

Southend-on-Sea Borough Council

Agenda
Item No.

Report of the Chief Executive

to

Audit Committee

on

18th January 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 2016/17.

2. Recommendations

- 2.1 **The Audit Committee notes the progress made in delivering the 2016/17 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 6th January 2017. There have been a few final amendments to the Audit Plan.
- 3.2 The Adult Social Care Independent File Review audit has been deleted as the service has informed Internal Audit that the:
- Adult Social Care File Audit Framework will be developed after the implementation of the new client file recording database LiquidLogic that is to be implemented in the summer of 2017. This new system will be an asset and will be able to capture easily what will be needed to:
 - provide evidence of safe practice, or
 - be able to highlight issues that may need addressing or further improvement.
 - it was not economic to spend time and resources on amending Care First (the current case management IT system) with the imminent introduction of LiquidLogic
 - Safeguarding Board will be made aware of this change of plan, and will be scheduled to discuss this later in 2017.

- 3.3 An interim manager was bought in, in May 2016, to review the current arrangements for managing Better Start Early Years project. This work is just coming to an end and a new governance framework is in the process of being implemented. Therefore, this audit will be postponed until these new arrangements have had time to become embedded into the day to day operational processes of this project.
- 3.4 A new job has been added into the Audit Plan which involves looking at the design and effectiveness of the arrangements within the Departments of Place and People to get assurance over the delivery of projects.
- 3.5 In the event, specialist resources were only available to do most of the ICT audit work in the January to March 2017 quarter. Therefore, the IT Systems and Network Access Controls review will be moved to early 2017/18, given the other work already being done in this area during this period.
- 3.6 Finally, the payroll audit will now be done in April 2017, when all the actions should have been implemented (there is one with a target date of March 2017).
- 3.7 Therefore, the budgeted number of days contained in the Audit Plan for this year is now 730. As reported previously, this reduction in days from the original estimate, is mainly due to the team keeping a cash sum to fund the planned recruitment exercise.
- 3.8 Expected timings for the remaining audits are highlighted in the Audit Plan.
- 3.9 A revised split of coverage over the different audit categories and departments is also contained at the end of the Audit Plan, for information.

4. Audit Opinions and Themes

- 4.1 **Appendix 2** summarises the level of assurance reported for each audit completed to date. The Corporate Management Team has given the position on audit opinions serious consideration and is urgently seeking ways to address and improve the situation, including staff training through the roll out of the new framework "*How it works, a guide for managers to help the Council run effectively*".
- 4.2 It should be noted that the assurance reported when audits are revisited, relates to the degree to which the service has dealt with the actions agreed. It does not relate how well the system, service or process is operating as a whole.
- 4.3 **Appendix 3** summarises the results of and where appropriate, the audit opinions given on work completed to date. School audits, where draft reports were issued before they became academies, have been included for information.

5. Performance Targets

- 5.1 As at 6th January 2016, the service is on target to deliver sufficient work to enable the Head of Internal Audit to give an annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance arrangements as:
- sickness absence remains low at 0.31 days per FTE compared to a target of under 5 days per FTE
 - 65% of reports are at draft report (i.e. the work is substantially complete).

- 5.2 Given the high level of contracted out work this year, the productivity indicator is no longer a useful performance indicator for the team. Therefore, this won't be reported upon for the remainder of 2016/17.

Resourcing

- 5.3 The combined service will be going out to recruit to an Audit Manager and Part Qualified Auditor / Auditor post in January 2017. A further recruitment exercise will then be undertaken later in the year. Discussions will also be held between Southend-on-Sea Borough Council and Castle Point Borough Council on the most appropriate way to restructure and organise the combined service going forward.

6. Corporate Implications

6.1 Contribution to Council's Aims and Priorities

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

6.2 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.

6.3 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.

6.4 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.

6.5 Consultation

The audit risk assessment and the Audit Plan are periodically discussed with the Chief Executive, Corporate Directors / Director, and Heads of Service before being reported to Corporate Management Team and the Audit Committee.

All terms of reference and draft reports are discussed with the relevant Corporate Directors / Director and Heads of Service before being finalised.

6.6 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.

6.7 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:

- 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 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.

6.8 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.

6.9 Community Safety Implications and Environmental Impact

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

7. 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

8. Appendices

Appendix 1 Internal Audit Plan 2016/17

Appendix 2 Assurance Summary 2016/17

Appendix 3 Audit Opinions and Themes:

- A • High Assurance
- B • Satisfactory Assurance
- C • Partial Assurance
- D • Minimal Assurance
- E • Audits Revisited
- F • Other Audits and Grant Claims
- G • School Audits Revisited