

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director for Corporate Services

to

Audit Committee

on

26 March 2014

Report prepared by: Linda Everard, Head of Internal Audit

Summary Audit Progress Report

Executive Councillor – Councillor Moring

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update the Audit Committee on the progress made in delivering the Internal Audit Strategy for 2013/14.

2. Recommendation

- 2.1 **The Audit Committee notes the progress made in delivering the Internal Audit Strategy for 2013/14 and approves amendments made to the Audit Plan this quarter.**

3. Audit Plan Status (Appendix 1)

- 3.1 Changes to the status of the work planned are highlighted in **bold** for ease of reference.
- 3.2 As reported previously, the Head of Internal Audit's annual audit opinion covers governance, risk management and control. To provide some specific evidence to support the governance element of this opinion, the time allocated to assessing compliance with CIPFA / SOLACE delivering good governance guidance, has been split between two reviews covering:
- Evaluating Risks in Corporate Reporting
 - Data Quality: Performance Indicators.
- 3.3 Going forward, the focus of any governance arrangements audits, will take into account the views and work of the Council's Good Governance Group.
- 3.4 Resources are available to complete the audit plan by the end of May as planned.

4. Key Themes from Completed Audits (Appendix 2)

- 4.1 Audits completed this quarter with audit opinions given are as follows:
- Bournemouth Park Primary School, Adequate
 - Fairways Primary School, Improvement Required
 - Futures Community College, Improvement Required
 - West Leigh Infant School, Good

- Disabled Facilities Grant:
 - Council role, Good
 - Home Improvement Agency's role, Adequate
- Health & Wellbeing Board
 - Governance Arrangements, Good
 - Future Operational Arrangements, position statement given
- Department of Place, Business Support Team Re-Structure, Good
- IT Disaster Recovery, Adequate

4.2 Further work has been undertaken during the period on:

- Procurement Review Group Requests
- the Troubled Families Programme, Payments by Results Scheme Grant where feedback will be provided on the level of compliance with the requirements of the scheme.

5. Implementing recommendations made

5.1 Once all the recommendations contain in a finalised report should have been implemented, they are re-tested to ensure this is the case and the strengthened control arrangements are firmly established in the day to day running of the service.

5.2 The reports followed up this quarter are:

REPORT NAME AND DATE ORIGINAL REPORT ISSUED		AGREED			OUTSTANDING			
		H	M	Total	H	M	N/A	Total
Adult Community College	June 2013	16	14	30	11	11	0	22
Chase High School	June 2013	18	8	26	5	2	1	8

N/A = no longer applicable

Adult Community College

5.3 The college has made reasonable progress in implementing the recommendations agreed in the original report given timescales and resources available. Controls have been strengthened by developing or improving a number of core financial documents and processes. This notably included:

- producing or refreshing and obtaining governor approval of Financial Regulations, scheme of authorities delegated to staff and a debt recovery policy
- ensuring proposed changes to supplier details are genuine to help prevent fraudulent payments
- developing good processes to independently review and approve debt write offs.

5.4 The college is now well positioned to promptly implement the other recommendations as many either relied on implementation of other recommendations or other decisions that have been, or are soon to be, made. These recommendations mainly relate to the content and format of financial reporting to governors and authorisation checks of financial transactions, key reconciliations and budgets.

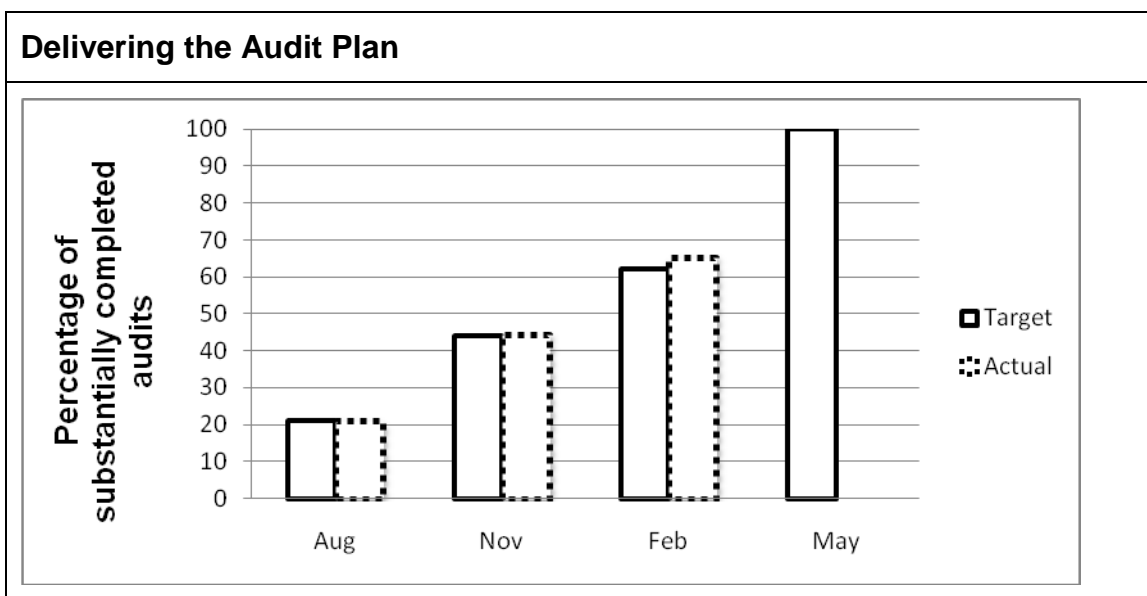
Chase High School

5.5 Good progress had been made to implement the previously agreed recommendations which have strengthened controls around governance and financial management.

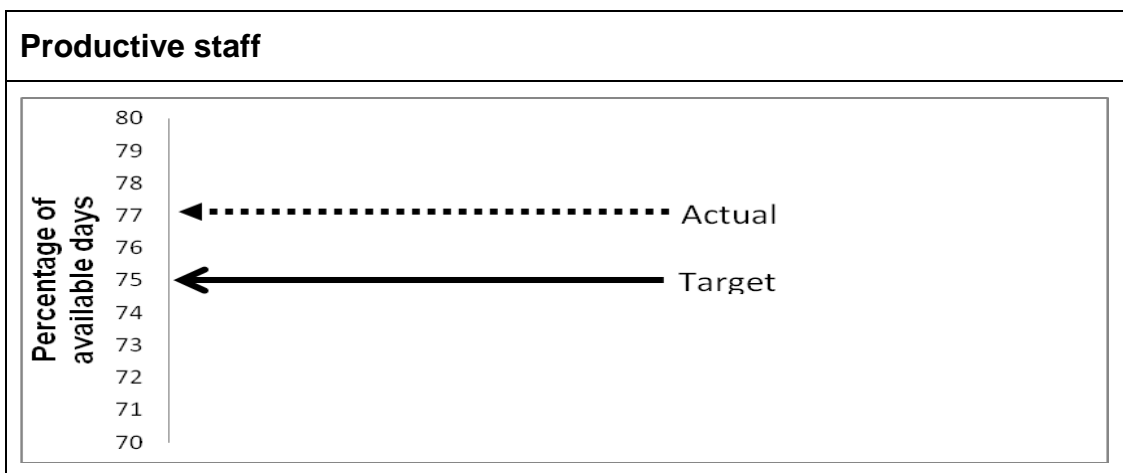
5.6 In order to be able to fully demonstrate that a robust strategic and operational management framework operates, some controls need to become embedded in the school’s day to day operations. These controls will be reviewed as part of follow up work to be undertaken in the 2014 autumn term.

6. Performance Targets

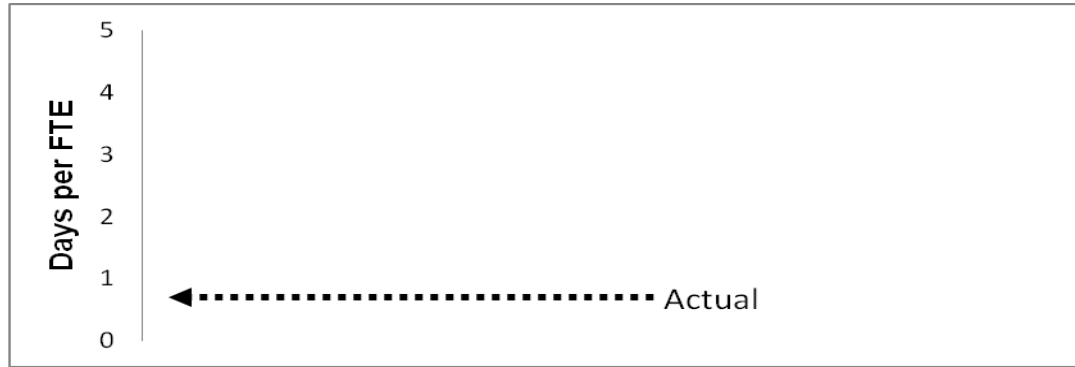
6.1 The Internal Audit team is:



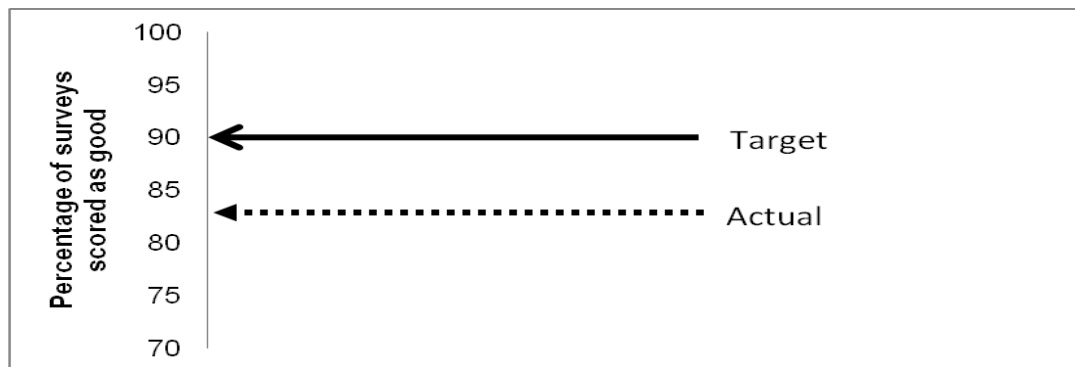
6.2 The Internal Audit team has:



Low sickness absence



Satisfied clients



- 6.3 This reflects two client satisfaction surveys with an overall assessment of adequate instead of good. The reasons for this have been reviewed and, where necessary, action taken to address them.

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

The Audit Plan will be delivered within the approved budget.

7.3 Legal Implications

The Council is required, by the Accounts and Audit (England) Regulations 2011 (the Regulations) Section 6, to maintain an adequate and effective internal audit function, that complies with relevant professional standards and report upon this annually to the Audit Committee.

The UK Public Sector Internal Audit Standards require the Audit Committee to approve (but not direct) the annual internal audit plan and then receive regular updates on its delivery. Therefore this report discharges that duty.

7.4 People and Property Implications

People and property issues that are relevant to audit within the plan will be considered as part of the review.

7.5 Consultation

Discussions are held with the Chief Executive, Corporate Directors / Director, and Heads of Service when updating the audit risk assessment and producing the Audit Plan. The Audit Plan is then presented and discussed with the Corporate Management Team before being approved by the Audit Committee.

All terms of reference and draft reports are discussed and agreed with the relevant Corporate Directors / Director 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 each audit before the Terms of Reference are agreed.

Equality Impact Assessments are completed on relevant internal audit policy / strategy documents whenever they are updated.

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 on the Council's ability to deliver its corporate aims and priorities.

The key team risks are:

- its inability to recruit to a vacant post
- that external supplier won't deliver contracted in work within the required deadlines to the expected quality standards.

Time has been built into the audit plan for managing external contractors. A further recruitment exercise is planned for April / May 2014. The impact on both of these factors is to reduce the days available to deliver audit work.

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. This was last reported in January 2014.

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
- UK Public Sector Internal Audit Standards
- CIPFA Local Governance Application Note for the UK Public Sector Internal Audit Standards
- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2010
- CIPFA: Audit Committee Practical Guidance for Local Authorities and A Toolkit for Local Authority Audit Committees
- CIPFA / SOLACE: Delivering Good Governance in Local Government - Framework.

9. Appendices

- Appendix 1: Internal Audit Plan 2013/14
- Appendix 2: Key Themes Arising from Audit Reviews