

Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

27th March 2019

Report prepared by: Andrew Barnes, Head of Internal Audit

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 15 March 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 January.
- 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". Further to this the team has also been providing assistance to the Council's wholly owned subsidiary company 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 As at 15th March 2018:
- the team has had 15 days of sickness absence since 1st April 2018 (which impacts on productivity) and equates to 2.11 days per FTE
 - in terms of the jobs in the plan:
 - 68% of audits have finalised reports issued
 - 8.5% of audits are completed with the reports drafted and being discussed with the service managers
 - 6.5% of audits are completed with the reports drafted and being reviewed by internal audit management
 - 8.5% of audits have fieldwork nearing completion or the draft report being produced
 - 8.5% of audits remain work in progress.
- 4.3 Stakeholder surveys are completed throughout the year as audits are completed. **Appendix 3** reflects the results of the eight surveys covering 13 audits undertaken since April 2018. The feedback obtained remains positive overall, with the results showing that stakeholders feel informed, consulted, and satisfied with the ability of the Internal Audit team to effectively articulate and evidence audit findings, desired outcomes and actions required. As a result of feedback given last quarter, the team has improved the support given to junior Auditors regarding articulating their understanding of services' strategies, objectives and risks when scoping potential audit work.
- 4.5 Since the last report to the Audit Committee in January 2019 one of the audit managers has resigned and left the Council. That leaves the combined team with six vacancies. The salaries of the vacant posts are currently being used to fund audit resource brought in from external suppliers to deliver the audit plan.
- 4.6 The expected requirements of the internal audit service into the future have been assessed to determine the most appropriate team model utilising the resources available. A restructure proposal of the current team arrangement, is being developed that will be implemented once approved, resulting in an appropriate mix of experienced staff and trainees to deliver the internal audit service required by the organisations that it serves.
- 4.7 The Council participated in the most recent National Fraud Initiative (NFI) exercise in October 2018 by extracting and uploading its datasets on Creditors, Payroll, Housing, Council Tax, and Licences. As a result, the Council has received a total of 2,969 matches to date as part of the NFI exercise 2018/19. An analysis of these matches is provided at **Appendix 4**, and the 'high risk' matches are now being allocated for investigation.

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 Partial Assurance

c Other Audits and Grants

Appendix 3 Stakeholder survey results

Appendix 4 National Fraud Initiative