

# Southend-on-Sea Borough Council

Agenda  
Item No.

Report of Chief Executive and Town Clerk

to

**Audit Committee**

on

**30 March 2011**

Report prepared by: Linda Everard Head of Internal Audit

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**Internal Terms of Reference, Strategy and Audit Plan for 2011/12**

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

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**1. Purpose of Report**

1.1 To present the Terms of Reference, Strategy and Audit Plan for 2011/12.

**2. Recommendation**

**2.1 The Audit Committee approve the Terms of Reference, Strategy and Audit Plan for 2011/12.**

**3. Terms of Reference / Strategy**

3.1 As the Terms of Reference and Strategy documents were subject to a major review last year, only minor amendments have been made to these documents this year.

3.2 The main area of change relates to Internal Audit's performance targets. The opportunity has been taken to reduce the number and give an increased focus on impact of the work.

3.3 To support this, client satisfaction surveys are being shortened and refocused to obtain better feedback on the relevance and impact of the work completed. For all such surveys, Internal Audit's target will be the equivalent of good or above however that is measured. The productivity indicator is also still being finalised.

**4. Audit Plan 2011/12**

4.1 The Audit Plan has been revised based upon the principles previously agreed which means that:

- more time has been allocated to auditing the annual assurance framework and manager assurance statements
- a Council wide review will be undertaken on the robustness of team planning and performance appraisals in conjunction with HR staff (taking into account the results of the staff survey)

- blocks of time have been allocated to departments to cover the risk based element of the plan. Internal Audit will work with managers to scope out the reviews to be completed from those potential areas of risk listed
- significant contracts within departments will also be identified and risk assessed. If relevant, time will be allocated to review all or some elements of this activity e.g. contract letting, management of delivery, monitoring overall performance or minimising the potential for fraud
- additional time has been included in the financial systems budget as it will now be necessary to audit the relevant financial systems pre and post the implementation of Agresso as well as the transfer of balances between the old and new systems
- a joint audit is planned with PKF on the Council's ability to deliver on its saving programme over the next two years
- time will be spent on high fraud risk services activities and developing the cross partner working arrangements.

4.2 There will be a significantly reduced specialised IT audit section in the plan this year as more of this work is integrated into the main stream audit programme. Both the content and resourcing of this element of the plan is still to be finalised.

## **5. Corporate Implications**

### **5.1 Contribution to Council's Vision & Critical 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".

### **5.2 Financial Implications**

The audit plan will be delivered within approved budgets.

### **5.3 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 Audit Plans is regularly reported to Members. This report contributes to discharging this duty.

### **5.4 People and Property Implications**

None

### **5.5 Consultation**

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

## 5.6 Equalities Impact Assessment

Equality and diversity features in the audit plan as a corporate activity and is also considered within each audit if relevant. Internal Audit as a service complies with corporate requirements in this area.

## 5.7 Risk Assessment

Failure to complete the audit plan due to:

- the external supplier not delivering contracted in work within the required deadlines to the expected quality standards;
- a reduction in staff resources either through budget cuts or sickness without additional funds to purchase cover; or
- a significant number of unplanned investigations arising.

## 5.8 Value for Money

Value for money features in the audit plan as a corporate activity and is also considered within each audit if relevant.

Internal Audit also considers whether it provides a value for money service annually through benchmarking and performance indicators.

## 5.9 Community Safety Implications and Environmental Impact

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

## 6. 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

## 7. Attachments

- Internal Audit Terms of Reference
- Internal Audit Strategy 2011/12, including indicative Audit Plan and Performance Indicator Set