

# Southend-on-Sea Borough Council

Report of Corporate Director of Support Services

to

**Audit Committee**

on

**27th March 2013**

Report prepared by: Linda Everard, Head of Internal Audit

**Agenda  
Item No.**

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## Summary Audit Progress Report

**Executive Councillor – Councillor Moring**

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

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

- 1.1 To update the Audit Committee on the progress made in delivering Internal Audit's Strategy for 2012/13 and present the Audit Plan and Performance Targets for 2013/14.

### **2. Recommendation**

#### **2.1 The Audit Committee:**

- **notes the progress made in delivering the Internal Audit Strategy for 2012/13**
- **approves the Audit Plan and Performance Targets for 2013/14.**

### **3. 2012/13 Performance Targets**

- 3.1 **Appendix 1** shows that as at 26 February 2013, the joint Internal Audit team was performing well against the 2012/13 targets in that:

- productivity was above target and time lost through sickness absence remained low
- 66% of planned audits were either complete or were at draft report stage.

- 3.2 The team is on target to complete the key financial systems audits by the end of April. This in itself will take the percentage of planned audits delivered to 84%.

### **4. 2012/13 Audit Plan**

*Current Status*

- 4.1 **Appendix 2** shows the current status of planned audits for the year. Any updates made to the status of each audit since the last meeting are shown in bold for ease of reference.

- 4.2 Assurance statements have been drafted that can be used to gain assurance at the yearend that:

- the key corporate management processes remain up to date

- there has been in year monitoring and reporting in some form on their effective application.
- 4.3 A review is currently being undertaken of the Council's arrangements for demonstrating compliance with the CIPFA / SOLACE guidance, Delivering Good Governance 2012. The potential use of these assurance statements will be considered as part of this work.
- 4.4 Good progress is being made in delivering the financial system work programme.
- 4.5 The work with the Local Safeguarding Children's Board, Serious Case Review Panel was focused on helping to ensure that action plans arising from the latest finalised case:
- had developed the correct recommendations to mitigate the systems weaknesses identified
  - were drafted to be clear on the actions required, delivery dates and required supporting evidence to demonstrate they were fully implemented.
- 4.6 In 2012/13, savings identified by services to be taken out of their own budgets were generally supported by evidence of how this was to be achieved. There was less clarity about how all cross-departmental or corporate savings were to be:
- realised when individual budgets were originally set
  - taken out of individual budgets initially as the analysis supporting them was often less robust.
- 4.7 This was, however, resolved during the year and budgets were adjusted to reflect the cross-cutting savings identified. For 2013/14 all savings targets (including cross-cutting ones) will be taken out of budgets at the start of the financial year.
- 4.8 Work planned on assessing whether the trading companies (excluding South Essex Homes) have appropriate arrangements in place to produce relevant year end information has been curtailed. Their trading activity is not sufficiently significant to impact on the annual opinions required regarding financial accounting, governance or internal control.
- 4.9 Two unplanned investigations have also been completed in March 2013 relating to the Pier North End Amusements and the Priory Museum.
- 4.10 **Appendix 3** summarises the key themes arising from the remaining audit reviews completed during this quarter.

### *Resourcing*

- 4.11 An audit trainee joined Southend's Internal Audit Service in January 2013 however it has not been possible to appoint to either of the two auditor vacancies (one at each Council). Another recruitment exercise will be undertaken in March 2013.

## **5. Implementing recommendations made**

- 5.1 Action plans are now being followed up in full when all the agreed implementation dates have passed. There are a few remaining outstanding recommendations from previous reports that still need to be followed up.

RECOMMENDATIONS BEING FOLLOWED UP	AGREED			OUTSTANDING			
	H	M	Total	H	M	N/A	Total
Home Care Services	0	1	0	0	0	0	0
Library Services	2	0	2	1	0	0	1
Local Safeguarding Children's Board Serious Case Review	2	1	3	1	1	0	2
Delivering the Savings	1	2	3	0	2	1	2
Home to School Transport	9	7	16	9	7	0	16

N/A = no longer applicable

***Library Services (remaining follow up recommendations)***

- 5.2 A full set of performance indicators have not been produced as the Library Service review has yet to be completed.

***Local Safeguarding Children's Board, Serious Case Review (remaining follow up recommendations)***

- 5.3 Evidence to support the implementation of all the recommendations arising from the serious case review has not been presented and signed off by the Local Safeguarding Children's Board's (LSCB) Case Review Panel.
- 5.4 Progress on the implementation of high priority recommendations contained in serious case reviews has not been presented to the LSCB's Executive Group.
- 5.5 Internal Audit will liaise with the Corporate Director People to move this forward.

***Delivering the Savings (full follow up)***

- 5.6 The Savings Options proforma completed by managers to identify budget savings proposals has been amended in line with agreed actions. One remaining action relating to the need to gain confirmation that, where appropriate, stakeholder consultation has taken place, is being reassessed for the 2013/14 savings. This will be clarified on the 2014/15 Savings Options proforma.
- 5.7 Action will be taken after full Council has agreed the 2013/14 budget, to take the savings to be made by services out of their individual budgets before the start of the year.
- 5.8 These issues are not fundamental to the delivery of the savings but will improve overall arrangements when identifying potential savings and monitoring their delivery.

***Home to School Transport (full follow up)***

- 5.9 There is evidence that good progress is being made to fully implement these recommendations with a number of actions nearing completion. However, it is not possible to confirm at this time that systems and processes will be able to consistently deliver the service's objectives as some key areas need to be finalised and operational procedures embedded.

- 5.10 New implementation dates have been agreed with officers covering the next four months. An update will be provided at the next Committee meeting of progress made on addressing these recommendations.

## **6. Audit Plan and Performance Targets for 2013/14**

- 6.1 The Public Sector Internal Audit Standards (IA Standards) come into effect from 1 April 2013 (refer information items). The requirements of the IA Standards are not significantly different from the CIPFA: Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. However Internal Audit's current Terms of Reference, Strategy and Audit Approach will need to be updated accordingly.
- 6.2 The CIPFA guidance on how to apply the IA Standards is due to be published in March 2013. Therefore, the Audit Plan and Performance Indicators for 2013/14 are attached at Appendices 4 and 5.
- 6.3 The Audit Plan will be supplemented by a more detailed schedule of when individual schools will be audited. A more substantial risk based approach has been adopted to determining when schools will be audited. The current intention is to undertake a robust review of all schools financial and governance arrangements over the next two years.
- 6.4 An updated Audit Charter (replacing the Terms of Reference and Strategy) will be presented to the Audit Committee in June 2013.

## **7. Corporate Implications**

### **7.1 Contribution to Council's Aims and Priorities**

Audit work contributes to the delivery of all corporate Aims and Priorities.

### **7.2 Financial Implications**

There are no direct financial implications from accepting this report.

### **7.3 Legal Implications**

The Accounts and Audit (England) Regulations 2011 (the Regulations) Section 6 states:

1. A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
2. Any officer or member of a relevant body must, if the body requires:
  - a. make available such documents and records as appear to that body to be necessary for the purposes of the audit; and
  - b. supply the body with such information and explanation as that body considers necessary for that purpose.
3. A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.
4. The findings of the review referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control by the relevant committee or body this has been delegated to.

The standards required of internal audit are set out in the Code of Practice for Internal Audit in Local Government in the UK (2006) published by the Chartered Institute of Public Finance and Accountancy.

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 Regulations. 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.

#### 7.4 People and Property Implications

People and property issues that are relevant to delivering the Audit Plan are 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 discussed and agreed with the relevant Corporate Directors and Heads of Service before being finalised.

#### 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 which may impact of the Council's ability to deliver its corporate aims and priorities.

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
- temporary or permanent reduction in staff resources either through budget cuts, departures or sickness without additional funds to purchase cover or
- a significant number of unplanned investigations arising meaning staff time is spent on those investigation rather than the reviews included in the audit plan.

#### 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 periodically.

#### 7.9 Community Safety Implications and Environmental Impact

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

### 8. Background Papers

- The Accounts and Audit (England) Regulations 2011
- CIPFA: Code of Practice for Internal Audit in Local Government in the United Kingdom 2006
- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2010.

## **9. Appendices**

- **Appendix 1: 2012/13 Performance Indicators**
- **Appendix 2: Internal Audit Plan 2012/13**
- **Appendix 3: Key Themes Arising from Audit Reviews**
- **Appendix 4: Draft Internal Audit Plan 2013/14**
- **Appendix 5: 2013/14 Performance Indicators**