

Southend-on-Sea Borough Council

Agenda
Item No.

6

Report of the Chief Executive

to

Audit Committee

on

25th July 2018

Report prepared by: Linda Everard, Head of Internal Audit

Head of Internal Audit Annual Report 2017/18

Cabinet Member - Councillor John Lamb

A Part 1 Public Agenda Item

1. Purpose of Report

1.1 To provide for the 2017/18 financial year:

- the rationale for and an audit opinion on the adequacy and effectiveness of Southend-on-Sea Borough Council's (the Council's) risk management, control and governance processes
- a statement on conformance with the UK Public Sector Internal Audit Standards (the Standards) and the results of the Quality Assurance and Improvement Programme.

2. Recommendation

2.1 The Audit Committee accepts the Head of Internal Audit's Annual Report for 2017/18.

3. Background

3.1 The Head of Internal Audit's Annual Report and Opinion provides the Council with an independent source of evidence regarding both the design of its risk management, control and governance framework and how well it has operated throughout the year.

3.2 The opinion is predominantly based upon the audit work performed during the year as set out in the risk based Audit Plan discussed with the Corporate Management Team and approved by the Audit Committee.

3.3 As outlined in the Internal Audit Charter, audit coverage is determined by prioritising the significance of Council's activities to its ability to deliver its Aims and Priorities. This is done:

- using a combination of Internal Audit and management risk assessments (including those set out in risk registers)
- in consultation with Directors, Deputy Chief Executives and the Chief Executive, to ensure work is focused on key risks.

3.4 Quarterly meetings are then held with the Chief Executive, the Deputy Chief Executives and the Director of Finance & Resources to:

- reflect on the original risk profile and work planned
 - determine whether any changes are required to it or the Audit Plan.
- 3.5 Organisationally, this reflects a very mature approach to operating an internal audit function.
- 3.6 All individual audit reports are discussed with the relevant Group Managers, Directors and Deputy Chief Executives before being finalised.
- 3.7 The opinion and summary findings from audit reviews are reported to the Corporate Management Team and the Audit Committee throughout the year.

4 Head of Internal Audit Opinion for the year ended 31 March 2018

4.1 *Governance comprises of the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. Such arrangements can take many forms and still be effective. Appropriate assurance is then required that these processes are fit for purpose and being applied throughout the organisation. My 2016/17 Annual Report highlighted the need to review the Council's governance and assurance arrangements including the role of the Audit Committee.*

Whilst some changes have been made to this framework in 2017/18, senior management will undertake a more substantial review of the risk management, control and governance arrangements once the new vision and strategic framework for the Council is in place. Therefore, the remainder of this report should be read within this context.

With regards to the assurance provided by audit work undertaken, in these areas, the design and operation of the Council's risk management, control and governance framework was satisfactory overall.

4.2 The basis for forming this opinion is an assessment of:

- the design and operation of the underpinning governance and assurance framework
- the range of individual opinions arising from risk based and other audit assignments that have been reported during the year taking into account the relative significance of these areas
- whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales.

4.3 The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to her opinion.

5. Supporting Commentary

5.1 **Appendix 1** summarises the audit opinions issued this year.

5.2 The following paragraphs then:

- summarise findings from all the work completed this year
- highlight the key areas requiring improvement.

5.3 Where necessary, actions have been agreed with services to improve the arrangements where the more serious control issues were identified during the audits.

Managing the Business

- 5.4 Previously it was reported that the arrangements for identifying, recording and monitoring **corporate or strategic risks** were good and in compliance with the Council's Risk Management Strategy and Toolkit. The level of understanding about how to apply this was also sound. But the process was not being applied as well or consistently at **service** level, thus reducing the assurance available that these **risks** were being properly documented and communicated; and as a result, efficiently and effectively mitigated or managed.
- 5.5 In a practical sense, there was a strong understanding of risks being faced by individual Directors and a discipline around the production of the Corporate Risk Register, but the value of the process was not optimised. Better arrangements were needed to effectively move risks up and down the organisation as required. There were some gaps in assurance and insufficient evidence of managing the impact for some risks, despite the regular update and reporting. Some managers and team leaders still needed assistance to:
- fully understand the objectives of and risks relating to the services they were delivering
 - understand what evidence they needed to obtain to provide assurance that these processes were designed and / or being applied properly by their staff, consistently throughout the year.
- 5.6 Therefore, there is still a need to develop the risk management framework in a proportionate, practical way, focussing on adding value and minimising the investment of resources required to support the service and corporate process. Senior management will take this into account when reviewing the Council's risk management arrangements.
- 5.7 The Local Government Ombudsman has urged local authorities to assure themselves that **complaints investigations carried out by their contractors** are conducted rigorously. In order to clarify how the Council complies with this ruling in an appropriate, practical and cost effective manner, Officers are:
- reviewing the standard contract as well as Agresso purchase order terms and conditions to see if they need revising
 - looking to clarify the Council's expectations in the Comments, Complaints and Compliments Procedure.
- 5.8 The **Department of Place** (DoP) had satisfactory internal management assurance arrangements in place for effectively monitoring the progress and successful **delivery of its projects**. Action was being taken to:
- ensure the quality of the project data / information produced for all board meetings was robust and fit for purpose
 - formalise its terms of reference and clarify its role in relation to individual programme and project boards.
- 5.9 The Council was already in the process of re-engineering its **emergency planning** processes. These arrangements would be enhanced by:
- producing a Southend emergency planning risk register that includes local risks as well as a rolling Emergency Planning Action Plan
 - establishing a Resilience Working Group to facilitate joint working
 - agreeing what information the Corporate Management Team wants to receive and how often it should be provided.

- 5.10 The Council had various plans in place to respond to civil emergencies and a few opportunities to further enhance these were being actioned. More formalised arrangements for testing them as well as training staff and members will be established. A multimedia communications strategy will also be developed for use in event of a civil emergency. An assessment will be made as to whether the level of resources required to deal with an emergency response are still sufficient and will be available when required.
- 5.11 As at February 2018, the Council was progressing well with its preparations for implementing the **General Data Protection Regulations (GDPR)**. It had taken a proactive, structured approach to this by:
- appointing appropriately experienced staff
 - having dedicated work programme which, overall was one of the stronger ones seen at this time
 - developing an implementation plan which, when completed, will put the Council in a strong position for compliance with the GDPR legislation.
- 5.12 A corporate **IT risk assessment** was undertaken this year.
- 5.13 Work was continuing to strengthen the Council's **Business Continuity** arrangements. Since the original review:
- the focus had been on updating Business Impact Assessments (BIA) and producing group level Business Continuity Plans (BCP)
 - responsibility for this function was being transferred to the Emergency Planning Officer and permanent additional staff resources were being allocated to this work.
- 5.14 Once the new team is established, its work plan will include a more structured approach to:
- holding Directors to account for maintaining BIA's and BCP's and providing training for responders
 - testing plans in different scenarios and reviewing test outcomes, implementing action arising and amending documents accordingly.

Service Delivery Risks

- 5.15 A key objective for Internal Audit is to give a view on whether the Council's risk management and control processes are robust enough to enable services to effectively contribute to the delivery of its corporate Aims and Priorities. The remainder of the report therefore, structures the audits undertaken of services areas under the corporate Aims they help deliver so this connection can be made.

SAFE

- 5.16 Good arrangements had been established to oversee and challenge proposed **child residential care placements**. Overall, the Placement Panel and Acute and Complex Placement Panel were operating effectively to ensure that appropriate placement decisions were made. Placement decisions made outside the panel meetings were also robust and consistent.
- 5.17 Action was being taken to formally document the induction process for new panel members and the criteria for postponing meetings or case decisions. Case papers will be checked prior to meetings to ensure they are sufficient for an appropriate decision to be made.

- 5.18 Overall, the sample of **education-related performance indicators** (PIs) reviewed were designed to provide appropriate evidence that service objectives were being delivered as well as properly produced and used effectively.
- 5.19 Work is in hand to:
- better evidence the data validation work undertaken by both the Data, Performance and Information (DPI) and Special Educational Needs teams
 - improve the process for producing and validating the data supporting the SEN2 return submitted annually to the Department for Education
 - remove access to the network drive folder containing data used by and reports produced by the DPI team, from those staff who no longer need it.
- 5.20 To assist the **Liquidlogic¹ Children's Services** (LCS) Project Board to make an informed **go live decision** for Children's Services, a 'Go Live Readiness Assessment Framework' was developed which contained four success factors. The project team self assessed against the framework. This was independently validated by Internal Audit and fed back to the Board. All relevant information was taken into account by the Chair of the Board in coming to a decision.
- 5.21 Opportunities to improve the process to be adopted when managing delivery of the **Liquidlogic Adults System** (LAS) project were identified.
- 5.22 As at 20th March 2018, good progress had been made overall in addressing the lessons learnt when preparing for the LAS 'Go- Live'. As a result, most of the underpinning project documentation appeared to be in place. Benefits tracking was to be included in Project Board Highlight Reports going forward. 'Quality' was the other area that needed to be reported upon. Quantified targets were required in the Benefits Realisation Plan and the benefits monitoring process needed to be designed.
- 5.23 The same process was adopted with regard to the LAS 'Go Live Readiness Assessment Framework'. The project team's self assessment of readiness to 'Go-Live' was well evidenced and appropriate plans were in place to address areas requiring mitigating actions going forward.
- 5.24 Throughout the year, advice and support was provided as the control framework was being designed into Liquidlogic and the ContrOCC finance module, which ensure the accuracy and timeliness of **payments due to support children**. It specifically focused known weaknesses in arrangements identified in previous audits although this subsequently broadened out into other areas.
- 5.25 The main system design areas covered risks relating to:
- making one off duplicate payments, setting up approvals to authorise payments, monitoring their approval and manual adjustments as well as independently monitoring this
 - limiting opportunities for manual intervention of batch interface files between the ContrOCC finance module and Agresso² and ensuring timely reconciliations between the systems
 - authorising payments to new foster carers, setting up foster carers as new 'new suppliers' and suspending permanent foster care fees.

¹ Liquidlogic is the Council's Social Care IT Case Management System.

² Agresso is the Council's Financial Accounting System.

- 5.26 Further work was required to fully address the actions agreed in the original **Financial Monitoring of Direct Payments** report. There was still a need to implement the newly updated frameworks. They were designed to ensure robust financial monitoring arrangements were in place that provided assurance that payments made directly to adults, were used to meet eligible needs and outcomes identified in Care Support Plans.
- 5.27 The 'Self Directed Support Best Practice Guidance' had been replaced by a new Direct Payments Policy (the Policy), which was comprehensive. The children's direct payments monitoring system should be reviewed and potentially aligned with these arrangements. The Terms and Conditions within the Direct Payment Agreement had been appropriately extended. Guidance was required setting out that Finance Officers must check that signed agreements had been received prior to one-off direct payments being made.
- 5.28 As a result of work completed in October 2017, all relevant staff had signed declarations of interest and staff access to records on Civica³ had been appropriately limited. This needs to be done regularly going forward.
- 5.29 Good progress had been made to address the actions contained in the follow up report issued in February 2017 and therefore, strengthen the arrangements for dealing with **Mental Health Direct Payments** effectively. The only remaining actions related to:
- reviewing Vibrance⁴ reports on clients' financial position in a timely manner
 - independently checking reports produced to confirm the same officer had not entered and authorised a care package on CareFirst, whilst the system was still in use.
- 5.30 Good progress had been made in:
- addressing most of the outstanding issues raised in both the original and subsequent **Licensing** follow up reports. However, significant work was still required to reconcile the licenses issued on the Licensing IT system (Uniform) to the monies received on Agresso
 - updating the Procurement Toolkit to address opportunities to strengthen it arising from the review of the **Social Care IT Case Management System contract procurement**. However, as at November 2017, action was still required to try to re-negotiate some of the contract terms that were not:
 - in accordance with the Options Appraisal Authorisation Form and so allowed price increases to option modules beyond Retail Price Index indexation, to any value after 24 months
 - sufficiently defined to enable contractor performance to be effectively measured and monitored.

CLEAN

- 5.31 Overall, good arrangements were in place for monitoring delivery of the expected benefits for both the Council and local residents from the partnership arrangements entered into with **OVO Energy Limited** to create the Southend Energy brand.

³ Civica is the Council's Electronic Document and Records Management System.

⁴ Vibrance is a registered charity, established in 1989, providing a range of services to adults with a disability across London and the south east of England.

- 5.32 Going forward, the contract governance accountabilities will be formally documented for the newly created Energy Opportunities Board. OVO's data reporting systems and processes will be reviewed to gain assurance that key performance indicator figures are being generated and reported accurately. A more formal risk register will be created, regularly refreshed and reported upon.

HEALTHY

- 5.33 No detailed work was undertaken in this area although two **risk assessments** were undertaken of the **Adult Care Transformation Project and Integrated Commissioning**.

PROSPEROUS

- 5.34 Some proactive work was undertaken with the **Airport Business Park** Project team to help develop **benefits management** controls, designed to enable the project to demonstrate achievement of its expected benefits. This joint work produced a draft benefits profile. It focused on identifying which benefits could be measured for the Innovation Centre and Infrastructure Works (key elements of phase 2 of the project).

- 5.35 Further work was then required to:

- finalise this draft, ensuring the proposed baselines and targets were appropriate; and agree nominated benefit owners
- develop it to include wider overall benefits set out in the project's business case and determine what could be included and measured from Phase 1
- monitor and manage their realisation as the project progresses.

- 5.36 Overall, the arrangements introduced to manage the **Better Queensway project** were now sound. Good progress had been made in addressing the agreed actions from the previous report.

- 5.37 Further work was being taken to:

- produce a budget of planned costs needed to deliver the project over time and develop a process to monitor this against actual spend throughout the project's life
- further develop the risk management framework around project delivery
- develop detailed benefit profiles or plans to support the Benefits Management Strategy already produced.

- 5.38 Generally, the arrangements for effectively managing **leases and licences** as well as ensuring all income due from them is received are satisfactory. The Corporate Property and Asset Management (CP&AM) team continues to strive to improve data quality as well as improve the documentation supporting survey valuations used to calculate new rents. Details of specific actions needed to recover outstanding debt and the action owners should be included on Aged Debt Report.

- 5.39 Good progress had been made in addressing the actions agreed in both the original **Airport Business Park Project Assurance and Procurement to Pay (P2P) Assurance reports**. Both these processes were proactively managed as well as delivered in a timely way, and there is evidence that the revised arrangements are embedded into current working practices.

- 5.40 Further work was underway to agree which Airport Business Park project benefits could be measured and develop detailed benefit profiles or plans to enable the realisation of intended benefits to be demonstrated.
- 5.41 With regard to P2P, some improvements were being made to staff / supplier guidance, the reports produced from Agresso and the granularity of reports produced for senior stakeholders. It was not possible to configure Agresso to automate some processes and the ability to deliver some other actions was linked to implementing the July 2018 system upgrade. In the majority of these areas, appropriate manual controls were found to be operating.
- 5.42 Minimal progress had been made with implementing the agreed actions in the original **Housing Allocations** report. However, an independent service review had been commissioned to provide support for the changes that needed to take place. The service was proactively working on dealing with the outstanding issues within agreed updated timeframes. Since July 2017, a Senior Housing Officer had undertaken a weekly reconciliation of properties let against those advertised to ensure the direct let arrangements had been complied with.
- 5.43 Good progress had been made to address the actions contained in the original **Right to Buy** report and therefore, strengthen the arrangements for dealing effectively with these cases. Senior management had taken the decision to check all files until there was evidence that the process was being applied properly and consistently, at which time the service will return to spot checking files.
- 5.44 Two **schools** were assessed to establish whether they had adequate and effective governance, information and asset management as well as financial management and reporting arrangements in place. One was given a satisfactory audit opinion and the other partial.
- 5.45 The main themes for both schools related to improving arrangements for ensuring:
- the Governing Body is properly formed
 - Governors are effectively recruited, trained and provided with sufficient information to exercise their oversight role effectively
 - financial transactions are accurate, complete, authorised, substantiated, made securely and accurately recorded.
- 5.46 For one school, there was also a need to do more to ensure confidential, personal and sensitive information is effectively managed and secured as well as assets are secured and maintained.

EXCELLENT

- 5.47 Further work was required in order to address all the actions agreed within the **Section 75 Partnership Agreement, Integrated Equipment Service** (the Agreement) report.
- 5.48 However, overall, good progress was being made in revising the draft Agreement between the Council and Southend Clinical Commissioning Group (the CCG). Subsequent to the audit, a Terms of Reference for the Joint Operational Equipment Partnership Board was agreed and a risk management framework as well as service specifications drafted. The mechanisms for obtaining feedback from clients still needed to be finalised. The basis for funding the service still had to move to actual usage rather than historic percentages.

- 5.49 Good progress had been made to improve the **works contract tendering process** to reflect the issues arising from the St Helen's Roman Catholic School building project. A few additional amendments were still required to standing procurement documentation.

ALL AIMS

- 5.50 Positive action had been taken to strengthen the **IT enterprise change management** arrangements.
- 5.51 An appropriately designed 'change' process was in place for requesting, assessing and authorising changes. A record of the 'status' of Council systems was maintained but needed to be more integrated. Formal arrangements for planning, testing and implementing changes still needed to be developed. Some of the outstanding issues will be addressed when a planned upgrade to the Service Desk software (Hornbill Support Works 8) is implemented. An action plan is in place, setting out the steps required to successfully complete the implementation by November 2018.
- 5.52 More robust arrangements need to be established that ensure individual officers' **access to the Agresso** system functions remained appropriate. Similar risks also apply to other Council IT applications.
- 5.53 System access permissions need to be linked to job roles. Role design should be confirmed with managers responsible for key functional areas and staff within each defined role. The process for requesting, authorising and revoking access to Agresso needs to be more robust. Only fixed access templates, linked to employee jobs should be accepted by ICT. The number of ICT and HR staff that have administrative access to Agresso also needs review. Where this is appropriate, its use should be monitored closely.
- 5.54 A **risk assessment** was undertaken of the **Smart City Project**.
- 5.55 ICT had made good progress towards implementing the actions agreed in the original **IT Infrastructure and Asset Management** report. The newly developed IT Asset Management Policy and Procedure just needed to be formally approved. A new asset management system (WASP) had been implemented improving the safeguarding and management of hardware assets. Its accuracy is validated before software licences are renewed. Checks for illegal software installed on Council machines will be undertaken going forward.

Key Financial Systems

- 5.56 A few key **financial system** controls were assessed to ensure they:
- were designed to prevent and / or detect material financial errors
 - had been in place during 2017/18 and therefore, could be relied when producing the Council's Statement of Accounts.
- 5.57 All were assessed as providing either high or satisfactory assurance with the exception of the Accounts Receivable system, whereby:
- the Revenues Manager should independently check that there are no issues with the reconciliation between the Accounts Receivable Ledger and the General Ledger
 - a decision is still required as to whether to continue to sample check invoice request details to the invoice to ensure the coding and value are correct.

- 5.58 Good processes and controls were in place for creating and terminating tenancy agreements, updating the rental income and collecting **housing rents**. Arrangements need to be established to periodically confirm that staff access rights to iWorld reflect the roles and responsibilities in their job profiles.
- 5.59 Some progress had been made to strengthen the **Payroll** system in terms of independently checking the accuracy and completeness of inputs to the system and amendments made to standing data. Unfortunately, difficulties were encountered in implementing some of the previously agreed actions due to system constraints within the Payroll IT Agresso module being used. As a result, manual instead of automated checks had to be introduced in some areas.
- 5.60 The self service module for expenses and overtime also went live during the year, although approval limits still needed to be established in line with documented policies. A separate mini project was being set up with the respective services to explore how best to work towards maintaining and working with one, core establishment list.
- 5.61 All the **key financial systems** were also **risk assessed** this year.

Implementing Action Plans

- 5.62 Internal Audit inputted agreed actions into Pentana⁵ once audit reports were issued. Management then used this to monitor their implementation via Departmental Management Team meetings.
- 5.63 Internal Audit only revisited and retested action plans where a partial or minimal assurance opinion was given. Management closed down agreed actions in reports with high and satisfactory audit opinions once they were satisfied they had been properly dealt with. Internal Audit has been working proactively with departments to enhance this process, to enable management to be able to more effectively check that appropriate evidence is presented when agreed actions are to be signed off.

PROACTIVE ADVICE AND SUPPORT

- 5.64 The knowledge obtained through the proactive advice and support work undertaken during the year was also taken into account in coming to the overall opinion given. In 2017/18, this work included assessing:
- the effectiveness of **current funded childcare provision** arrangements and those being developed to ensure the accuracy of the funding being approved by the Group Manager, Early Years; and that providers were fulfilling their duties in line with the provider agreements
 - the robustness of arrangements for setting up and monitoring the delivery of the City Deal outputs detailed in the Service Level Agreement with the provider (Enterprise 4 Good) in relation to “**The Hive**” Business Incubation Centre
 - whether robust processes had been followed when examining issues raised by a complainant regarding potential non-compliance with **Gas Safety** (Installation and Use) Regulations with regards to the Council estate

⁵ Pentana is the Council's Corporate Performance Information System.

- whether effective arrangements were being developed to manage the issue of, as well as approval and monitoring expenditure on, **pre-payment cards** given to clients in receipt of direct payments; where the Council acts as the official receiver for Court Protection purposes.
- 5.65 The Council also needed to be able to demonstrate compliance with grant conditions detailed in the Service Level Agreement (SLA) with Essex County Council when using the Local Growth Fund monies in relation to an **Airport Business Park procurement**. Some work was undertaken with colleagues to agree practical and proportionate arrangements which, going forward ensured the Council could demonstrate:
- value for money for the procurement decisions made
 - compliance with Public Procurement Regulations.

GRANT CLAIMS

- 5.66 It was possible to certify that grant terms and conditions had been complied with for the following **grant claims**:
- Disabled Facilities Capital Grant Determination
 - Highways Maintenance Challenge Fund
 - Local Transport Capital Block Funding
 - Local Growth Fund
 - Pothole Action Fund
 - Mentoring Fund.
- 5.67 The Expanded **Troubled Families Programme, Payments by Results (PBR) Scheme for Local Authorities** returns continued to be audited. All claims audited this year had an unqualified audit opinion. The protocols agreed with the service for producing evidence to support the claims, along with the continued independent review of sample claims by its staff to complement Internal Audit's examination of claims work, operated well and the process remains a collaborative one.

6. Compliance with Professional Standards

Head of Internal Audit Opinion

- 6.1 *The Institute of Internal Auditors assessed the in-house team as fully meeting most of the Standards, as well as the Definition, Core Principles and the Code of Ethics in October 2017 (classified as "Generally Conforms", the highest rating).*

Good assessments were achieved in relation to:

- *reflection of the Standards*
- *focus on performance, risk and adding value*
- *the quality assurance and improvement programme.*

Needs improvement assessments were given in relation to:

- *coordinating and maximising assurance*
- *the efficiency of its operations.*

Resourcing

- 6.2 As outlined in my 2016/17 Annual Report, recruitment of permanent staff recommenced in January 2017, following a recruitment freeze lasting from July 2015. By this time, the:
- combined in-house team was carrying seven vacancies out of nine auditor posts, one of which was being covered by a long term contractor
 - Head of Internal Audit was covering the contract manager role as well as being accountable for delivering an internal audit service to three clients and the Council's Counter Fraud & Investigation service which was being provided by Thurrock Council as well as delivering other governance type functions for Castle Point Borough Council.
- 6.3 Therefore, during 2017/18, the continued lack of management capacity has had a significant impact on the service's performance and its ability to deliver its normal performance targets.
- 6.4 However, since February 2018 three of the four Audit Manager / Senior Auditor posts have been filled. This will make a significant difference to the team's ability to manage contractors effectively as well as take on and train new staff going forward. As at April 2018, the remaining Senior Auditor and four Auditor vacancies continue to be covered by buying in resources through the framework contracts with external suppliers.
- 6.5 The return of the Business Support Manager in July 2017 also had a significant and very positive impact on the operation of team management processes, reducing the level of such work that professional staff needed to do. As at April 2018, there is still a need to consolidate the Business Support Team's workload and then review its capacity to deliver it.
- 6.6 Finally, as part of renewing the Internal Audit and Counter Fraud and Investigation services Collaborative Working Agreements with partners, the Head of Internal Audit post was restructured. From April 2018, the Counter Fraud & Investigation Directorate will report directly to the Director of Finance & Resources at the Council. This will increase capacity at the Head of Internal Audit level to focus on client management and the strategic development of the service in line with that of the Council.
- 6.7 The remainder of this report needs to be considered within this context.

Audit Plan 2017/18

- 6.8 The target was to deliver 100% of the Audit Plan by mid-May so that the Head of Internal Annual Opinion could be included in the Council's Annual Governance Statement, which has to be produced by 31 May. As at 11th May 2018, of the 64 audits in the Audit Plan:
- 57 audits have been delivered, feedback provided or the reports are being finalised with clients
 - seven have been rolled forward into 2018/19.
- 6.9 **Appendix 2** shows the final status of the Audit Plan which is a comparison of actual audit work completed against work planned at the start of the year.

Other Performance Indicators

- 6.10 As much of the work this year has continued to be resourced through framework contracts, a more limited set of performance indicators have been reported upon.
- 6.11 Sickness absence remained low at 3.94 days per FTE compared to a target of less than 5 days per FTE for in-house staff.
- 6.12 Stakeholder surveys are designed to assess compliance with some of the less tangible elements of the UK Public Sector Internal Audit Standards (the Standards). During the year, eight officers were interviewed, covering 11 different audits including work completed by in-house staff and contractors. **Appendix 3** summarises the final survey results for 2017/18.
- 6.13 Overall, the level of compliance remains high, particularly with regard to internal audit adding value to the Council (97%). Appropriate actions are developed where opportunities to improve performance in any of these areas is identified. Some thought will be given to developing a short session for staff to explore the difference between delivering performance targets and needing evidence that a process / activity is being properly controlled (i.e. the assurance framework).

Service Management Arrangements

- 6.14 An assessment was also completed of the team's compliance with Castle Point Borough Council's governance arrangements requirements as set out in the Manager Assurance Statements (which are not dissimilar to those used by the Council). All were high or satisfactory, where they were applicable. Actions have also been developed to further strengthen arrangements in some areas.

Quality and Improvement Programme

- 6.15 I can confirm that I have maintained an appropriate Quality and Improvement Programme (QAIP) during the year for the in-house team or work undertaken by contractors when being managed by the in-house team. As required by the Standards, this consisted of:
- on-going supervision and review of individual audit assignments completed by in-house staff or contractors working to in-house staff
 - reporting on a limited set of performance targets to the Audit Committee each quarter (for all work done including that of external suppliers)
 - undertaking the independent external assessment of compliance with the Standards in October 2017 which is required at least every five years.
- 6.16 I have received some assurance from external suppliers used that where they have undertaken work using their own audit approach, this is also compliant with the Standards.
- 6.17 Due to resource constraints, the only independent file reviews of work completed this year was undertaken as part of the independent review.
- 6.18 **Appendix 4** summarises the results of the independent external assessment of compliance against each element of the Standards.
- 6.19 **Appendix 5** sets out the remaining actions that still need to be implemented arising from the:
- Head of Internal Audit's assessment of compliance as reported in her Annual Report presented to the Audit Committee in June 2017

- independent external review.
- 6.20 A key focus for the team has been to ensure internal audit files and its audit approach complies with the new requirements of the General Data Protection Regulations.
- 6.21 Senior management has chosen not to implement the Standard relating to the appointment and removal of the Head of Internal Audit as the Council's normal HR practices would already mitigate this perceived potential risk.

Other Disclosures

- 6.22 As required by the Standards, I can confirm that the Internal Audit service has:
- operated in a manner that maintains its organisational independence throughout the year
 - been able to determine the scope of reviews, perform the work and report on its findings without interference neither has there been any inappropriate resource limitations imposed upon it.

7. Issues for the Annual Governance Statement

- 7.1 No issues have come to my attention this year, other than those already disclosed, that I believe need including in the Council's Annual Governance Statement.

8. Corporate Implications

8.1 Contribution to Council's Aims and Priorities

Audit work contributed to the delivery of all Council Aims and Priorities

8.2 Financial Implications

The Audit Plan was delivered within the approved resource budget.

8.3 Legal Implications

The Council is required, by the Accounts and Audit Regulations 2015 (the Regulations) Section 5, to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Standards require that the Head of Internal Audit to report on compliance with this annually to the Audit Committee. This report satisfies this requirement.

8.4 People and Property Implications

People issues that were relevant to delivering the Audit Plan were raised in the quarterly performance reports.

8.5 Consultation

All terms of reference and draft reports were discussed with the relevant Directors and Deputy Chief Executives before being finalised. This annual report has also been presented to and discussed with senior management.

8.6 Equalities Impact Assessment

The relevance of equality and diversity was considered during the initial planning stage of every audit before the Terms of Reference were 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 risk management, control and governance processes which may impact of the Council's ability to deliver its corporate Aims and Priorities.

8.8 Value for Money

Opportunities to improve value for money in the delivery of services were identified during some reviews and recommendations made as appropriate.

Internal Audit periodically undertakes a service review to assess whether its costs remain competitive.

8.9 Community Safety Implications and Environmental Impact

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

9. Background Papers

None.

10. Appendices

Appendix 1	Assurance Summary 2017/18
Appendix 2	Internal Audit Plan 2017/18 as at 11th May 2018
Appendix 3	Stakeholder Surveys, Compliance with Professional Standards
Appendix 4	Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2017 /18
Appendix 5	Compliance with the UK Public Sector Internal Audit Standards Action Plan as at 11th May 2018