

Southend-on-Sea Borough Council

Agenda
Item No.

Report of the Chief Executive

to

Audit Committee

on

6th September 2017

Report prepared by: Linda Everard, Head of Internal Audit

Internal Audit Services, Quarterly Performance 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 2017/18.

2. Recommendations

- 2.1 **The Audit Committee notes the progress made in delivering the 2017/18 Internal Audit Strategy.**

3. Internal Audit Plan Status

- 3.1 **Appendix 1** sets out the current status of the audit work planned for the year as at 14th August 2017. This highlights where audits contained in the original plan considered by the Audit Committee in March 2017 have changed and why.
- 3.2 The only audit where the proposed focus of the work has changed is the Social Care IT Case Management System, Project Implementation review. In order to add the most value to officers at this stage as well as provide suitable independent audit assurance to management, the focus is now to:
- provide a framework that can be used to assess whether the project is ready to 'go live'
 - evaluate the robustness of the assessments made before any decisions are made to 'go live'.
- 3.3 The programme is now substantially resourced. Resources are just being finalised for some quarter four work. The decision has been taken to limit the use of contractors between January to March 2018 as the team has limited capacity to support them. As reported previously, this then leads to delays in processing reports and finishing audits. So contractors will only be used where specialist skills are needed and the work is time critical.
- 3.4 There is no contingency left in the budget. However, if new risks emerge during the remainder of the year, jobs will be deleted / postponed to accommodate the work.

4. Performance Targets

- 4.1 As outlined in the Strategy presented to the March 2017 Audit Committee, the team will be reporting on a more limited set of indicators this year given the amount of work that is still being contracted out.
- 4.2 So as at 14th August 2017:
- the team has not had any sickness absence since April 2017 (which impacts on productivity)
 - in terms of the jobs in the plan:
 - terms of reference have been produced for 9%
 - 21% audits are in progress
 - reports are being produced or discussed for 21% audits.
- 4.3 A programme of stakeholder surveys has been produced and these will be completed throughout the remainder of the year as audits are completed.
- 4.4 Progress in addressing actions arising from stakeholder surveys and the 2016/17 assessment of compliance with professional standards will be reported to the Audit Committee in January 2018.

5. Shared Service Board

- 5.1 The next meeting is scheduled for 7th September 2017. The main agenda items being to:
- review the various refreshed working agreements between the respective parties for internal audit and counter fraud and investigation services, as these need to be in place by 1 October 2017
 - consider the assessment documents proposed for capturing stakeholder views on performance:
 - at Head of Internal Audit / Group Manager, Counter Fraud & Investigation level
 - in delivering the services defined in the joint working agreements
 - when dealing with services on individual audits / investigations.
- 5.2 The work programme for the Board and the performance information to be provided to it going forward will be considered at a future meeting.

6. Resourcing

- 6.1 The refreshed Joint Working Agreement for Internal Audit will set out that all the posts for the combined team will be part of the Council's establishment. Castle Point Borough Council will commit to:
- provide funding to cover the level of audit coverage that it requires
 - indemnify the Council against an appropriate level of costs incurred should the joint working agreement cease.
- 6.2 This approach has been taken as it is felt that:
- this will increase the chance of filling the remaining vacancies
 - it will create a more cohesive team.

- 6.3 Therefore, the combined structure will consist of:
- two Audit Managers (both in post)
 - two Senior Auditors (both posts vacant)
 - four Auditors (two posts vacant)
 - cash (in the form of vacant posts) to buy in specialist services at both sites.
- 6.4 The team will be going out to advertise for a Senior Auditor in September 2017. Some budget has been set aside to fund such an appointment for the last quarter. If this campaign is unsuccessful, it is unlikely this money will be spent.

7. Independent Assessment of the Internal Audit Service

- 7.1 A summary of the approach to be adopted to the External Quality Assurance review is attached at **Appendix 2**. The Institute of Internal Auditors will start the document review in September 2017 as this can be done remotely. The reviewer will then be on site between 2nd and 4th October 2017.
- 7.2 The results of this review will be reported to the Audit Committee in due course.

8. Corporate Implications

8.1 Contribution to Council's Aims and Priorities

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

8.2 Financial Implications

The Audit Plan will be delivered within the approved budget.

Any financial implications arising from identifying and managing fraud risk will be considered through the normal financial management processes.

8.3 Legal Implications

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. This report contributes to discharging this duty.

8.4 People and Property Implications

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

8.5 Consultation

The audit risk assessment and the Audit Plan are periodically discussed with the Chief Executive, Deputy Chief Executives and Directors before being reported to Corporate Management Team and the Audit Committee.

All terms of reference and draft reports are discussed with the relevant Deputy Chief Executives and Directors before being finalised.

8.6 Equalities Impact Assessment

The relevance of equality and diversity is considered during the initial planning stage of the each audit before the Terms of Reference are 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 internal control framework that may impact of the Council's ability to deliver its corporate aims and priorities.

The main risks the team continues to manage are the:

- potential loss of in-house staff and the ability of the service to replace this resource in a timely manner
- lack of management capacity to support and process work in a timely manner and provide strategic leadership to the team
- possibility that the external supplier won't deliver contracted in work within the required deadlines to the expected quality standards
- need to maintain relationships with clients / partners until the service has been rebuilt.

8.8 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.

8.9 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 Regulations 2015
- UK Public Sector Internal Audit Standards
- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards

9. Appendices

Appendix 1 Internal Audit Plan 2017/18

Appendix 2 Independent review of the Internal Audit Service