

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director for Corporate Services

to

Audit Committee

on

30th September 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 2015/16.

2. Recommendations

- 2.1 **The Audit Committee notes the progress made in delivering the 2015/16 Internal Audit Strategy.**

3. Internal Audit Plan Status (Appendix 1)

- 3.1 This is the first report to the Audit Committee on the delivery of the 2015/16 Audit Plan.
- 3.2 Since the initial risk assessment and Audit Plan were produced in March 2015, there have been changes in the environment in which the Council operates. Therefore some amendments have been made to the Audit Plan to reflect changes in the risk profile of some of the activities to be audited. The reasons for deleting / postponing individual items are explained in Appendix 1.
- 3.3 The audits outstanding from 2014/15 have been added into the 2015/16 Audit Plan to form the body of work that will now be completed during the year to support the Head of Internal Audit's annual audit opinion.

4. Audit Opinions and Themes (Appendix 2)

- 4.1 The level of assurance that can be taken from and the key themes arising from the audits completed this quarter, are summarised in Appendix 2.
- 4.2 No high, partial or minimal assurance reports have been issued in this period.

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 In future, those that are going to be revisited will be included in the Audit Plan. An exercise is underway to confirm with services when this work will be undertaken. This will then be noted in the Audit Plan for information.

- 5.3 With regard to the Council's arrangements for ensuring Internal Audit action plans are implemented, senior management will:
- continue to monitor and sign them all off as part of the department's performance management process
 - for those not subject to a further audit, provide Internal Audit with evidence that they have been implemented as at the end of Aug and Feb each year.
- 5.4 Internal Audit will then include feedback on this aspect of the process to the September and March Audit Committee meetings.
- 5.5 To facilitate this process, Internal Audit is working with the departments to ensure the action plans from all 2014/15 audit reports are uploaded onto Covalent, (if they are not already on there). The system can record progress made in dealing with actions agreed and monitor delivery in a more consistent manner. Standard reports can then be produced from the system:
- showing actions have been completed with supporting evidence
 - for use as the starting point for the follow up audit.

6. Internal Audit Performance Targets

- 6.1 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 (nil days per FTE) and productivity high (75%)
 - 31% of planned work has either been delivered or is at draft report stage.
 - remain substantially compliant with professional standards.
- 6.2 The remaining work is currently being re-profiled so that it is delivered by 31 March 2016. Expected delivery targets will be revised once this exercise has been completed.

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 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.

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 each audit before the Terms of Reference are agreed.

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 and the ability of the service to replace this resource in a timely manner
- possibility that the external supplier won't deliver contracted in work within the required deadlines to the expected quality standards.

Time is built into the Audit Plan 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 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 2015/16

Appendix 2 Audit Opinions and Themes

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