

Internal Audit reports identifying significant risk or 'of concern':

SECTION 38 AGREEMENT

AUDIT COMMITTEE

Date: 23rd November 2010

Author: Head of Internal Audit

Wards Affected: None

Purpose

Members requested that at least one individual audit report be presented to each meeting of the Committee. This report should be one that has been classified as being of 'significant risk' or 'of concern', if one had been issued since the previous meeting of the Committee. If not, then a report would be selected in liaison with the Chair of the Audit Committee.

Audit Committee requested that the Internal Audit report on Section 38 Agreements be presented to the committee.

Recommendation

- It is recommended that the contents of the report be noted.

1 Reasons

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.
- 1.2 Internal Audit's terms of reference require that at least one individual audit report be submitted to each meeting of the Committee.
- 1.3 Audit Committee requested that the Internal Audit report on Section 38 Agreements be presented to the November meeting of the Audit Committee.

2 Detail

- 2.1 A copy of the report following the internal audit review of the Council's regarding Section 38 Agreements is attached as Appendix 1. The report was finalised on 7th September 2010 and an overall risk assessment of only 'Moderate' was given. The audit found that most of the significant controls are in place and operating satisfactorily although some non-compliance was identified and therefore there is scope for improvement. The initial management response is also included in this report.
- 2.2 Recommendations made in the report to achieve the improvements required include:

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- To maintain the quality of record keeping and ensure due process is followed, a quality assurance programme should be introduced. This will provide a systematic monitoring and evaluation process at the various stages and approvals required to successfully complete a S38 agreement.
 - To ensure the fees received are realistic and fully cover the cost of the service provided, individual trading accounts should be introduced for the higher value jobs. This would include charging time against each project. Currently the section cannot demonstrate whether fees charged reflect the true cost of the work carried out i.e. break even.
 - Regular management reporting should be introduced so that management can monitor overall service performance and address any significant issues that may need escalating on a timely basis i.e. agreements where developers are not undertaking remedial work promptly, quality standards are not achieved leading to re-inspections or lengthy delays in completing a S38 Agreement (4 current files reviewed during the audit were up to 10 years old). To facilitate this a set of S38 agreement performance indicators should be developed and periodically reported on. These should feed into the LPAR process to demonstrate how the S38 Team provides a cost effective service and meet the needs of their customers and communities.
- 2.3 The Head of Highway Network Management has provided a point-by-point update of progress in implementing each of the recommendations is also provided (see Appendix 2).
- 2.4 The audit report, management responses and updates on progress are submitted for Members consideration.
- 2.5 The Head of Highway Network Management will be attending the meeting to answer any questions that Members may have.

Alternative Options

Not Applicable.

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Risk Management

Financial and Procurement Implications

There are no direct financial implications arising from this report however the detailed audit report addresses the suitability of internal controls within the systems examined.

Legal/Human Rights Implications

Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2006. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

Effective systems of internal control within the Council will help to ensure that the objectives set out in the Corporate Plan and Swindon 2010 are achieved.

Consultees

The Director of Finance (Section 151 Officer) and the Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

Various other officers – as listed in the attached audit report (see Appendix 1)

Appendices / Background papers

Appendix 1 – Internal Audit Report: Section 38 Agreements

Appendix 2 – Update on individual Internal Audit recommendations

Key Decision/Decision in Forward Plan

Not Applicable