

# Southend-on-Sea Borough Council

Agenda  
Item No.

Report of Chief Executive and Town Clerk

to

**Audit Committee**

on

**22 September 2010**

Report prepared by: Linda Everard, Head of Internal Audit

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## Summary Audit Progress Report 2010/11

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### *A Part 1 Public Agenda Item*

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

- 1.1 To present the summary progress report on the delivery of Internal Audit's strategy and performance targets for 2010/11.

#### **2. Recommendation**

- 2.1 The Audit Committee approves the report.**

#### **3. Service Developments**

- 3.1 In the last six months, the opportunity has been taken to:

- restructure the team
- update and standardise the audit approach adopted across the joint audit team (Southend-on-Sea and Castle Point Borough Council)
- arrange for external audit to independently challenge:
  - the annual self assessment of compliance with Code of Practice for Internal Audit in Local Government in the UK (2006) published by the Chartered Institute of Public Finance and Accountancy (the Code)
  - the new audit approach to ensure it reflects current good professional practice and enables maximum assurance to be provided as effectively as possible.
- implement an upgraded version of the information system used to help the team manage its performance.

- 3.2 External Audit has been able to confirm that:

- in 2009/10, the manner in which internal audit operated was compliant with the Code of Practice for Internal Audit in Local Government in the UK (2006), published by the Chartered Institute of Public Finance and Accountancy. The reported results of the self assessment undertaken by internal audit, compared to the Code, are supported by the findings of external audit

- their review of the proposed updated audit approach indicates that this should be fit for purpose and compliant with current professional standards once the issues identified have been addressed

3.3 This investment in the joint team should help ensure that the internal audit service provided is efficient, cost effective and compliant with relevant professional standards.

#### **4. Performance Targets 2010/11 Summary**

4.1 **Appendix 1** shows performance against targets for the financial year 2010/11.

4.2 In overall terms:

- productivity for the year to date for the joint team is 62% which is slightly below target. This reflects:
  - the time given to support the three new members of staff who have joined the team since May 2010
  - the fact that it took longer than was originally planned to produce the updated audit manual / implement the new audit management software and train the team in their use
- the investment in improving working practices in the first four months of the year has impacted on the delivery of the 2010/11 audit plan. The 12% reported excludes work completed during this time that was carried forward from 2009/10. Performance will improve in the second half of the year as the blocks of work already planned and the current work in progress are delivered and bought in services come onboard
- schools work was substantially complete by the end of May. This target was not fully met as two schools, who had to be revisited had not responded to their final report
- the percentage of recommendations implemented by services in the year to date remains below target at 55%. However in this quarter 69% of those due had been implemented which is a significant improvement in performance compared to the last four quarters.

4.3 All the other performance indicators are either not due or on target.

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

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

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

5.2 There have been a number of amendments to the plan in the last few months to reflect the significant change to the Council's risk profile. These have been discussed with the Chief Executive. It is anticipated that this trend will continue over the coming months as the impact of current government policy emerges.

- 5.3 The intention is for the Audit Managers to re-establish links with the service directorates so that internal audit can keep up to date with changes in their risk profile in a more timely manner. The aim is to enable internal audit to be more responsive when directorates are considering significant changes to the manner in which services are to be delivered.

**Summary Audit Findings**

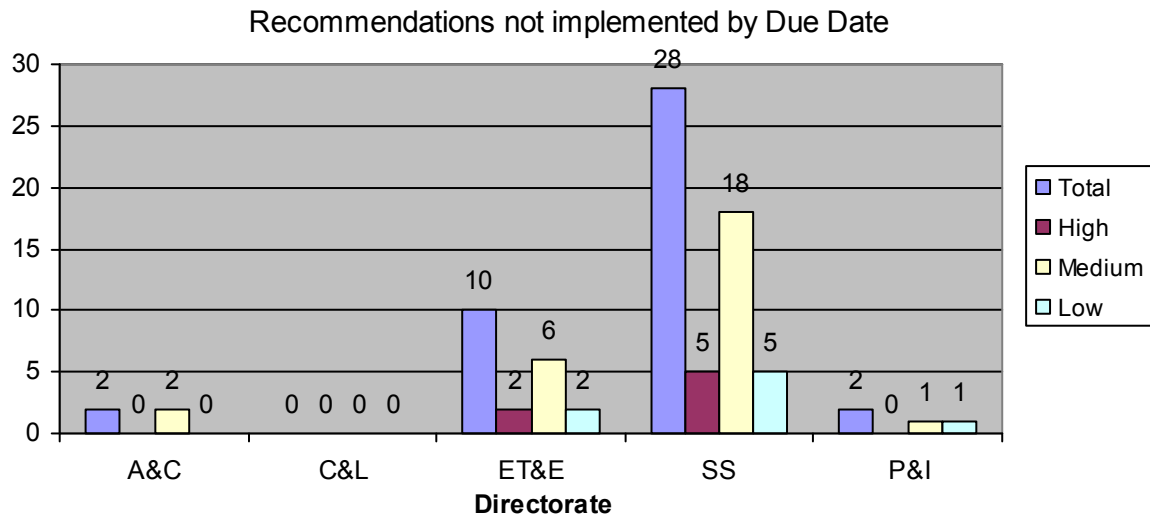
- 5.4 **Appendix 3** summarises the findings of audits completed since May 2010 excluding those already reported to the Audit Committee relating to Manager Assurance Statements (June 2010), Members Travel and Subsistence Expenses Claims (June 2010) and Governance Arrangements of Key Strategic Partnerships (September 2010).
- 5.5 Only one limited assurance opinion has been issued. East of England Development Agency (EEDA) require an annual audit covering the governance, operational arrangements and internal control systems in place over the Economic Participation Programme (EPP) Grant. This work was undertaken by EEDAs internal audit service. The limited assurance opinion reflected the need to strengthen these arrangements particularly regarding risk management and the quality and completeness of evidence to support the spending of the grant.
- 5.6 One ad hoc investigation was undertaken during this period.

**Implementing action plans**

- 5.7 The profile of recommendations outstanding as at 30<sup>th</sup> July 2010 is as follows:

	HIGH	MEDIUM	LOW	TOTAL
All recommendations outstanding	28	125	26	<b>179</b>
Due date between April - July	23	98	16	<b>137</b>
Not implemented by the due date	7	27	8	<b>42</b>
Recommendations closed (N/A)	1	3	0	<b>4</b>

- 5.8 **Appendix 4** summarises the current status and progress made in addressing all 42 non-implemented recommendations. **Appendix 5** summarises the four recommendations that are no longer applicable and have been closed.
- 5.9 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*

5.10 Support Services Directorate had a significant number of recommendations fall due during this period, mainly from the financial systems work which were reported upon earlier in the year. Of those recommendations that are still outstanding:

- seven relate to housing benefits
- ten relate to other financial systems
- there is one recommendation from each of the data protection and registration reviews
- the remaining nine relate to IT reviews.

5.11 In order to help facilitate the efficient audit of recommendations that should have been implemented, directorates have been asked to prepare and sign off their management responses prior to the period in which the audit is to take place. This should include comments for inclusion in the Audit Committee report if due date has been missed. This is already being delivered by some directorates e.g. Support Services.

5.12 The key date by which Departmental Management Teams need to have signed off management responses is highlighted below #.

For recommendations due before:	# Management feedback is required by:	Audit 'evidence collection' period:	Report to Corporate Management Team due by:
5 <sup>th</sup> November 2010	8 <sup>th</sup> November 2010	15 <sup>th</sup> to 26 <sup>th</sup> November 2010	3 <sup>rd</sup> December 2010
11 <sup>th</sup> February 2011	14 <sup>th</sup> February 2011	21 <sup>st</sup> February to 4 <sup>th</sup> March 2011	11 <sup>th</sup> March 2011

- 5.13 All recommendations are contained on Covalent. Reports can therefore be produced by directorates at any time to show when recommendations are due to implemented. This enables directorates' to fully integrate monitoring of audit report action plans into their ongoing performance management arrangements.

## **6. Corporate Support Provided**

- 6.1 During this quarter, Internal Audit supported the South Essex Homes Audit Committee in undertaking an annual self assessment of its performance during 2009/10 and produced its draft annual report.

## **7. Corporate Implications**

- 7.1 Contribution to Council's Aims, Priorities and Outcomes

Audit work contributes to the delivery of all corporate priorities and outcomes. However it specifically supports the corporate priority of Become a Higher Performing Organisation.

- 7.2 Financial Implications

The audit plan will be delivered within approved budgets.

- 7.3 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.

- 7.4 People and Property Implications

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

- 7.5 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 agreed by the relevant Corporate Directors and Heads of Service.

- 7.6 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.

## 7.7 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.

## 7.8 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.

## 7.9 Community Safety Implications and Environmental Impact

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

## 8. 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

## 9. Appendices

- Appendix 1: 2010/11 Performance Indicators
- Appendix 2: Delivering the 2010/11 Audit Plan
- Appendix 3: Summary Findings from Audit Reviews
- Appendix 4: Recommendations not implemented by the due date
- Appendix 5: Recommendations that are no longer applicable