

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director for Corporate Services

to

Audit Committee

on

25th March 2015

Report prepared by: Linda Everard, Head of Internal Audit

Internal Audit Services, Quarterly Performance Report

Executive Councillor – Councillor Ron Woodley

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 2014/15.

2. Recommendations

- 2.1 **The Audit Committee notes the progress made in delivering the 2014/15 Internal Audit Strategy.**

3. Internal Audit Plan Status (Appendix 1)

- 3.1 Since the last committee no further amendments have been made to the Audit Plan although some ad hoc work, critical friend work has been undertaken during the quarter.
- 3.2 The main focus this quarter has been:
- undertaking the reviews of the key financial systems. Good progress has been made in delivering this aspect of the programme, with five of the ten audits being at draft report stage
 - setting up and progressing the various audits relating to contract letting and management
 - planning the audits to be completed in the final quarter (i.e. to May 2015).

4. Audit Opinions and Themes (Appendix 2)

- 4.1 A summary is provided of the conclusions drawn and the main themes arising from all the audits completed since the last Audit Committee.

5. Implementing Action Plans

- 5.1 Internal Audit decides which action plans to revisit on a risk basis, focusing mainly on those audits with partial, minimal or improvement required opinions.
- 5.2 Action plans relating to 2013/14 key financial systems work have been followed up as part of the current year's audit. The results of this work will be included in the 2014/15 reports.

5.3 Other action plans followed up in the quarter are:

Report Name and Date Original Report Issued		Agreed			Outstanding			
		H	M	Total	H	M	N/A	Total
Fairways Primary School	January 2014	7	15	21	2	6	0	8

5.4 The supporting explanations where actions agreed remain outstanding are summarised in Appendix 2.

6. Internal Audit Performance Targets (Appendix 3)

Delivery of the Audit Plan

6.1 Audits are counted as 'delivered' for these purposes once the draft report has been produced. Actual delivery of the plan is less than anticipated at this stage, primarily due to:

- the external resource being used to deliver a number of the additional contract management and letting reviews only being available to do this work in the January to March quarter
- the remaining schools requesting their audits to be booked for after the financial year end (i.e. April / May), which is later than originally profiled
- there being some slippage in the finalisation of non financial systems audits being delivered through the framework contract
- delays in getting some of the IT reviews progressed earlier in the year although work on these audits is now underway.

6.2 However the service still expects to deliver sufficient work to enable the Head of Internal Audit to be able to give an opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes for the year.

Productivity

6.3 This indicator reflects the productivity of all the resources used, both internal and external, at all clients the team provides a service to. The figure is high as a significant proportion of the financial systems work commissioned through the framework contract across the clients has been delivered this quarter.

6.4 Sickness absence remains very low.

Client satisfaction

6.5 This indicator has been amended for this year only, as the intention is now to do an annual survey of senior staff regarding the delivery of the service as a whole rather than asking staff to provide feedback after each individual job.

Resources

- 6.6 An interim Audit Manager has been appointed for a period of up to six months to support the team. He will be joining the service on 23rd March 2015. The opportunity will then be taken in the early part of the new financial year, to fundamentally review how the combined service is structured and resourced.

7. Corporate Implications

7.1 Contribution to Council's Aims and Priorities

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

7.2 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.

7.3 Legal Implications

The Council is required, by the Accounts and Audit (England) Regulations 2011 (the Regulations) Section 6, to maintain an adequate and effective internal audit function, that complies with relevant professional standards and report upon this annually to the Audit Committee. This is covered in the Head of Internal Audit's Annual Report.

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. Therefore this report discharges that duty.

7.4 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.

7.5 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 and agreed with the relevant Corporate Directors / Director and Heads of Service before being finalised.

7.6 Equalities Impact Assessment

The relevance of equality and diversity is considered during the initial planning stage of the audit before the Terms of Reference are agreed. Equality Impact Assessments are completed on relevant policy / strategy documents whenever they are updated.

7.7 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, see resourcing section above for action taken to address this risk

- the possibility that the external supplier won't deliver contracted in work within the required deadlines to the expected quality standards.

Additional time has been built into the Audit Plan this year for managing this contract.

7.8 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.

7.9 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 (England) Regulations 2011
- UK Public Sector Internal Audit Standards
- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards
- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2010
- CIPFA: Audit Committees, Practical Guidance for Local Authorities and Police 2013

9. Appendices

Appendix 1: Internal Audit Plan 2014/15

Appendix 2: Audit Opinions and Themes

Appendix 3: Internal Audit Performance Indicators 2014/15 as at 27 February 2015