

Southend-on-Sea Borough Council

Agenda
Item No.

Report of the Chief Executive

to

Audit Committee

on

25th April 2018

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**
- **approves the amendments to the Audit Plan.**

3. Internal Audit Plan Status

- 3.1 **Appendix 1** sets out the current status of the audit work planned for the year as at 13th April 2018.

3.2 The amendments made to the Audit Plan this quarter involve:

- moving the following reviews to the 2018/19 Audit Plan:
 - Recycling, Waste and Street Cleansing Services Contract Management to take account of a change in working practices
 - P Cards Revisited as this work has only just started.
- deleting the work planned on Housing Benefit: Risk Assessment of New Claims, as this is no longer needed as a separate audit
- including time taken to provide additional advice and support with regard to the:
 - Pre-payment Cards, contract letting process
 - Airport Business Park procurement.

4. Audit Opinions and Themes

- 4.1 **Appendices 2a to 2d** summarise the results of the audit work completed since 5th January 2018. No minimal audit opinions have been issued.

5. Performance Targets

5.1 As at 13th April 2018:

- the in-house team has had 35 days of sickness absence since April 2017 that equates to 5.2 days per FTE (and impacts on productivity). It has increased sharply due to the combined effect of:
 - a change in calculation methodology, i.e. the Business Support Team is now included in the figures as they currently carry out work that contributes directly to the delivery of the team's Strategy and Audit Plan
 - one member of staff having had an 18 day absence in February and March 2018 due to being injured in a car accident.
- in terms of the 64 jobs in the plan:
 - 50 audits have been completed
 - two audit report is being discussed with clients
 - three reports are with the Audit Manager for review
 - fieldwork has been completed and or draft reports are being produced for two audits
 - seven audits are in progress.

5.2 **Appendix 3** reflects the results of six surveys undertaken since April 2017. Overall the feedback obtained remains very positive. The key overall message is that stakeholders find the Council's Internal Audit service to be professional, approachable, flexible and of tangible benefit to their services as well as the Council as a whole.

5.3 **Appendix 4** sets out the actions arising from the:

- Head of Internal Audit's assessment of compliance with the Public Sector Internal Audit Standards as reported in the Annual Report presented to the Audit Committee in June 2017
- independent external review of compliance completed by the Institute of Internal Auditors in October 2017.

5.4 Reasonable progress is being made to address these issues. The action plan will continue to be reported to the Audit Committee until all the outstanding actions are complete.

6. Resourcing

6.1 A new Senior Auditor joined the team in February 2018 and a current member of the internal audit team has recently been promoted into the other Senior Auditor post. Therefore, the team now has three of its four Audit Manager / Senior Auditor posts filled. That leaves the combined team with five vacancies out of nine posts (not counting the Head of Internal Audit). However, filling these posts will make a significant difference to the team's ability to manage contractors as well as take on and train new staff going forward.

7. Collaborative Working Agreement

7.1 The Council has had two separate Agreements with Castle Point Borough Council for many years to:

- provide two days a week of a Head of Internal Audit's time
 - pool internal audit staff to provide a combined service to both councils.
- 7.2 These have recently been refreshed. A Collaborative Working Agreement has now been signed between the two councils:
- with supporting service specifications covering these services as well as the Business Support Team
 - that will operate until the 30th September 2021.
- 7.3 As part of this process, it has been necessary to restructure the current Head of Internal Audit's role. As a result, the current post holder will be leaving the Council in May 2018 and a joint recruitment exercise is underway.
- 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.

9. 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
- Audit Files

10. Appendices

Appendix 1 Internal Audit Plan 2017/18 as at 13th April 2018

Appendix 2 Assurance and Summaries

- a • Satisfactory
- b • Partial
- c • Audits Revisited
- d • Other Audits and Grant Claims

Appendix 3 Stakeholder Surveys, Compliance with Professional Standards

Appendix 4 Compliance with UK Public Sector Internal Audit Standards
Action Plan as at 29th March 2018