

Southend-on-Sea Borough Council

Agenda
Item No.

Report of the Chief Executive

to

Audit Committee

on

29th March 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 10th January 2017. Any audits where the fieldwork is not substantially complete at this stage have been moved into the 2017/18 Audit Plan.

4. Audit Opinions and Themes

- 4.1 **Appendix 2** summarises the audit opinions from each audit completed during the year. This makes it easier to get an overall view of the strengths and weaknesses of the aspects of the Council's control environment audited this year.
- 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 the audit work completed since the last report to the Audit Committee in January 2017.
- 4.4 The second phase of the risk management review has been completed. Feedback has been provided to Corporate Management Team and a key group of staff including representatives from:
- Internal Audit as well as Policy, Engagement and Communication
 - the performance teams in each Department.

The final output from this audit will be a proposal setting out the action that can be taken across services to better align performance data more closely with risks in terms of indicating that a risk is materialising but also to provide assurances regarding specific controls. This will be presented to Corporate Management Team in due course.

4.5 The decision was taken to:

- review the status of the Social Care IT Case Management System project at the end of 2016
- revise the project delivery plan accordingly to provide time to fully complete the design and test of it before implementation.

Therefore, the additional work planned on this project will now be completed as part of the 2017/18 Audit Plan.

4.6 The Social Care Payments to Individuals and Providers report has also been moved to 2017/18 as this process is being designed as part of the Social Care IT Case Management System project.

4.7 The Pioneer Programme Board no longer exists therefore the audit, in this form, has been deleted. An audit has been included in the 2017/18 Audit Plan to undertake a risk assessment of the whole Integrated Commissioning function. This will be used to inform the audit work undertaken going forward.

4.8 A significant amount of work has been completed to understand the services and therefore, the risks being transferred to the Adult Social Care Local Authority Trading Company, Southend Care. This will be used to:

- produce an Audit Plan for the company
- inform the review of the arrangements the Council has established to monitor the performance of the company.

4.9 A number of draft reports are with the Audit Manager or Head of Internal Audit to review.

5. Performance Targets

5.1 With regards to the team's performance indicators:

- sickness absence remains low at 1.14 days per FTE compared to a target of under 5 days per FTE
- a draft has been produced for 82% of audits (i.e. the work is substantially complete).

Stakeholder surveys

5.2 A further three surveys have been undertaken this quarter. The cumulative results are summarised in **Appendix 4** and still show a high level of compliance with these aspects of the professional standards (with the lowest score on any question being 81%). There were no new themes arising from these surveys. Additional surveys will be undertaken covering the remaining audits, in due course.

5.3 **Appendix 5** then summarises the:

- actions Internal Audit has identified it needs to take in order to address the issues arising from the surveys undertaken so far, at all its clients (the Council, Castle Point Borough Council and South Essex Homes)

- current status of each action, with expected implementation dates where they are outstanding and apply to the Council.

5.4 The main themes relate to:

- designing arrangements to enable the team to better manage work allocated to contractors
- involving services more in profiling when work is planned for.

5.5 These issues reflect the reduced management capacity within the team over the last few years.

Resourcing

5.6 Since the last report to the Audit Committee, an Audit Manager has been appointed although he won't join the team until July. This will:

- significantly strengthen the overall management capacity of the service
- help address some of the service delivery issues discussed previously.

5.7 Another recruitment exercise is then planned for late spring / early summer, once the new recruits have been assimilated into the team, thus further reducing the service's reliance of external contractors.

6. Contract management

6.1 As the Audit Committee is aware, the combined Internal Audit Service and Counter Fraud & Investigation (CF&I) Directorate provide services for Castle Point Borough Council (the Council), Southend-on-Sea Borough Council (SBC) and South Essex Homes. The CF&I service is provided by Thurrock Council, with whom the Council and SBC have a shared service arrangement. Additionally, there is a shared service for Internal Audit with the Council, SBC and South Essex Homes. A Shared Service Board is now being created to:

- support these relationships
- provide a forum for strategic issues to be discussed by all partners involved, regarding the:
 - development and operation of these services
 - consistent and efficient provision of these services
 - potential to further develop these services.

6.2 SBC's Director of Finance & Resources is in the process of arranging the first meeting of the Board.

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 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
- lack of management capacity to support and process work in timely manager 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.

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 2016/17
- Appendix 2 Assurance Summary 2016/17
- Appendix 3 Audit Opinions and Themes:
- a • Partial Assurance
 - b • Audits Revisited
 - c • Other Audits and Grant Claims
 - d • School Audits Revisited
- Appendix 4 Stakeholder Surveys, Compliance with Professional Standards
- Appendix 5 Stakeholder Surveys Improvement Plan: Status Report