRONMENT

- 2.1 In order to ensure the proper conduct of its business, the Council has a responsibility to develop and implement systems of internal control. It should be noted that it is primarily the responsibility of management to ensure that internal controls are in place and are operating effectively.
- 2.2 A sound control environment will help to safeguard assets, ensure records are reliable, promote operational efficiency and ensure adherence to Council policy and procedures. Such systems of internal control can provide only reasonable and not absolute assurance against loss.
- 2.3 The control framework includes regular management information, financial regulations, standing orders, administrative procedures, management supervision and a system of delegation and accountability.
- 2.4 The Council's Statement on the System of Internal Financial Control is included in the annual accounts for the Council. The statement is signed by the Chief Executive and the Executive Head of Finance and Asset Management. The review of the effectiveness of the systems of internal financial control is informed by the work of management, the work of finance staff and the work of internal and external audit. The Internal Audit Annual Statement on the Adequacy of Internal Control is set out in Appendix 1(a) of this report.
- 2.5 The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom defines organisational and operational standards for the Internal Audit Service. East Ayrshire Council endeavour to comply with all aspects of the Code.

3 AUDIT APPROACH

- 3.1 Internal Audit has an important role to play in assisting the Council to discharge its governance responsibilities. The responsibilities and duties of Internal Audit and those charged with governance are set out in the Financial Regulations of the Council.
- 3.2 Audit plans are prepared following full consultation with the Chief Executive, Executive Head of Finance & Asset Management, and service directors. Plans take into account a range of factors, including client priorities, local and national agenda areas, risk registers and previous audit work, all with a view to identifying relevant areas for attention and with the objective of helping the Council secure continuous improvement and best value services. An element of contingency is built into the audit plan to enable resources to be deployed on investigations and advisory services.
- 3.3 Audit reports are presented to Executive Directors and include agreed actions which, when implemented, will improve the control environment. As part of Internal Audit monitoring procedures, copies of all assignment reports, including follow-ups, are presented to the Chief Executive, the Executive Head of Finance & Asset Management, the Council's External Auditor and, where appropriate, to the Council Monitoring Officer. Since August 2008, audit assignment reports have been available to Elected Members through the Elected Member Portal on the Council's intranet. This development is designed to further strengthen the Council's scrutiny function.
- 3.4 Internal Audit undertake follow-up work on all major audit assignments in order to assess progress on the implementation of agreed actions. Where agreed actions have not been fully implemented by the time of the audit follow-up, the further action required is brought to the attention of the relevant Executive Director, and the Executive Director is asked to sign a client assurance statement confirming that outstanding actions will be implemented, and the timescales involved.

4 AUDIT RESOURCES

- 4.1 The section has an experienced team of audit staff, with a skills mix capable of providing a full range of audit services. The skills and experience mix include specialist computer audit skills, external and internal audit experience in both private and public sectors, and financial management experience. The section supports continuous professional development of all staff. There are a number of support measures in place, including staff development through the corporate EAGER programme linked to an audit competency framework. The audit manual is used to support quality assurance and audit standards.
- 4.2 There was some long term staff absence and maternity leave in the year. Management action was taken to increase resources by extending the Finance trainee time with audit, and through some additional working within the section. We had only one day sick leave in the final quarter, and all of this helped to minimise any resource shortfall, and ensure that all priority audit assignments including core financial systems work were completed.
- 4.3 A Best Value Service Review is in progress. The review will ensure that Internal Audit is adequately resourced to meet current and future demands on the service and contribute fully to emerging risks and changing priorities. The review will report after the summer recess.
- 4.4 The audit section works closely with the Council's External Auditors to ensure complementary areas of activity, and is developing close working relations with the other Ayrshire Council audit sections and the wider internal audit community, all with a view to further strengthening the quality, efficiency and effectiveness of the internal audit service.

5 PLAN ACHIEVEMENT

- 5.1 2008/09 was a successful year for Internal Audit with 98% plan achievement. Audit assignments covered the full range of audit activity, including core systems reviews, computer audit, contract audit, regularity audit, performance reviews and investigations.
- 5.2 Only one planned audit assignment was not undertaken in the year. The sustainability review in Social Work will include an examination of overtime working, and for that reason we decided to defer the planned assignment on Social Work overtime.
- 5.3 We have a proven track record of full or substantial achievement of the audit plan. Our record over the last six years is full plan achievement in 3 years, and over 95% completion in the other years.
- 5.4 The audit activity analysis is provided in the table below:

ACTIVITY ANALYSIS	PLAN DAYS	ACTUAL DAYS
SYSTEMS REVIEW	340	317
REGULARITY AUDIT	155	160
COMPUTER AUDIT	120	100
CONTRACT AUDIT	70	79
AUDIT ADVISORY SERVICES	45	12
STOCKCHECKS	30	27
SPECIAL INVESTIGATIONS CONTINGENCY	150	212
PERFORMANCE INDICATORS	40	34
PERFORMANCE STUDIES	50	41
TOTAL AVAILABLE DAYS	1000	982

- 5.5 Management action was taken to offset the long term staff illness and maternity leave during the year, and the action taken helped to limit the net shortfall to 18 (2%) days. The activity analysis shows that performance was close to plan in most areas. Investigations were in excess of the contingency, and the advisory contingency was partly used to offset investigations.
- 5.6 The audit service analysis is provided in the table below:

SERVICE ANALYSIS	PLAN DAYS	ACTUAL DAYS
EDUCATIONAL & SOCIAL SERVICES	300	304
NEIGHBOURHOOD SERVICES	200	201
FINANCE	370	352
CORPORATE SUPPORT	130	125
TOTAL AVAILABLE DAYS	1000	982

- 5.7 The allocation of time across all services was close to plan. In Educational and Social Services and Neighbourhood Services the allocation of audit days was 101% and 100% respectively, and in Corporate Support and Finance 96% and 95% respectively.
- 5.8 Performance statistics have been collated from the audit management systems for the 2008/09 audit year. The section has issued 53 outputs in the year (55 outputs in 2007/08). This is an average of 18 days per audit assignment. A total of 179 audit recommendations (226 in 2007/08) were agreed with clients covering a range of work across all services, and these, when implemented, will help to strengthen the control environment in all of the areas examined. 68% of available audit time was allocated to clients against a target of 70%.
- 5.9 Internal Audit carry out client satisfaction surveys using post audit appraisal questionnaires. The questionnaire is issued to clients after each audit assignment and is used to capture client feedback on a range of areas. Twenty-three returned post audit appraisals have been received over the last year from clients. Twenty-two of the twenty-three received (96%) rated the service as good, one (4%) rated the service as fair and none rated it as poor.
- 5.10 Audit Scotland annual reviews of Internal Audit have consistently commented on the high quality service provided by the in-house team. Audit Scotland, recently carried out the 2008/09 review of arrangements for internal audit as part of their annual audit of the Council. The overall assessment is that the standard of audit work done in the last year is of the expected high quality, and they will place reliance on the core financial systems reviews in Creditor Payments and Sundry Debtors.

6 PLAN ASSIGNMENTS

6.1 Overview

- 6.1.1 The annual report is designed to direct attention to matters of significance that have arisen out of the 2008/09 audit process. The findings arising from all audit assignments have been discussed with appropriate officers of the Council and agreed action plans, including timetables and responsibilities, have been put in place to address all identified areas for improvement. Copies of audit reports are available to Elected Members via the intranet
- 6.1.2 The 2008/09 assurance programme included assignments on the full range of audit activity. A summary of the outcomes for all audit assignments completed in the 2008/09 year is presented at Appendix 1(b). The following paragraphs provide a summary of a selection of significant planned assignments. The selection covers core systems, departmental systems, computer audit, contract audit and performance studies.

6.2 Systems Reviews

- 6.2.1 Systems reviews in Creditor Payments and Sundry Debtors have been completed in the year. The Creditor Payments and Sundry Debtors assignments were end to end audits on core financial systems agreed with Audit Scotland. Finance implemented new Sundry Debtors and Creditor Payments systems in March and April 2008. The overall assessment for both assignments was reasonable assurance, and management action has been agreed in a number of areas which, when implemented, will further improve controls and assurance.
- 6.2.2 In Educational and Social Services, we conducted an assignment in Outwith Placements. The assignment included examination of contracting and commissioning arrangements, procedures and files, expenditure and projections, and invoice processing. The overall assessment for this assignment was sound assurance in most areas within the scope of the audit.

6.3 Computer Audit

- 6.3.1 The new Sundry Debtors and Creditor Payments system are part of the integrated Civica Financials system, and access to Civica Financials is linked to the network logon. Computer audit assignments have been conducted to review network logon accounts and systems management.
- 6.3.2 Network access controls provide sound assurance and systems management reasonable assurance. Improvements recommended will further enhance management assurance in these areas.

6.4 Contract Audit

- 6.4.1 The Council is implementing a new single business unit, consisting of Housing and Building and Works, and as part of our work in this area we re-examined post inspection of Building and Works recharges. We found that the level of post inspection rejections remained high, and assurance we could take on the accuracy of recharges was limited. We made four recommendations to management designed to remedy the situation. These include; use of correct codes, management monitoring of post inspection results, robust post inspection controls and performance targets. An agreed action plan is in place covering all action points. We will follow-up on repairs post inspections in our 2009/10 programme of work.
- 6.4.2 We completed an audit of Major Housing Components Supply Chain contracts during 2008/09. Major component supply chain contracts are used by private contractors and Building and Works ("B&W") and currently cover materials for the bathrooms, boilers and radiator installations. This assignment examined private contractor use of Supply Chain contracts. Building and Works use of supply chain contracts will receive audit attention in 2009/10. We can take reasonable assurance from the controls around the management of the supply chain. Management action has been agreed in the areas of payments, march outs and contract administration.

6.5 Regularity Audits

- 6.5.1 In Finance we carried out assignments on mileage expenses and cash advances. The mileage assignment was to assess compliance with procedures for processing and payment of mileage claims. A number of tests were applied to a sample of employee mileage claims to verify regularity and compliance with Council procedures. Our assessment was sound assurance in most areas. We carried out an audit of cash advances, and can take reasonable assurance from the controls in operation.
- 6.5.2 In Educational and Social Services, we carried out assignments on Education Maintenance Allowances and Homecare billing. The Education Maintenance Allowance assignment included tests on applications. The Homecare billing assignment looked at financial assessments, invoicing, and credit notes. Sound assurance can be taken in most areas within the scope of the Education Maintenance Allowance audit, and reasonable assurance around Homecare billing.
- 6.5.3 We have carried out four schools location audits in the year. The purpose of the audits was to assess the key financial and administrative controls. We can take reasonable assurance from the controls in operation in all schools visited. Agreed action plans are in place in all schools visited which, when implemented, will further improve controls.
- 6.5.4 We conducted location audits at local cash collection offices and leisure facilities as part of the 2008/09 audit programme of work. The audits were unannounced. The controls in place at the time of our work provide sound assurance in most areas.

6.6 Performance Audits

- 6.6.1 We completed an audit of the 2007/08 Statutory Performance Indicators. This assignment was included in the annual audit plan. The overall purpose of the audit assignment was to support the External Auditors in their duty to audit the statutory performance indicators for the financial year ended 31 March 2008. For the financial year ended 31st March 2008, there are 58 indicators. East Ayrshire Council's policy is to report on all indicators. All 58 EAC indicators were assessed as reliable.
- 6.6.2 We completed a performance study on Improving Council Tax Collections. Management action has improved collection performance for 2008/09. 94.14% was collected in 2008/09, and this compares to 92.36% in 2007/08. Net cash received increased by £764k. In most areas sound assurance can be taken from the controls in operation. Management action has been agreed in the areas of home visits, software functionality, direct debits and target setting for Sheriff Officers, and action in these areas should help to further improve collection performance.

6.7 Stores

- 6.7.1 Internal Audit attended the year-end stock counts at the Building & Works stores in Kilmarnock and Lugar, the Roads stores at Bonnyton, Gauchalland, and Underwood, and the Transport stores at Crookedholm. In addition, audit staff attended fuel stocks at Crookedholm, Gauchalland, Western Road and at Golf courses. In overall terms, we were satisfied that the arrangements conformed to the guidance issued by the Executive Head of Finance and Asset Management and we can take sound assurance in most areas from year end stocktaking controls.

7 AUDIT FOLLOW-UP

- 7.1 Internal Audit routinely undertake follow-up work on all major audit assignments in order to assess progress on the implementation of audit recommendations arising from earlier audit work. 28 audits have been followed up in the year, and these revealed that agreed audit recommendations had been substantially implemented by the time of follow-up review.
- 7.2 The 28 follow-ups covered 237 audit recommendations, and the auditors found that 214 agreed actions had been fully implemented by the date of the follow-up audit visit, which is a fully implemented score of 90% (88% in 2007/08). 23 agreed actions had not been fully implemented at the time of the audit follow-up. The current position is that 5 actions remain outstanding, and management assurances have been received that all 5 will be implemented.
- 7.3 Internal Audit is satisfied that there is management commitment to act where control improvement opportunities are identified, and the overall implementation score is demonstration of this commitment. Appendix 1(c) provides a listing of all audit follow-up assignments, and the implementation score for each assignment. Appendix 1(d) provides an overall follow-up score by service and a table tracking outstanding actions.

8 INVESTIGATIONS

- 8.1 A selection of the most significant investigations are summarised in the following paragraphs. Audit reports covering investigations which are with the Police have not been placed in the Elected Member portal.
- 8.2 In my 2007/08 annual report to Members, I reported that Internal Audit was investigating European Social Fund grants and associated payments to an arms-length organisation. Internal Audit has concluded this work. A report on the findings of the investigation into European Grants has been considered by management, and the findings have been passed to the Police to investigate. A

report on the full findings of the audit investigation has also been completed and delivered to management. In my last annual report I gave a broad summary of the audit findings, including assurances we could take from the audit work carried out at that time. My final report identifies a number of areas where management action is necessary to strengthen controls over funding to arms length bodies. This audit report has been considered by management, and an action plan has been agreed which, when implemented, will fully address the audit issues.

- 8.3 In October 2008, the Head of Legal, Procurement and Regulatory Services, contacted Internal Audit to report a possible defalcation involving the loss of licensing monies. We investigated the matter and identified a number of missing payments, all processed by the same employee. The Council's disciplinary process was invoked, and the employee was dismissed and the incident reported to the Police.
- 8.4 In December 2008, the Head of Resource Support in Educational and Social Services contacted Internal Audit to report concerns that a member of staff was claiming business mileage, while using a Council van. The audit investigation confirmed the allegation. The Council's disciplinary process was invoked, and the employee was dismissed and the incident reported to the Police. The employee has appealed, and the appeal was not upheld.
- 8.5 Allegations were made to the Council relating to theft of building materials. We have investigated the complaint and have reported our findings. The audit investigation is part of a wider piece of work being carried out within the Council.

9 SUMMARY OF PERFORMANCE

- 9.1 End to end core systems reviews have been completed in Creditor Payments and Sundry Debtors, computer audit assignments have been carried out in network access and systems management, contract audit work has been carried out on major component supply chain arrangements and contract administration, a performance study has been completed on council tax collections, and location audits have been carried out in a number of areas. A range of other work has also been completed. The agreed actions arising from all of this work will, when implemented, further strengthen the framework of controls.
- 9.2 Internal Audit has undertaken follow-up work on a number of previous audit assignments, with a view to establishing progress on the implementation of audit control recommendations. This work revealed that agreed actions had been substantially implemented by the time of the audit visit.
- 9.3 The Internal Audit Annual Statement on the Adequacy of Internal Control is set out in Appendix 1(a) of this report.

Colin Houston
Chief Auditor
29 May 2009
AnnualReportG&Svfinal

INTERNAL AUDIT ANNUAL STATEMENT ON THE ADEQUACY OF INTERNAL CONTROL

As Chief Auditor of East Ayrshire Council, I present my annual statement on the adequacy and effectiveness of the internal control systems of the Council for the year ended 31 March 2009.

Responsibilities of management and Internal Audit in relation to internal control

It is the responsibility of the Council's senior management to establish an appropriate and sound system of internal control and to monitor the continuing effectiveness of that system. It is the responsibility of the Chief Auditor to provide an annual assessment of the robustness of the internal control systems based on the work of the Internal Audit section.

Internal controls

The main objectives of the Council's internal control systems are to:

- ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- safeguard assets;
- ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- ensure compliance with statutory requirements.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud or breach of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of internal control.

Internal Audit

Internal Audit is an independent appraisal function established by the Council for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of the Council's resources. The Internal Audit section operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom.

Internal Audit activity during the year was based on the planned work programme contained in the Annual Audit Plan approved by the Governance and Scrutiny Group on 4 April 2008. Audit plans are prepared following full consultation with the Chief Executive, Executive Head of Finance & Asset Management, and Executive Directors.

Internal audit reports are presented to the relevant Executive Director, and include appropriate recommendations and agreed actions which, when implemented, will improve the overall control environment. As part of Internal Audit monitoring procedures, copies of audit assignment reports, including follow-ups, are presented to the Chief Executive, the Executive Head of Finance & Asset Management, the Council's External Auditor and, where appropriate, to the Council Monitoring Officer. Copies of audit reports are also made available to all Elected Member via the Council's intranet.

Internal Audit routinely undertake follow-up work on all major audit assignments in order to assess progress on the implementation of audit recommendations. Where agreed audit recommendations have not been fully implemented by the time of the audit follow-up, the Executive Director is asked to sign a client assurance statement confirming that any outstanding actions will be implemented, and the timescales involved.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- the audit work undertaken by Internal Audit during the year to 31 March 2009;
- the audit work undertaken by Internal Audit in previous audit years;
- audit follow-up work to test progress on implementation of agreed actions;
- findings/conclusions arising from work carried out by the Council's External Auditors; and
- knowledge of the Council's governance, risk management and performance framework.

Opinion

We have carried out a wide range of audit assignments in 2008/09. End to end core systems reviews have been completed in Creditor Payments and Sundry Debtors, computer audit assignments have been carried out in network access and systems management, contract audit work has been carried out on major component supply chain arrangements and contract administration, a performance study has been completed on council tax collections, and location audits have been carried out in a number of areas. A range of other work has also been completed. The agreed actions arising from all of this work will, when implemented, further strengthen the framework of controls.

My overall opinion, based on the work carried out, is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2009. The objectives of internal controls have been substantially met.

The level of repairs post inspection rejections caused by coding errors is high, and the amount recovered year on year by the client is significant. Actions have been agreed with management which, when implemented, will ensure accurate and reliable coding. We will follow-up on this assignment in our 2009/10 programme.

The audit investigation into payments to an arm's length organisation has identified some compliance issues with our following the public pound procedures. An action plan has been agreed with management which, when implemented, will address the audit issues.

In my last annual statement I reported that a programme of controls improvements was being implemented by Social Work. Educational and Social Services has provided assurance that the programme of work has been substantially completed, and this should help to strengthen the control environment in Social Work.

Internal Audit has put forward recommendations to address areas for improvement. Action plans have been developed in consultation with management to address all areas for improvement identified, which should result in continued improvement in the control environment.

Internal Audit has undertaken follow-up work on a number of previous audit assignments, with a view to establishing progress on the implementation of audit control recommendations. This work revealed that agreed actions had been substantially implemented by the time of the audit visit. Where audit recommendations have not been fully implemented the further action required has been agreed with the service.

Internal Audit is satisfied that there is management commitment to act where control improvement opportunities are identified, and that staff understand and accept the need for systems to be robust and reliable.

Colin Houston
Chief Auditor
19 June 2009

ASSIGNMENT	SCOPE OF ASSIGNMENT	ASSESSMENT/OUTCOMES
Building & Works Annual Stocktaking (18 June 2008)	The purpose of the assignment was to evaluate year-end stocktaking arrangements and report any areas for improvement identified.	The arrangements conformed to the guidance issued by the Executive Head of Finance and Asset Management. Management action has been agreed on general housekeeping, obsolete stock and continuous stock checking.
School Location Audit at New Farm Primary School (7 July 2008)	The purpose of this audit was to assess the key financial and administrative systems operated by New Farm Primary and assess compliance with expected controls.	Sound assurance can be taken in most areas. Management action has been agreed on income handling, inventories and establishment fund arrangements.
School Location Audit at Kirkstyle Primary School (7 July 2008)	The purpose of this audit was to assess the key financial and administrative systems operated by Kirkstyle Primary School and assess compliance with expected controls.	Key controls were not applied consistently and effectively. Management action has been agreed on income handling, inventories, establishment fund arrangements and the cash imprest.
Glaisnock Trust ESF (8 July 2008)	Report not placed in Elected Members Portal.	Findings reported to Police.
Local Offices (30 July 2008)	Internal Audit conducted location audits at local cash collection offices. The audits were unannounced, and involved cash counts, analysis of under/over payments and reviews of security arrangements.	The controls in place at the time of our work provide sound assurance in most areas. Management action has been agreed on cash reconciliations, imprest levels and self assessment.
Roads & Transport Annual Stocktaking (15 August 2008)	The purpose of the assignment was to evaluate annual stocktaking arrangements and report any areas for improvement identified.	Sound assurance can be taken from the procedures currently in place in most areas with respect to the year end stocktaking arrangements. Management action has been agreed on housekeeping, analysis of variances, arrangements for rock salt and ledger adjustments.
2007/08 Statutory Performance Indicators (22 August 2008)	The overall purpose of the audit assignment was to support the External Auditors in their duty to audit the statutory performance indicators for the financial year ended 31 March 2008. For the financial year ended 31 st March 2008, there are 58 indicators. East Ayrshire Council's policy is to report on all indicators. Those indicators which fell within the third and fourth quartiles which had not recently been assessed were selected for testing.	All EAC Statutory Indicators are reported and found to be reliable.

ASSIGNMENT	SCOPE OF ASSIGNMENT	ASSESSMENT/OUTCOMES
Mileage Audit (29 August 2008)	The purpose of the assignment is to assess compliance with procedures for processing and payment of mileage claims. A number of tests were applied to a sample of employee mileage claims to verify regularity and compliance with Council procedures.	Sound assurance is reported in most areas. Management action has been agreed on calculation of rates and completeness of claim forms.
Network Access (29 September 2008)	The 2008/09 Internal Audit plan includes an assignment to review the new sundry debtors system (part of the integrated Civica Financials system). Access to Civica Financials is linked to the network logon. The network access controls assignment reviewed password management parameters (such as password syntax), usage of password controls, and the newly-introduced Self-Service Reset Password Management ("SSRPM").	Network access controls provide reasonable assurance. Management action has been agreed on work station locking, and a range of password controls, including syntax rules, enforced changes and self-service password resetting.
Investigation – Dean Castle (13 October 2008)	Internal Audit has conducted an investigation into an incident at Dean Castle Country Park. This report presents the findings of the investigation including recommendations to address areas of improvement identified during this work.	The Police have concluded their investigations and have decided to take no further action.
Leisure Facilities (24 October 2008)	Internal Audit has completed a regularity audit of cash handling in leisure facilities. The purpose of the assignment is to establish the procedures in place in respect of cash handling and security and report any areas for improvement identified. The leisure facilities included within the scope of this audit were games halls & sports centres, community centres, and golf courses.	The controls in place at the time of our work provide sound assurance in most areas. Management action has been agreed on receipting and remitting income.
Sundry Debtors (31 October 2008)	Internal Audit has completed a review of the Sundry Debtors system. The purpose of the assignment was to verify collection performance (including timeliness), and verify current access to and adequacy of controls within the recently implemented Civica system. The scope of the assignment included examination of the procedures in relation to raising and amending invoices, input of transactions and data processing, debt recovery, processing write-offs, and monitoring and reporting of performance.	Reasonable assurance can be taken from controls operating in the sundry debtors system. Management action has been agreed on logical access and user access levels, review of transactions, input duplication, monitoring and reporting of debt levels and debt recovery.
Education Maintenance Allowance (6 November 2008)	A number of tests were applied to a sample of EMA application forms to confirm validity of claims and payments.	Sound assurance can be taken in most areas. Management action has been agreed on independent checks of bonus payments

ASSIGNMENT	SCOPE OF ASSIGNMENT	ASSESSMENT/OUTCOMES
Investigation - Licensing (21 November 2008)	Report not placed in Elected Members Portal.	Employee dismissed and findings reported to the Police.
Investigation - Building & Works (22 December 2008)	Report not placed in Elected Members Portal.	The investigation report is with management.
Footwear & Clothing Grants (7 January 2009)	A sample of payments and applications were selected and a number of tests applied to assess the regularity and validity of Footwear & Clothing Grant claims.	Sound assurance can be taken in the areas of Footwear and Clothing Grants examined.
Building & Works Controls (8 January 2009)	This report presented internal control recommendations to address those weaknesses identified in the audit investigation.	Management action has been agreed to strengthen controls in a number of areas.
Cash Advances (16 January 2009)	The work of the assignment was to confirm that advance cash advance request forms were properly authorised, reimbursement forms were returned timeously, were properly authorised, supporting receipts were attached and that advances were regularly posted to, and reconciled with, the financial ledger.	The controls in place at the time of our work provide reasonable assurance.
Licensing Controls (22 January 2009)	This report presents internal control recommendations to address those weaknesses identified in the audit investigation.	Management action has been agreed to strengthen controls in a number of areas.
Investigation – Mileage Claims (27 January 2009)	Report not placed in Elected Members Portal.	Employee dismissed and findings reported to the Police.
Outwith Placements (30 January 2009)	Internal Audit has completed an audit of outwith placements. The work of the assignment included examination of contracting and commissioning arrangements, procedures and files, expenditure and projections, and invoices.	Sound assurance can be taken in most areas. Management action has been agreed in the areas of contracting and commissioning and procedural guidelines.
Contract Administration (6 February 2009)	Internal Audit has completed an audit of Contract Administration. The purpose of the audit assignment was to verify the system in place to appoint Contract Administrators for each contract awarded, verify the existence of administrators for all contracts, and verify that administrators were aware of their roles and responsibilities.	Reasonable assurance can be taken in most areas of Contract Administration covered in the scope of this audit. Management action has been agreed in the areas of contract monitoring, annual assurances of contract administration duties and updates to central procurement records.

ASSIGNMENT	SCOPE OF ASSIGNMENT	ASSESSMENT/OUTCOMES
Creditors Payments (20 February 2009)	The 2008/09 internal audit plan included an assignment to review the Creditors module of the new integrated ledger system, Civica Financials system. The work of the assignment is based on CIPFA control matrices. The scope of the assignment included invoice processing procedures, invoice checking and payments and controls, and IT controls. The processes and procedures in place for the creditors system have been assessed with specific focus on the work performed by the Payments Section and Exchequer Control.	Reasonable assurance can be taken from the controls in place for processing creditors payments. Management action has been agreed in the areas of procedural guidance, authorised signatories, pro forma invoices, processing controls, duplicate invoice controls, performance management and logical access controls.
Creditors Management (11 March 2009)	Systems The creditor payments assignment included work around system management, some of which falls within the remit of IT Services. The work of the assignment included an assessment of system performance, strategic policies and backup and recovery arrangements.	Reasonable assurance can be taken from the controls in place for creditors systems management. Management action has been agreed in the areas of system performance, policy documentation and backup files.
Investigation – Nursery (17 March 2009)	Report not placed in Elected Members Portal.	Findings reported to Police.
Glaisnock Trust (19 March 2009)	Report not placed in Elected Members Portal.	Findings reported to Police. Management action is being taken to strengthen controls over external funding.
Council Tax Collections (24 March 2009)	The objectives of the assignment were to analyse both in-year and arrears recovery council tax collection rates for all Scottish councils, identify councils who have consistently strong collection performance or who have improved performance in the past five years, and through discussion with them identify areas of best practice that could be adopted in East Ayrshire Council.	Sound assurances can be taken from most of the procedures in place within the scope of the assignment. Management action has been agreed in the areas of home visits, software functionality, direct debits and target setting for Sheriff Officers.
Gargieston Primary School (26 March 2009)	The purpose of this audit was to assess the key financial and administrative systems operated by Gargieston Primary and assess compliance with expected controls.	Sound assurance can be taken in most areas. Management action has been agreed in the areas of establishment fund arrangements and inventory.
Annanhill Primary School (26 March 2009)	The purpose of this audit was to assess the key financial and administrative systems operated by Annanhill Primary and assess compliance with expected controls.	Reasonable assurance can be taken; key controls exist and are applied effectively in most areas. Management action has been agreed in the area of establishment fund arrangements.

ASSIGNMENT	SCOPE OF ASSIGNMENT	ASSESSMENT/OUTCOMES
Internet in Schools (31 March 2009)	The purpose of the assignment was to examine use of internet in EAC schools, including the process by which access is granted and controlled, access restrictions, processes for monitoring internet use, identification and reporting of breaches of acceptable use policy and the effectiveness of internet filtering and blocking controls by examination of internet traffic.	Reasonable assurance can be placed on management of internet access in schools. Management action has been agreed in the areas of reporting and monitoring, access supervision and commitment to the acceptable use policy.
Homecare Billing (9 April 2009)	Internal Audit has completed an audit of homecare billing. The purpose of the assignment was to verify the accuracy of the auto-billing spreadsheets submitted by Social Work for input into the Civica Debtor module, verify the billing authorisation process within Social Work, verify the bills against the evaluation of the contribution per service user and evaluate procedures to ensure completeness and timeliness of income.	Reasonable assurance can be taken from homecare billing controls. Some areas for improvement have been identified. Management action has been agreed in the areas of financial reassessments, accuracy of invoicing, and approval and retention of credit note information.
Supply Chain (16 April 2009)	Internal Audit has completed an audit of Major Housing Components Supply Chain contracts. Major component supply chain contracts currently cover materials for the bathrooms, boilers and radiator installations. The main objectives of this assignment were to confirm that the Council pay the correct prices for major components used by private contractors, confirm that major housing components purchased are installed in the properties included in the Housing Improvement programme and verify that contract administration arrangements are operating effectively.	Reasonable assurance can be taken from the controls around the Asset Improvement Service management of the supply chain. Areas for improvement have been identified in contract administration. Management action has been agreed in the areas of payments, march outs and contract administration.

Assignment	Findings	Report Issued
Follow-up of Warm Deal Grant Claim (Finance Service)	2 of 2 actions fully implemented = 100% implementation.	7 May 2008
Follow-up of Building & Works Vehicle Hire (Neighbourhood Services)	Building & Works: 10 of 11 actions fully implemented = 91% implementation. Transport: 9 of 10 actions fully implemented = 90% implementation. Client Assurance Statement signed for 2 partly implemented actions.	4 June 2008
Follow-up of Expenditure Controls Onsite (Educational & Social Services)	11 of 13 agreed actions fully implemented = 85% implementation. Client Assurance Statement signed for 1 partly and 1 not yet implemented action.	9 June 2008
Follow-up of Building & Works Stocktaking (Neighbourhood Services)	8 of 8 agreed actions fully implemented = 100% implementation.	18 June 2008
Follow-up of Cashless School Meals (Educational & Social Services)	9 of 9 agreed actions fully implemented = 100% implementation.	9 July 2008
Follow-up of Working for Families (Corporate Support)	9 of 12 recommendations fully implemented = 75% implementation. Client Assurance Statement signed for 3 partly implemented actions.	22 July 2008
Follow-up of Imprest Certification (Finance Service)	5 of 5 recommendations fully implemented = 100% implementation.	24 July 2008
Follow-up – Cash Handling (Neighbourhood Services)	2 of 2 recommendations fully implemented = 100% implementation.	30 July 2008
Follow-up of Roads & Transportation Stocktaking (Neighbourhood Services)	4 of 5 actions fully implemented = 80% implementation. Outstanding action to be implemented in next annual exercise.	15 August 2008
Follow-up of Performance Indicators (Finance Service)	1 of 2 actions fully implemented = 50% implementation. Outstanding action to be implemented in next annual exercise.	22 August 2008
Follow-up of Missing Equipment investigation (Neighbourhood Services)	4 of 4 recommendations fully implemented = 100% implementation.	24 October 2008
Follow-up of Vehicle Fleet Replacement (Neighbourhood Services and Finance Service)	Transport: 6 of 6 recommendations fully implemented = 100% implementation. Finance: 3 of 3 recommendations fully implemented = 100% implementation.	31 October 2008
Follow-up of Absence Management Adherence to policy (Corporate Support)	9 of 9 agreed actions fully implemented = 100% implementation.	5 November 2008
Follow-up of Cross-Boundary Absence Management Review (Corporate Support)	10 of 12 recommendations fully implemented = 83% implementation. Client Assurance Statement signed for 2 partly implemented actions.	5 November 2008

Assignment	Findings	Report Issued
Follow-up of Council Tax Logical Access (Finance Service)	9 of 9 agreed actions fully implemented = 100% implementation.	25 November 2008
Follow-up of Internet Examination (Corporate Support)	6 of 6 agreed actions fully implemented = 100% implementation.	26 January 2009
Follow-up of Council Tax (General & Valuation) (Finance Service)	1 of 1 agreed actions fully implemented = 100% implementation.	29 January 2009
Follow-up of Council Tax (Liabilities & Billing) (Finance Service)	8 of 8 agreed actions fully implemented = 100% implementation.	29 January 2009
Follow-up of Council Tax (Collections & Refunds) (Finance Service)	9 of 10 recommendations fully implemented = 90% implementation. Client Assurance Statement signed for 1 partly implemented action.	29 January 2009
Follow-up of Gauchalland Fuel (Neighbourhood Services)	5 of 5 agreed actions fully implemented = 100% implementation.	17 February 2009
Follow-up of Crookedholm Fuel (Neighbourhood Services)	6 of 7 recommendations fully implemented = 86% implementation. Client Assurance Statement signed for 1 partly implemented action.	17 February 2009
Follow-up of Overtime Controls (Corporate Support)	5 of 5 agreed actions fully implemented = 100% implementation.	19 February 2009
Follow-up of Creditors (Finance Service)	10 of 15 agreed actions fully implemented = 67% implementation. Outstanding actions addressed by 2008/09 Creditors System Review.	20 February 2009
Follow-up of Council Tax (Recovery & Enforcement) (Finance Service)	11 of 15 agreed actions fully implemented = 73% implementation. Client Assurance Statement signed for 2 partly and 2 not yet implemented actions.	23 February 2009
Follow-up of Risk Management (Finance Service)	13 of 13 agreed actions fully implemented = 100% implementation.	25 February 2009
Follow-up of Bellsford Children's Unit (Educational & Social Services)	16 of 17 agreed actions fully implemented = 94% implementation. Client Assurance Statement signed for 1 partly implemented action.	20 March 2009
Follow-up of Procurement (Corporate Support)	5 of 5 agreed actions fully implemented = 100% implementation.	31 March 2009
Follow-up of Email Monitoring (Corporate Support)	8 of 8 agreed actions fully implemented = 100% implementation.	31 March 2009

DEPARTMENTAL SUMMARY OF 2008/09 FOLLOW-UPS

APPENDIX 1(d)

Client Performance By Department	Assignments	Recommendations			
	Conducted	Raised	Implemented	Not implemented or partly implemented	Percentage implemen ted
Corporate Support	7	57	52	5	91%
Finance Service	10	80	69	11	86%
E&SS	3	39	36	3	92%
Neighbourhood Services	8	61	57	4	93%
All Services	28	237	214	23	90%

TRACKING OF OUTSTANDING RECOMMENDATIONS

Based on Departmental assurance

Dept	Assignment	Follow-up Issued	Number	Current position
Neighbourhood Services	Building & Works Vehicle Hire	4 June 2008	2	Implemented.
Educational & Social Services	Expenditure Controls Onsite	9 June 2008	2	Implemented.
Corporate Support	Working For Families	22 July 2008	3	Implemented.
Neighbourhood Services	Roads & Transportation Stocktaking	15 August 2008	1	To be implemented in next annual exercise.
Finance Service	Performance Indicators	22 August 2008	1	To be implemented in next annual exercise.
Corporate Support	Cross-Boundary Absence Management Review	5 November 2008	2	Implementation due September 2009.
Finance Service	Council Tax (Collections & Refunds)	29 January 2009	1	Implemented.
Neighbourhood Services	Crookedholm Fuel	17 February 2009	1	Implemented.
Finance Service	Creditors	20 February 2009	5	Superseded by 2008/09 Creditors System Review.
Finance Service	Council Tax (Recovery & Enforcement)	23 February 2009	4	3 implemented, 1 due for implementation in June 2009
Educational & Social Services	Bellsford Children's Unit	20 March 2009	1	Implemented.
TOTAL			23	5 to be implemented