

Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

16th January 2019

**Agenda
Item No.**

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Internal Audit Services, Quarterly Performance Report

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 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 4 January 2019. 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 September.
- 3.3 In addition to the originally planned audit work, the team has also been assisting the organisation with the work being undertaken to deliver Transforming Together, providing challenge and advice to the teams working on delivering the outcomes required for the Council to change. Different members of the audit team have been involved in different aspects of this work, each helping to shape the direction of travel being pursued by the Council.
- 3.4 The team has also been providing challenge, advice and support on a number of other issues, initiatives and projects that the Council is undertaking and dealing with, as outlined in Appendix 1 under "Advice and Support". As well as these, other areas supported by the team since the last Audit Committee include:
- arrangements in respect of holiday pay
 - resolving an invoicing issue by a contractor
 - assistance provided to Southend Care.

4. Performance Targets and Resourcing

- 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 4th January 2019:
- the team has had seven days of sickness absence since April 2018 (which impacts on productivity) and equates to 0.96 days per FTE
 - in terms of the jobs in the plan:
 - 37% of audits are finalised
 - 24% of audits have work complete with reports being produced or discussed
 - 28% of audits are in progress
 - 2% of audits have terms of reference produced
 - 9% of audits are resourced and booked, but yet to be started.
- 4.3 Stakeholder surveys are completed throughout the year as audits are completed. **Appendix 3** reflects the results of the four surveys covering nine audits undertaken since April 2018. Overall the feedback obtained remains positive, with the results showing that stakeholders find the service to be flexible, communicative, and collaborative and of value to the organisation. The results also show that the service needs to develop its skills around articulating its understanding of services and issues surrounding it when scoping potential audit work.
- 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.
- 4.5 Since the last report to the Audit Committee in September 2018 the trainee auditor on a three month secondment to the team has become a permanent member of the team.
- 4.6 That leaves the team with five 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.
- 4.7 The expected requirements of the internal audit service into the future are now being assessed to determine the most appropriate team model utilising the resources available, so that this can then be implemented with an appropriate mix of experienced staff and trainees to deliver the internal audit service required by the organisations that it serves.

5. Reasons for Recommendations

- 5.1 **Internal audit are an assurance function providing assurance to assist the Audit Committee to effectively discharge its responsibilities as per its Terms of Reference. The delivery of the internal audit plan will assist the Audit Committee with obtaining assurance that the Annual Governance Statement appropriately reflects the conditions at the Council.**

6. Corporate Implications

6.1 Contribution to the Southend 2050 Road Map

Audit work provides assurance and identifies opportunities for improvements that contribute to the delivery of all Southend 2050 outcomes.

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 Implications

People issues that are relevant to an audit within the Audit Plan will be considered as part of the review.

6.5 Property implications

Property issues that are relevant to an audit within the Audit Plan will be considered as part of the review.

6.6 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.

6.7 Equalities and Diversity Implications

The relevance of equality and diversity is considered during the initial planning stage of the each audit before the Terms of Reference are agreed.

6.8 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
- 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 while the service is being rebuilt.

6.9 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.

6.10 Community Safety Implications

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

6.11 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 Audit Assurance and Themes

- a • Satisfactory Assurance
- b • Grants and other audits

Appendix 3 Stakeholder survey results

Appendix 4 Action plan arising from assessment of the service by the Institute of Internal Auditors