

# Southend-on-Sea Borough Council

Agenda  
Item No.

Report of Corporate Director for Corporate Services  
to  
**Audit Committee**  
on  
**24 June 2015**

Report prepared by: Linda Everard, Head of Internal Audit

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**Head of Internal Audit Annual Report 2014/15**

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**Executive Councillor – Cllr Ron Woodley**

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

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## **1. Purpose of Report**

1.1 To provide, for the 2014/15 financial year:

- the rationale for and an audit opinion on the adequacy and effectiveness of Southend-on-Sea Borough Council's (the Council's) risk management, control and governance processes
- a statement on conformance with the UK Public Sector Internal Audit Standards (the Standards) and the results of the Quality Assurance and Improvement Programme.

## **2. Recommendation**

2.1 **The Audit Committee:**

- **accepts the Head of Internal Audit's Annual Report for 2014/15**
- **ensures that the contents of this report are appropriately reflected in the Council's Annual Governance Statement.**

## **3. Background**

- 3.1 The Head of Internal Audit's Annual Report and Opinion provides the Council with an independent source of evidence regarding both the design of its risk management, control and governance framework and how well it has operated throughout the year.
- 3.2 The opinion is predominantly based upon the audit work performed during the year as set out in the risk based Audit Plan agreed with the Corporate Management Team and the Audit Committee.
- 3.3 As outlined in the Internal Audit Charter, audit coverage is determined by prioritising the significance of Council's activities to its ability to deliver its Aims and Objectives. This is done:

- using a combination of Internal Audit and management risk assessments (including those set out in risk registers)
  - in consultation with Heads of Service, Corporate Directors and the Chief Executive, to ensure work is focused on key risks.
- 3.4 Quarterly meetings are then held with the Chief Executive and Corporate Directors to:
- reflect on the original risk profile and work planned
  - determine whether any changes are required to it or the Audit Plan.
- 3.5 Organisationally, this reflects a very mature approach to operating an internal audit function.
- 3.6 All individual audit reports are agreed with the relevant Group Managers, Heads of Service and Corporate Directors / Director before being finalised.
- 3.7 The opinion and summary findings from audit reviews are reported to the Corporate Management Team and the Audit Committee throughout the year.
- 3.8 The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to her opinion.

#### **4 Head of Internal Audit Opinion for the year ended 31 March 2015**

- 4.1 ***A key responsibility of managers at all levels is to satisfy themselves that significant risks are being mitigated to an acceptable level and service objectives are achieved.***
- 4.2 ***Where audits identified the need for improvement this year, the common theme was managers needing to ensure clear understanding of the:***
- ***day-to-day actions taken by their staff; and or***
  - ***suite of 'management information' needed to inform them of key actions taken by staff and performance achieved; and or***
  - ***checks and balances needed in day-to-day activity to reduce the chance of error, omission or fraud.***
- 4.3 ***In recent years, the Council has gone through restructures and changes in management responsibilities in dealing with the financial constraints experienced. It is opportune for the Council to confirm that risk and performance continues to be managed effectively, day-to-day, by operational managers, in support of the delivery of service objectives.***
- 4.4 ***Otherwise the design and operation of the Council's risk management, control and governance framework is considered to be satisfactory.***
- 4.5 **The basis for forming this opinion is an assessment of:**
- the design and operation of the:
    - underpinning governance and assurance framework
    - key financial systems.
  - the range of individual opinions arising from risk based and other audit assignments that have been reported during the year taking into account the relative significance of these areas

- whether management properly implement action agreed to mitigate identified risks within reasonable timescales.

## 5. Supporting Commentary

5.1 The following paragraphs:

- summarise findings from the work undertaken during the year
- highlight some of the areas requiring improvement
- include details of assurance obtained from other relevant sources.

5.2 Where necessary, actions have been agreed with services to strengthen the control environment.

5.3 **Appendix 1** summarises the audit opinions issued regarding the work completed this year.

### ***Governance and Assurance Arrangements***

5.4 The **Local Code of Governance** has been refreshed during the year and sets out the underlying set of values, legislative requirements, governance principles and management processes that enables the Council to achieve its aims and objectives.

5.5 The Council's **Risk Management Policy, Strategy and Toolkit** have also been updated. The main addition has been to build the concepts of risk appetite and tolerance into these documents for the first time.

5.6 The Council continues to maintain a **Corporate Risk Register** that is regularly reviewed by Corporate Management Team and the Audit Committee. Heads of Service identify key risks in their service plans.

5.7 The Council has the core documents, processes and arrangements in place to form an **ethical governance framework** as part of its overall governance arrangements.

5.8 Opportunities to strengthen these arrangements mainly relate to:

- making more explicit reference to ethical considerations and how to apply them in key business management strategies or toolkits
- developing a more corporate approach for officers to proactively and consistently record declarations of interest
- more overtly reporting on the adequacy and effectiveness of this framework.

5.9 The **contract management framework** needed to be updated to ensure it clearly and consistently sets out the Council's expectations of how staff should behave and what they should do when:

- preparing to and letting contracts
- managing them once let.

5.10 Much work has been done towards:

- updating Financial Regulations, Contract Procedure Rules and supporting documentation e.g. the Procurement Strategy and Toolkit which includes reconsidering the role of the Procurement Review Group
- implementing a new E-Procurement IT system, which will:

- support the operation of the updated contract management framework once finalised
  - enable contract management activity to be clearly linked to payments made in Agresso.
  - centrally collating information about all the Council's contracts as well as filing copies of the contractual documentation
  - developing performance information for various levels of management to provide assurance that Contract Procedure Rules are being complied with.
- 5.11 During the year, the Corporate Procurement team also went through a significant service review and restructure to ensure it:
- remains fit to support services' needs, which in some areas are growing in complexity
  - operates in line with the revised Corporate Procurement Rules going forward.
- 5.12 Consequently, when looking at the manner in which various contracts had been let and managed during the year, the opportunity was identified to do both better and more consistently in line with industry recognised good practice. Implementing and embedding the actions outlined above should help to strengthen these arrangements.

### ***Service Delivery Risks***

- 5.13 A key objective for Internal Audit is to give a view on whether the Council's risk management and control processes are robust enough to enable services to effectively contribute to the delivery its corporate aims and objectives.
- The remainder of the report therefore, structures the audits undertaken of services areas under the corporate aims they help deliver so this connection can be made.

### **CLEAN**

- 5.14 The **Traffic and Highways team** needed to significantly improve its arrangements with regards to:
- maintaining appropriate tender and contract documentation
  - ensuring staff consistently managed contracts in accordance with the terms set out within them so that work was delivered on time, to budget, in line with client expectations.
- 5.15 By the end of 2014/15:
- many of the services managed by this team had been redesigned and retendered
  - work was underway to prepare the remaining areas to be market tested
  - the team had been restructured.
- 5.16 The Corporate Procurement team had been involved in the exercises to redesign and retender much of this work.

## HEALTHY

- 5.17 Clients are made aware of the Council's expectations on the use of **direct payments** through a Direct Payment Agreement. Clients then submit quarterly monitoring returns along with accompanying receipts and documents to support the use of this monies.
- 5.18 Work is in hand to improve the **financial monitoring** arrangements in place for ensuring these payments (made directly to clients not via Vibrance, the Council's contract provider) are used to meet the assessed eligible needs and outcomes identified in Care Support Plans. The service area is also recruiting staff to fill vacancies and the key tasks for this particular function are being reviewed and reassigned within the team.
- 5.19 Previously, work was done to evaluate specific potential control weaknesses relating to **direct payments** made to clients with **mental health** difficulties although the resulting recommendations would strengthen all direct payment processes. When this was revisited, the brief was extended to include the processes to recover surplus monies on client accounts held by Vibrance (the contracted out service provider).
- 5.20 Action is in train to:
- formalise the Council's day to day operating expectations of staff, Vibrance and South Essex Partnership University NHS Foundation Trust (SEPT) employees when engaged in making these payments
  - to improve the manner in which decisions on care packages are recorded for clients with mental health difficulties, to minimise the risk they may be misinterpreted.
- 5.21 The arrangements have already been strengthened for ensuring segregation of duties between setting up client accounts on Care First, inputting and authorising care packages and establishing creditor details on the Accounts Payable system.
- 5.22 Whilst monitoring arrangements are in place, the various management teams' within the Department of People need more consistent arrangements to actively monitor whether **recommendations arising from Ofsted reports** are implemented fully, effectively and in a timely manner. These cover Schools, Children's Centres and Private Voluntary Independent settings and the Council's Children's Social Care Services.
- 5.23 To further develop these arrangements, action is being taken to:
- more clearly direct staff via the Improving Learning Together Policy, on how to effectively address these recommendations
  - improve the constitution and operation of School Improvement Project Boards
  - ensure 'action plans / School Improvement Plans' are always produced promptly, for each relevant body or service, that are SMART and address all OFSTED recommendations
  - strengthen the monitoring arrangements in each of these areas, clarifying how this is going to be done and responsibilities for doing so.

5.24 Overall, the **Quality Audit Plan Framework for Children's Social Care Services files**:

- is designed and focused appropriately
- is being delivered by appropriately qualified people, including some external to the Council although more formalised agreements with these people would be beneficial
- delivers an appropriate number of reviews annually, although in some months, significantly less than the required numbers were undertaken
- provides management with good quality, independent evidence about the results of these reviews
- sits within a wider quality assurance framework and has had notable examples of being used to identify, understand and drive improvements.

5.25 A strong escalation process is now in place and further action taken to ensure files are consistently meeting the defined quality standards by demonstrating:

- a clearer understanding of where improvements are needed
- why weaknesses are occurring.

5.26 The Council has:

- effectively introduced the new **Education, Health and Care Plans** (EHC plans) for those children and young people now requiring one
- a solid basis from which to provide an EHC plan for each child individually and for the whole caseload by April 2018 statutory deadline.

5.27 Work is now underway to further develop the arrangements with a view to:

- being able to consistently complete EHC plans within the 20 week target (which the DoE acknowledges is challenging)
- improving the consistency and usefulness of health representatives' input into the development of EHC plans
- making more effective use of the Capita ONE electronic document record system to record and manage all EHC plans.

5.28 In the Safeguarding, **Case Review for Baby AR**, the original action plan dates had not been achieved in that:

- 50% had been fully implemented
- work had been done to consider or improve operational processes regarding the remaining eight recommendations.

5.29 Action is being taken to fully integrate the monitoring of case reviews into the department's performance management framework.

5.30 A workbook was produced for and training provided to staff from all partners involved in **writing action plans** following a **children's serious case review**. The Head of Internal Audit then supported the Local Safeguarding Children's Board Case Review Panel to develop an action for a specific case.

5.31 Management has recognised that **reablement** outcomes are most effectively achieved when delivered by many, if not all, health and social care disciplines rather than a discrete, time-limited service as currently delivered. Therefore a specific reablement strategy is not now necessary but this does need to be a common thread through all other relevant strategies.

- 5.32 The "Community Recovery Pathway" project is now underway to review and where necessary, redesign many social care services and their entry pathways. This will include challenging the ongoing appropriateness of these arrangements with regard to:
- future capacity to be able to place all those that need it into reablement rather than mainstream homecare service
  - who is best place to deliver these services, in-house teams and or external providers.
- 5.33 Current contractors are managed well. New contracts, being introduced in April 2017, will include incentives to ensure individuals' reablement improvements endure beyond their initial package.
- 5.34 Management and capacity information will also be improved so all providers are assessed against the same performance framework. This will include measuring whether service users are admitted to hospital in the 90 days after reablement, a key target.
- 5.35 **Public Health, Patient Group Directions** have been developed appropriately following extensive consultation with and professional challenge from key health service partners. They also meet the National Institute for Care Excellence's good practice guidance.
- 5.36 Individual providers have been commissioned appropriately and there are satisfactory arrangements in place to monitor providers' performance in delivering the services.
- 5.37 The actions in the original **Public Health Contract Management report** had been substantially addressed. Action was in hand to apply the quality assurance approach on all contracts including those the Council was not the accountable body for but would be from October 2015.
- 5.38 The original **Disabled Facilities Grants** audit assessed whether:
- these decisions are appropriate
  - the Home Improvement Agency (Papworth Trust) carries out its required duties on behalf of the Council effectively and fairly in all cases.
- 5.39 Papworth Trust had fully addressed all of the issues arising from this work. The Council had:
- effectively monitored the implementation of the action plan by embedding this in the Major Adaptation Boards Terms of Reference and work programme
  - to make a minor amendment to the specification of works to complete all its recommendations.
- 5.40 The main area of work this year remains the audit of the quarterly **Troubled Families Programme, Payments by Results Scheme for Local Authorities** returns. This primarily involves confirming that those families considered for payments by results funding meet the defined criteria for entering and leaving the scheme.
- 5.41 In order to become an eligible family, the scheme's entry and exit criteria is very prescriptive. The Council's approach has been to validate the evidence available against this criteria when auditing the claim. The DCLG has indicated that this approach is line with its expectations and represents good practice.

- 5.42 Internal Audit continues to work very closely with the service to ensure that reliable processes are operated to validate the evidence supporting claims submitted. Some issues were experienced during the year, obtaining appropriate evidence for claimants identified from 'data sweeping' exercises. Protocols were subsequently established setting out how most of these evidencing issues will be dealt with, although further work is required where information is required from sources outside the borough.
- 5.43 Phase 2 of this programme will commence in July 2015. Although the audit requirements are more explicit, the current arrangements are already compliant. Internal Audit is working with the service to agree protocols for evidencing claims under the expanded programme.
- 5.44 Key financial, operational and governance documents are in place setting out how **the Forum** is controlled and operated. It was identified that these arrangements should be strengthened by:
- providing Councillors further guidance and training on discharging their joint roles where they also serve as directors on the Forum's management company
  - formalising the Council's information regulations from the Forum to keep it abreast activity and developments, which should include:
    - regular and insightful reports on its financial and operation direction and actual performance via a measureable set of indicators which also cover apportioning shared costs
    - producing an annual report of the activities of Councillors serving as directors.
- 5.45 Where Councillors have roles with other organisations similar to those on the Forum, the arrangements should be strengthened in the same way.

## **PROSPEROUS**

- 5.46 The Policy and Resources Scrutiny Committee's (the Committee) produced a report making eight "pledges" as part of an action plan to deal with the effects of **welfare reform**. The action plan could set out more clearly for all pledges, what was going to be delivered, by when and how this was going to be monitored. At the time of the audit, an update was still to be produced for senior management or the Committee on the delivery of the action plan. It would appear that not all staff allocated work to do, were aware of this, so action is being taken to address this.
- 5.47 It has been agreed that quarterly updates will be produced for the Head of Finance and Resources and subsequently for the Scrutiny Committee, on a frequency it determines is necessary.
- 5.48 Opportunities have been identified to strengthen the arrangements for operating **Highway and Traffic Management schemes** implemented by a **Traffic Regulation Order (TROs)**. Work is in progress to:
- produce a more formalised policy framework for dealing with Members' requests for such schemes
  - embed effective arrangements to provide management with assurance that TROs are produced in line with statutory requirements.
- 5.49 Successful appeals and public feedback are now routinely used to identify and rectify issues with TROs.



- 5.50 The original **parking management schemes** (PMS) audit assessed whether there were effective arrangements to establish schemes, and subsequently award permits, levy charges, monitor and enforce them. Some progress has been made to address the issues identified from this audit. Further work is in train to:
- clarify how feasibility and post-implementation assessments of schemes will be undertaken
  - publicise information about the schemes
  - improve documentation used to check and sign off new schemes when they are being developed
  - reconcile parking income from all sources including parking management schemes.
- 5.51 Some action has also been taken to strengthen the arrangements for implementing future schemes.
- 5.52 In recent years, the Council has successfully delivered a number of high profile **capital projects**. Nevertheless, at the time of the audit, there was a need to ensure that a more consistent and evidenced approach was taken to managing them. This would increase assurance that the framework adopted, for both individual projects and the collective capital programme, helps ensure:
- clearly stated benefits are achieved
  - they are delivered on time and budget.
- 5.53 In order to achieve this, action is being taken to:
- formalise the working relation between the commissioners of capital projects (i.e. service areas) and the Property and Regeneration team (as the service delivering the projects)
  - ensure commissions of projects adopt stronger, more systematic pre-project and project initiation stages to ensure projects are feasible, accurately costed and provide sufficient return on investment
  - improve documentation regarding the progress of capital projects, issues logs, post implementation reviews and the contractors' project management procedures to reflect good practice.

### **Schools Audits**

- 5.54 A two year **schools audit programme** commenced in 2013/14 covering the adequacy and effectiveness of finance, management and governance arrangements.
- 5.55 21 schools were audited during 2014/15, of which:
- 90% were assessed as having adequate arrangements overall
  - 10% needed to significantly improve their overall arrangements.
- 5.56 The most common areas requiring improvement, from the work undertaken over the last two years, involve schools ensuring:
- The governing body is properly formed and governors are effectively recruited and trained.
  - Roles, responsibilities and powers are clearly defined and enforced.

- Confidential, personal and sensitive information is effectively managed and secured.
  - Assets are secured and maintained.
  - There are sufficient, appropriately qualified and experienced finance staff to plan, process and manage financial arrangements effectively and efficiently.
  - Financial transactions are accurate, complete, authorised, substantiated, made securely and accurately recorded.
- 5.57 Of the eight **schools revisited** this year, the majority had satisfactorily implemented most of their action plan actions. In the remaining instances, it was possible to establish that they are being or will soon be addressed.
- 5.58 Schools could evidence more clearly and consistently, how **Pupil Premium monies** are being used to target and improve attainment. Less than half the schools had fully completed the Analysis and Challenge Toolkit although:
- two thirds of them had developed action plans and reported on these to Governors
  - all schools had published performance information about their use of the Pupil Premium on their web sites.
- 5.59 The plan to revisit the Southend Adult Community College report was postponed on the basis of the College's advised lack of progress in addressing any more of the outstanding actions.

## **EXCELLENT**

- 5.60 Appropriate **tendering and contract documentation** could not be provided for six of the 10 randomly selected suppliers, with whom the Council had spent over £50k. Where it is necessary, appropriate action is being taken by services and or the Corporate Procurement team.
- 5.61 ICT has a well-documented intelligence gathering system in place to ensure that its **IT related assets procurement plans** are well informed and likely to reflect organisational needs. Action is now being taken to:
- more clearly reference the links between corporate and ICT objectives and these plans
  - ensure that business cases presented to the Southend Digital Group more consistently use the approved proforma.
- 5.62 The draft Staff **End User Device** Strategy of December 2014 sets out an appropriate, strategic vision and principles for operating a mobile workforce, effectively using technology. Further work is now being undertaken to set out how ICT will practically apply these principles, referencing this to established working practices, plans and strategies.
- 5.63 The Southend Digital Strategy challenges services to identify their digital opportunities and challenges in relation to delivering corporate priorities. It will be enhanced to consistently describe the current impact of its aims on service design, the way staff will work and devices used.
- 5.64 In future, the annual planning meetings ICT has with services will be used to prompt consideration of the requirements of these two documents.

- 5.65 Strong controls operate to allow ICT staff to challenge, and if necessary, veto purchases of devices that don't match business or technological requirements or represent poor value for money.
- 5.66 The service successfully maintains compliance with the Public Sector Network requirements, robustly securing data at user and overall infrastructure level.

### **Key Financial Systems**

- 5.67 The objective of this work is to provide the Section 151 Officer with assurance that:
- significant controls within these financial systems effectively prevent or detect material errors on a timely basis
  - information produced by these financial systems can be relied upon when producing the Council's financial statements.
- 5.68 Five of the nine systems were assessed as providing high or satisfactory assurance overall that this objective would be met (refer Appendix 1). Opportunities were identified to strengthen aspects of these systems and action agreed to address this. Some controls tested in the remaining systems would also deliver this objective.
- 5.69 Historically the bank reconciliation process was performed manually using spreadsheets. For transactions taking place from 1 April 2014, the Agresso bank reconciliation module was introduced which allows the automatic matching of items (where such matching rules can be written). After an implementation and testing period, the Agresso bank reconciliation module went live during August 2014. This immediately created a backlog of reconciliations on the system from April to August. During this period, the Cash Receipting module on Agresso was also implemented.
- 5.70 Work continues therefore, to ensure that:
- the delays in completing (and in some instances balancing) reconciliations are dealt with, which include:
    - **General Ledger** to bank accounts (monthly)
    - cash book to bank records (monthly)
    - payment systems to **Cash Receipting System** (daily)
    - **Payroll** to the General Ledger (monthly).
  - the issues with the new Agresso automated item-matching module, which supports the reconciliation of the general ledger to the bank accounts, are resolved
  - the evidence kept to support the creation of virements is improved and the receipt and banking of cheques and cash is properly controlled
  - arrangements for quality checking that **housing benefits** claims have been properly assessed and the recorded amount of benefit is actually correct, are improved.

- 5.71 With regards to the **Payroll** system (minimal assurance), as reported previously, a number of the processes operated are manual and therefore carry an inherently higher risk of inaccuracy and incompleteness. Management are aware of, and have chosen to accept these risks until these processes can be automated. The current implementation date for the HR and Payroll module is the end of June 2015.
- 5.72 The purpose of the original **social care debt recovery** audit was to assess whether it was appropriately designed and effectively operated.
- 5.73 Further action is being taken to:
- clarify instructions to staff on the day to day processes to be applied when recovering and managing debt
  - strengthen management arrangements to confirm proper processes are being applied
  - ensure staff use the management information available directly from Agresso as this will be complete and accurate
  - develop the use of the Electronic Document Retention and Management system (Civica) to prompt staff to follow a standard debt recovery process
  - develop appropriate and proportionate reporting of overall debt management performance to senior management.
- 5.74 Unqualified opinions were given on the Local Transport Plan, A127 and Pothole Repair Grants (refer Appendix 1).

### ***Implementing Action Plans***

- 5.75 Action plans from audit reports have only been revisited during the year if the control weaknesses identified were more significant (e.g. where a partial or minimal assurance opinion was given). The result of this work is reported to the Corporate Management Team and the Audit Committee each quarter.
- 5.76 From the work undertaken this year, it would appear that departmental arrangements for ensuring action plans from independent performance assessments are implemented, properly and in a timely manner, are not as consistently robust as they have been.
- 5.77 Internal Audit will work with departments to ensure the arrangements relating to internal audit reports are efficient and take account of the way the service now undertakes this work.

### **CONCLUSION**

- 5.78 As reported last year, an important source of evidence that service, process and systems are operating as they should, is obtained through targeted and proportionate management checks undertaken by managers. Managers need to be clear on the checks needed to be taken to ensure that these controls are adequate and effective. Greater focus is needed to sustain this.

## 6. Compliance with Professional Standards

### 6. Head of Internal Audit Opinion

6.1 ***The service has substantially conformed to the relevant professional standards throughout the year.***

#### **Audit Plan 2014/15**

6.2 **Appendix 2** shows the final status of the 2014/15 Audit Plan (which is a comparison of actual work completed against work planned).

#### **Performance Indicators**

6.3 The team have delivered against the majority of the 2014/15 performance indicators (refer to **Appendix 3**) in that:

- sufficient work was completed for the Head of Internal Audit to form an opinion on the adequacy and effectiveness of the risk management, control and governance framework
- staff productivity has remained high and sickness absence low throughout the year
- the external auditors confirmed that they could rely on Internal Audit's work
- the average day rate for the service remains competitive.

6.4 As previously reported, a key factor in the team's ability to deliver the Audit Plan this year has been staff resources. Whilst two vacancies were filled during the year (albeit in November 2014 and late March 2015), two more vacancies were created when two auditors left the team in December 2014 and February 2015. It has also been without a Business Support Officer since June 2014.

6.5 The team had a new external supplier for 2014/15, after signing up to a framework contract in May 2015 that runs to March 2018. Whilst they have performed satisfactorily, there is as always a period of bedding in whilst the supplier gets up to speed with the team's processes and the councils' arrangements. Additional in-house staff time has been required to effectively manage the supplier and work with them to get reports finalised.

6.6 Given the significant resourcing issues experienced during the year, this was still a reasonable performance overall by the team.

6.7 Senior management were surveyed this year to seek independent evidence on the delivery of aspects of the Standards. Overall, the feedback received supported the compliant assessments with regards to:

- producing a risk assessment and audit plan that reflects significant risks
- exhibiting professional objectivity
- producing uninfluenced opinions and balanced feedback
- demonstrating appropriate skills and knowledge about areas audited
- conducting audits efficiently and making appropriate recommendations
- communicating effectively
- adding value to the Council.

## Quality and Improvement Programme

- 6.8 I can confirm that I have maintained an appropriate Quality and Improvement Programme (QAIP) during the year. As required by the Standards, this consisted of:
- ongoing supervision and review of individual audit assignments
  - reporting on a set of performance targets to the Audit Committee each quarter
  - completing a self assessment which evaluates conformance with the Standards.
- 6.9 **Appendix 4** shows the:
- final position statement on the actions taken during the year to address areas that were not fully conformant with the Standards at the end of 2013/14
  - new actions arising from either of the annual assessments completed as outlined above, regarding the team's performance during 2014/15.
- 6.10 The main area still requiring some attention, when last reporting on compliance with the Standards, was the need to amend aspects of the Audit Manual. All 2015/16 audit work will apply the updated Audit Manual which will conform to the requirements of the Standards.
- 6.11 During the year, some:
- minor amendments will also be made to some of the team's other documents as identified in the action plan
  - thought will be given as to whether there is a more efficient manner to obtain feedback from services regarding compliance with aspects of the Standards when delivering audits.
- 6.12 Action will also be taken to:
- refresh the vision for the team
  - complete a service review and address any issues that arise from this.
- 6.13 Senior management has chosen not to implement the Standard relating to the appointment and removal of the Head of Internal Audit as the Council's normal HR practices would already mitigate this perceived potential risk.

## Other Disclosures

- 6.14 As required by the Standards, I can confirm that the Internal Audit service has:
- operated in a manner that maintains its organisational independence throughout the year
  - been able to determine the scope of reviews, perform the work and report on its findings without interference neither has there been any inappropriate resource limitations imposed upon it.

## Conclusion

- 6.15 It is possible to conclude that the Council maintained an adequate and effective internal audit service during 2014/15.

- 6.16 The service will continue to maintain an action plan that captures opportunities to strengthen its operating arrangements as and when they arise.
- 6.17 The results of this work will be reported to the Audit Committee periodically.

## **7. Issues for the Annual Governance Statement**

- 7.1 No issues have come to my attention this year other than those already disclosed, that I believe need including in the Council's Annual Governance Statement.

## **8. Corporate Implications**

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

Audit work contributes to the delivery of all Council Aims and Priorities

### **8.2 Financial Implications**

The Audit Plan was delivered within the approved resource budget.

### **8.3 Legal Implications**

The Council is required, by the Accounts and Audit Regulations 2015 (the Regulations) Section 5, to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. Professional Standards require that the Head of Internal Audit to report on compliance with this annually to the Audit Committee. This report satisfies this requirement.

### **8.4 People and Property Implications**

People issues that were relevant to delivering the Audit Plan were raised in the quarterly progress reports.

### **8.5 Consultation**

All terms of reference and draft reports were discussed and agreed with the relevant Corporate Directors and Heads of Service before being finalised. This annual report has also been presented to and discussed with senior management.

### **8.6 Equalities Impact Assessment**

The relevance of equality and diversity was considered during the initial planning stage of every audit before the Terms of Reference were agreed.

### **8.7 Risk Assessment**

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the governance, risk management and control arrangements which may impact of the Council's ability to deliver its corporate objectives.

### **8.8 Value for Money**

Opportunities to improve value for money in the delivery of services were identified during some reviews and recommendations made as appropriate.

Internal Audit periodically undertakes a service review to assess whether its costs remain competitive. This was reported upon to the January 2014 Audit Committee. It's regular suite of performance indicators cover cost, process delivery, staff productivity and effectiveness and so enable a view on whether the service delivered provides value for money.

## 8.9 Community Safety Implications and Environmental Impact

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

## 9. Background Papers

- The Accounts and Audit Regulations 2015
- 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

## 10. Appendices

- Appendix 1: Summary of work that support the 2014/15 Audit Opinion
- Appendix 2: Internal Audit Plan 2014/15 as at 12 June 2015
- Appendix 3: Performance Indicators 2014/15 as at 12 June 2015
- Appendix 4: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan