

# 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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## 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 notes the report.**

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

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

- 3.2 In overall terms:

- productivity for the year to date for the joint team is 64% which is slightly below target but remains consistent with last quarter. The reasons performance being slightly below target has been explained in previous reports and so has not been repeated here.
- good progress has been made in delivering the remainder of the audit plan (see section 3) as the team has:
  - issued final reports for 67% of the 2010/11 audit reviews and a further 23% of reviews are at draft report stage. Once these reports are finalised, the annual performance target will be met
  - substantially completed the financial systems audits, in that the testing has all been completed and the files are now with external audit. Reports are being produced for discussion with officers
  - continued to provide ongoing challenge and support as a critical friend on the Agresso Project and through the Cross Partner Internal Audit Working Group, the Domestic Abuse Deep Dive. This helps to ensure that timely consideration is given to the controls required to mitigate process or system risks identified. It also enables an independent and real time view to be given on whether the project management arrangements are fit for purpose and going to deliver the required outcomes.

- closed the jobs on the Independent Living and Mental Health Deep Dives as these projects have now finished. Some further work may be undertaken in 2011/12 to establish whether any change to the manner of service provision has resulted from this work
- started work on external grant claims and checking compliance with contract procedure rules in other directorates that will roll into 2011/12
- invested time into setting up work for 2011/12, particularly with regard to the computer audit programme and the risk based element of the plan
- continued to support:
  - the Council's participation in the Audit Commission's National Fraud Initiative for 2010. The data matches have now been received and passed out to services to check
  - the corporate Procurement Review Group which considers submissions to waive Contract Procedure Rules
  - officers when advice is sought on a variety of issues.
- Internal Audit has tested and agreed that 58% of the recommendations due to be implemented this quarter were delivered (see section 3). The cumulative year to date figure is 57%. However it should be noted that action is being actively taken by management to progress the implementation of outstanding recommendations in the vast majority of cases.

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

#### 4. Operating arrangements

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

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

4.2 The main focus of the work this quarter has been to complete the financial systems reviews and to develop work streams for the new financial year. As part of this, some time has been spent:

- defining and profiling the work streams for the review in Enterprise, Tourism and the Environment
- getting a better understanding of the Council's IT risk environment so that the work programme can be developed with ICT Group Manager.

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

4.3 **Appendix 3** summarises the findings of audits completed since November 2010.

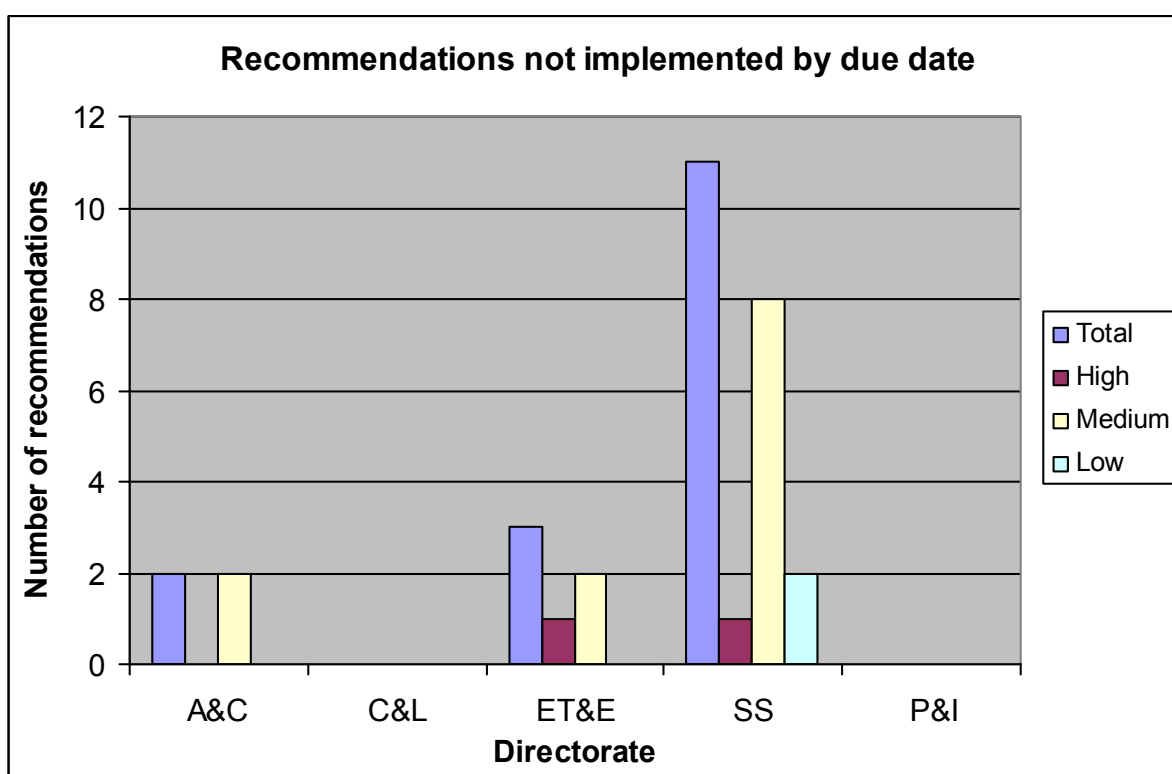
4.4 No limited assurance opinions have been given during this period. The Head of Internal Audit was also able to give certify that there was reasonable assurance that the performance information systems were adequate to produce accurate performance information with regard to the Local Area Agreement Stretch Targets.

## Implementing action plans

4.5 The profile of recommendations outstanding as at 11<sup>th</sup> February 2011 is:

	HIGH	MEDIUM	LOW	TOTAL
All recommendations outstanding	30	59	20	<b>109</b>
Due date between Aug & Nov 2010	5	26	7	<b>38</b>
Not fully implemented by the due date	2	12	2	<b>16</b>

4.6 **Appendix 4** summarises the current status and progress made in addressing all 16 recommendations not fully implemented by the agreed date. The following graph shows these recommendations 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*

4.7 Of the recommendations not fully implemented, four relate to financial systems reports and the issues have been integrated into the Agresso project work. Good progress has been made in addressing many of the other identified risks.

4.8 The team's approach to checking that recommendations are fully implemented is to be reviewed in the next quarter. Going forward, it is unlikely that low priority recommendations will be tested or reported upon in these progress made reports. The recommendation data base will be reviewed for risks which have not been addressed within a reasonable timescale. A decision will then be made with directorates as to whether they want to accept the risk or not.

## **5. Corporate Implications**

### **5.1 Contribution to Council's Aims, Priorities and Outcomes**

Audit work contributes to the delivery of all corporate priorities and outcomes.

### **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 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.

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

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

### **5.5 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.

### **5.6 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.

### **5.7 Risk Assessment**

Failure to operate a robust assurance framework (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.

#### 5.8 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.

#### 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
- CIPFA: Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

### 7. **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 fully implemented by the due date