

# Southend-on-Sea Borough Council

Agenda  
Item No.

Report of Chief Executive and Town Clerk

to

**Audit Committee**

on

**16 June 2010**

Report prepared by: Linda Everard, Head of Internal Audit

---

## **Final Summary Audit Progress Report 2009/10**

---

### ***A Part 1 Public Agenda Item***

---

#### **1. Purpose of Report**

- 1.1 To present the final summary progress report on the delivery of Internal Audit's strategy and performance targets for 2009/10.

#### **2. Recommendation**

- 2.1 **The Audit Committee approves the report.**

#### **3. Performance Targets 2009/10**

- 3.1 **Appendix 1** shows performance against targets for the financial year 2009/10.
- 3.2 In overall terms:
- productivity for the year has remained at 62% which is slightly below target;
  - three staff who no longer work with Internal Audit account for 218 of the team's 236 days sick leave during 2009/10. The remaining staff averaged two days each for the year;
  - the team completed 44% of the audit plan by the end of March, however this will rise to 63% by the end of May 2010; and
  - the financial systems work was not completed by the end of April however the majority of the detailed testing had been completed by this time. External Audit was able to rely on this work to support its financial statements audit.

#### **4. Process (efficiency) targets**

##### ***Delivery of the audit plan***

- 4.1 **Appendix 2** shows the current status of planned audits for the year.

##### ***Summary Audit Findings***

- 4.2 **Appendix 3** summarises the findings of audits completed since November 2009. No limited assurance (improvement required) opinions have been issued during this period.

4.3 One ad hoc investigation has been completed. This related to the processes for administering Members' travelling and subsistence claims. Significant weaknesses were found in both the guidance available to members and the processes used. Therefore action has been taken to:

- update all guidance so that it complies with good practice and is consolidated into one document;
- redesign the claim form to clarify the information required to support claims made;
- provide training to members on how the scheme works as part of the induction process;
- ensure claims made are subject to a robust validation process; and
- update the Constitution to reflect changes made.

***Implementing action plans***

4.4 The profile of recommendations outstanding as at 23 April 2010 is as follows:

	<b>HIGH</b>	<b>MEDIUM</b>	<b>LOW</b>	<b>TOTAL</b>
All recommendations outstanding	15	66	18	<b>99</b>
Due date between January - April	6	33	8	<b>47</b>
Not implemented by the due date	4	27	5	<b>36</b>
Recommendations closed	0	1	0	<b>1</b>

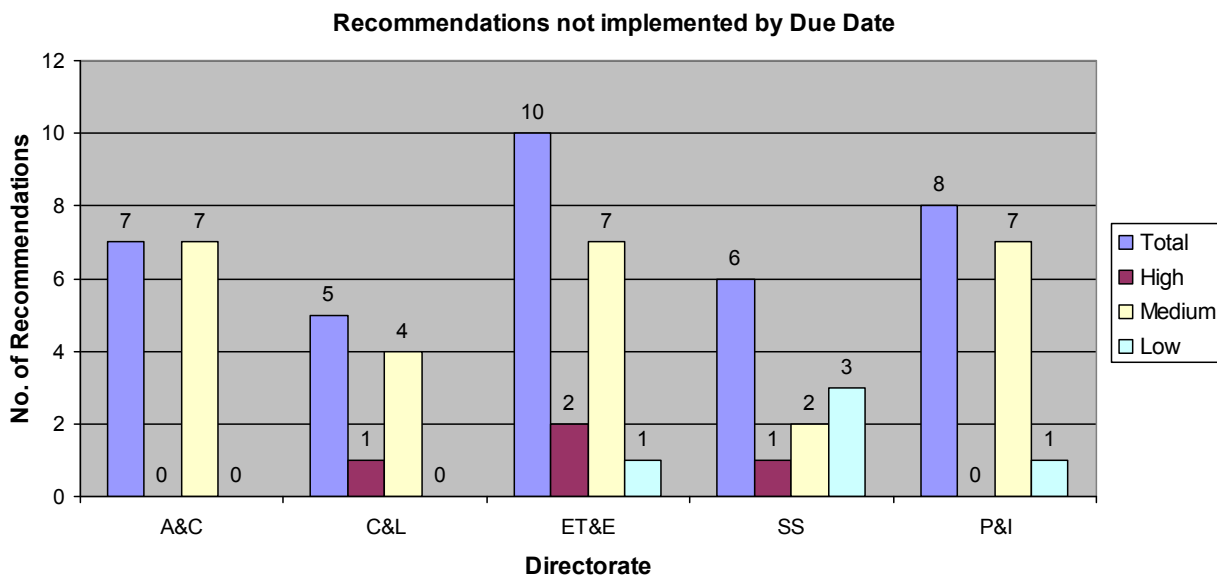
4.5 **Appendix 4** summarises the current status and progress made in addressing all 36 non-implemented recommendations.

4.6 The IT service has proposed to absorb one high-priority recommendation into a larger work programme that may not be delivered during 2010-11. This relates to the prevention of unauthorised, removable electronic devices accessing the Council's computer systems. As a result, the Council is at a continual risk (if the work is deferred until 2011-12) of significant data loss incidents.

4.7 This also includes seven recommendations relating to CCTV from the Department of Enterprise, Tourism and the Environment (ET&T). The most appropriate way to deal with these is currently being discussed.

4.8 One ET&E recommendation was closed as there are other compensating controls in place to mitigate the risk that the recommendation originally sought to address.

4.9 The following graph shows the number recommendations not implemented by the due date, split by Directorate and priority of recommendation:



Key: A&C: Adult and Community Services, C&L: Children and Learning, ET&E: Enterprise, Tourism and the Environment, SS: Support Services and P&I: Policy & Improvement

4.10 As discussed at the last Audit Committee, ET&E recommendations have been reviewed for on-going relevance. As a consequence:

	HIGH	MEDIUM	LOW	TOTAL
ETE Recommendations reviewed	5	6	2	<b>13</b>
Recommendations kept active	4	4	2	<b>10</b>
Recommendations implemented	1	1	0	<b>2</b>
Recommendations closed	0	1	0	<b>1</b>

## 5. Corporate Support Provided

5.1 During this quarter, Internal Audit:

- supported the Audit Committee in undertaking its annual self assessment of its performance during 2009/10; and
- met with Essex Police Authority to discuss potential opportunities for joint audit work through the Cross Partner Internal Audit Working Group.

## 6. Corporate Implications

6.1 Contribution to Council's Aims and Priorities

Audit work contributes to the delivery of all corporate priorities and themes. However it specifically supports the Corporate Aim of being "An Excellent Council" and the Corporate Objective of "Become a Higher Performing Organisation".

6.2 Financial Implications

The audit plan was delivered within approved budgets.

### 6.3 Legal Implications

A formal audit plan is required to ensure that Internal Audit coverage is adequate and effective; otherwise the Council will be in breach of its statutory responsibilities under the Accounts and Audit Regulations 2003. The Code of Practice for Internal Audit in Local Government in the UK (2006) CIPFA (the Code) recommends that progress against the audit plan is regularly reported to Members. This report contributes to discharging this duty.

The Accounts and Audit Regulations 2003 and the (Amendment) (England) Regulations 2006, require councils to have an adequate and effective system of internal audit. This is now defined as compliance with proper professional practice i.e. the Code and it requires Internal Audit to report on whether recommendations made are being implemented. Therefore failure to do so would be a breach of a statutory duty.

### 6.4 People and Property Implications

People issues have been raised in the body of the report.

### 6.5 Consultation

The audit risk assessment and the plan are periodically discussed with the Chief Executive, Corporate Directors, and Heads of Service before being reported to Corporate Management Team and the Audit Committee.

All Terms of Reference and draft reports are discussed and agreed with the relevant Corporate Directors and Heads of Service.

### 6.6 Equalities Impact Assessment

The relevance of equality and diversity is considered during the initial planning stage of the audit before the Terms of Reference are agreed.

### 6.7 Risk Assessment

Failure to operate a robust assurance process (which incorporates the Internal Audit function) increases the risk that there are inadequacies in the internal control framework that may impact of the Council's ability to deliver its corporate aims and priorities.

Failure to complete sufficient work to given an audit opinion on the systems of internal control as required by the Accounts and Audit Regulations due to:

- reduction in staff resources either through budget cuts, reduced productivity including sickness without additional funds to purchase cover; or
- a significant number of unplanned investigations arising.

### 6.8 Value for Money

Opportunities to improve value for money in the delivery of services are identified during some reviews and recommendations made as appropriate.

Internal Audit also considers whether it provides a value for money service annually through its Terms of Reference, Strategy, Benchmarking and Performance Indicators.

#### 6.9 Community Safety Implications and Environmental Impact

These issues would only be considered if relevant to a specific audit review.

### 7. Background Papers

- The Accounts and Audit Regulations 2003 & The Accounts and Audit (Amendment) (England) Regulations 2006
- Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

### 8. Appendices

- Appendix 1: Performance Indicators for the 2009/10 financial year
- Appendix 2: Progress Report on Delivering the 2009/10 Audit Plan
- Appendix 3: 2009/10 Summary Findings from Audit Reviews
- Appendix 4: Recommendations due as at 23 April 2010 but not implemented