

# Southend-on-Sea Borough Council

Report of Corporate Director for Corporate Services

to

**Audit Committee**

on

**20th January 2016**

Report prepared by: Linda Everard, Head of Internal Audit

Agenda  
Item No.

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**Internal Audit Services, Quarterly Performance Report**

**Executive Councillor – Councillor Ron Woodley**

*A Part 1 Public Agenda Item*

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## **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**

- 3.1 **Appendix 1** sets out the current status of the audit work planned for the year as at 18th December 2015.
- 3.2 The overall work programme has been re-profiled and sufficient resources are available to substantially complete the Audit Plan by the 31 March 2016.
- 3.3 The focus for this quarter has been to complete the block of financial systems audit work. The fieldwork for eight of these systems has been completed and draft reports produced.

## **4. Audit Opinions and Themes**

- 4.1 **Appendix 2** summarises the level of assurance that can be taken from the audits completed this quarter.
- 4.2 No high level assurance reports have been issued during this period.

## **5. Implementing Action Plans**

- 5.1 **Appendix 3** summarises:
- the reports where work is still required to fully implement the actions agreed at the conclusion of the audit
  - whether management will sign off the action plan or Internal Audit plan to revisit it.

5.2 All these reports are now on Covalent (the Council's performance management software). This will be used by services to record and monitor work done to implement Internal Audit report action plans. The arrangements for doing this have been discussed and agreed with each Department.

5.3 Services will provide short summary reports for Departmental and Corporate Management Teams and the Audit Committee once an action plan has been signed off, unless Internal Audit plans to revisit it. In the latter instance, Internal Audit will produce a report summarising the results of the audit, as is normal practice.

## 6. Internal Audit Performance Targets

6.1 The service remains 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 (0.1 days per FTE) and productivity high (84%)
  - 46% of planned work (excluding schools) has either been delivered or is at draft report stage
  - schools work this year mainly involves short visits to test that previously agreed action plans have been implemented. Most of this work will be delivered between January and March 2016.
- remain substantially compliant with professional standards.

## 7. International Professional Practices Framework (IPPF)

7.1 The Global Institute of Internal Auditors updated the International Professional Practices Framework in July 2015. The new IPPF now looks like this:



- 7.2 Internal auditors working in the private sector now have to comply with this. It is very likely that the Public Sector Internal Audit Standards will be amended accordingly over the coming year.
- 7.3 Two key changes are the introduction of:
- a Mission Statement, which now requires internal audit services to *enhance and protect organisational value by providing risk-based and objective assurance, advice and insight*
  - core principles, requiring that internal audit:
    - Demonstrates integrity
    - Demonstrates competence and due professional care
    - Is objective and free from undue influence (independent)
    - Aligns with the strategies, objectives and risks of the organisation
    - Is appropriately positioned and adequately resourced
    - Demonstrates quality and continuous improvement
    - Communicates effectively
    - Provides risk-based assurance
    - Is insightful, proactive and future-focused
    - Promotes organisational improvement.
- 7.4 This will be taken into account when reviewing the Charter and Strategy as part of the 2016/17 audit planning process.

## **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, 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.

## 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:

- 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.

With the loss of the Senior Audit & Resources Manager, limited time is currently available within the Audit Plan for managing this contract.

## 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

## 10. Appendices

Appendix 1 Internal Audit Plan 2015/16

Appendix 2 Audit Opinions and Themes

- Satisfactory Assurance
- Partial Assurance
- Minimal Assurance
- Other Audits and Grant Claims
- Audits Revisited
- Schools

Appendix 3 Internal Audit Action Plans Requiring Sign Off