

# Southend-on-Sea Borough Council

Agenda  
Item No.

Report of the Chief Executive

to

**Audit Committee**

on

**26th September 2018**

Report prepared by: Andrew Barnes, Head of Internal Audit

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**Internal Audit Services, Quarterly Performance Report**

***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 2018/19.

## **2. Recommendations**

- 2.1 **The Audit Committee notes the progress made in delivering the 2018/19 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 31 August 2018. This highlights where audits contained in the original plan considered by the Audit Committee in March 2018 have changed and why.
- 3.2 **Appendix 2** sets out the results of the work completed since the last progress report to the Audit Committee in July.

## **4. Performance Targets**

- 4.1 As outlined in the Strategy presented to the March 2018 Audit Committee, the team will be reporting on a more limited set of indicators this year given the amount of work that is still being contracted out.
- 4.2 So as at 31 August 2018:
- the team has had three days of sickness absence since April 2018 (which impacts on productivity) and equates to 0.43 days per FTE
  - in terms of the jobs in the plan:
    - 25% of audits are completed
    - 13% of audits have reports being produced or discussed
    - 13% of audits are in progress
    - 7% of audits have terms of reference produced
    - 42% of audits are resourced and booked, but yet to be started.

4.3 A programme of stakeholder surveys has been produced and these will be completed throughout the remainder of the year as audits are completed. **Appendix 3** reflects the results of eight surveys covering 16 audits undertaken since April 2017. Overall the feedback obtained remains very positive. The key overall message is that stakeholders find the Council's Internal Audit service to be professional, approachable, flexible and of tangible benefit to their services as well as the Council as a whole.

4.4 **Appendix 4** reflects the progress in addressing the actions arising from the 2017/18 assessment of compliance with professional standards that concluded that the service 'generally conforms' with the Institute of Internal Auditors International Professional Practices Framework, which is the highest rating available from the external quality assessment.

## 5. Resourcing

5.1 Since the last report to the Audit Committee in July 2018:

- a trainee auditor has resigned and left the team in August
- a trainee auditor on a three month secondment to the team has agreed to become a permanent member of the team

5.2 That leaves the combined team with six vacancies out of ten posts. The salaries of the vacant posts are currently being used to fund audit resource brought in from external suppliers to deliver the audit plan. The intention is to fill some of the posts with graduates or school leavers, who will be put through a relevant training programme.

## 6. Corporate Implications

6.1 Contribution to Council's Aims and Priorities

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

6.2 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.

6.3 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.

6.4 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.

## 6.5 Consultation

The audit risk assessment and the Audit Plan are periodically discussed with the Chief Executive, Deputy Chief Executives and Directors before being reported to Corporate Management Team and the Audit Committee.

All terms of reference and draft reports are discussed with the relevant Deputy Chief Executives and Directors before being finalised.

## 6.6 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.

## 6.7 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:

- potential 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 a timely manner 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.

## 6.8 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.

## 6.9 Community Safety Implications and Environmental Impact

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

## 7. 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

## 8. Appendices

- Appendix 1 Internal Audit Plan 2018/19
- Appendix 2 Assurance summary: other audits and grants
- Appendix 3 Stakeholder survey results
- Appendix 4 Action plan arising from assessment of the service by the Institute of Internal Auditors

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