

Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

24 July 2019

Report prepared by: Andrew Barnes, Head of Internal Audit

Head of Internal Audit Annual Report 2018/19

A Part 1 Public Agenda Item

1. Purpose of Report

1.1 To provide for the 2018/19 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 2018/19.

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 and how well it has operated throughout the year for its risk management, control and governance framework.

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 Ambition and desired Outcomes. 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 Strategic Director (Finance and 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 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 2019

- 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.
- 4.2 During 2018/19 the Council undertook a major engagement exercise that has been used to create the shared ambition for the borough and desired outcomes for its residents, visitors, students and other stakeholders. As a result the Council is aiming to transform the way that it operates and governance arrangements are being revised so that the Council becomes structured and can work in a way that is appropriate to deliver the required outcomes.
- 4.3 These represent significant changes to way the Council is operating and the new governance arrangements have only recently been determined, with other elements continuing to evolve, and therefore need to be properly embedded and assurance obtained that they are working effectively as intended, before they can be considered to be operating effectively.
- 4.4 Therefore, the remainder of this report should be read within this context.
- 4.5 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 in place for the year was satisfactory overall.
- 4.6 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.
- 4.7 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.
- 4.8 The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to his 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 CIPFA's 'Delivering Good Governance in Local Government' outlines 7 principles that underpin effective governance:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in term of sustainable economic, social and environmental benefit
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

5.5 During the year the Council embarked on a major engagement exercise, involving extensive conversations with those that live, work, visit, do business and study in the borough (Principle B). These conversations aimed to develop a vision of what the borough should be like in 2050. The information gained from this engagement has been used to develop a shared and jointly owned **ambition** for Southend in 2050.

5.6 In order to deliver the ambition the Council identified 23 desired **outcomes**, that would deliver that ambition, providing a focus on actions that need to be delivered through a Road Map for delivery to 2023 (Principle C). For each of the 23 outcomes an initial delivery plan has also been developed and now work is being undertaken on what the outcomes will require in the medium term. Work has also started on developing an outcome based investment approach to budgeting, so that resources become aligned to 2050 desired outcomes rather than being organised with a departmental focus. This is the start of a significant change in mind-set and practice across the organisation. In addition, the Council revised its commissioning framework to move the organisation to an outcome based commissioning organisation, aimed at ensuring alignment with the 2050 outcomes, the annual procurement plan, contract procedure rules and market position statements going forward. (Principle D)

- 5.7 To deliver what is required, the Council has recognised the need to change the way that it works, so that it can become more agile, more efficient, more entrepreneurial and more engaged with residents and customers. Therefore the Council has embarked on a transformation programme, that has identified the necessary conditions to put the Council in the right place to achieve its ambitions. This has been complemented by a revised leadership programme to ensure the right leadership skills and capacity are in place for what will be needed going forward. (Principle E)
- 5.8 The Council has also engaged with staff to refresh its set of values. These have now become 'inclusive, collaborative, honest and proud'. It also agreed to refresh the expected behaviours of staff and councillors to become: 'driving positive change, trust and respect, demonstrating strong leadership, act with integrity and behaving responsibly and building relationships to work well together'. These are being used to form the basis of the Council's new appraisal process. (Principle A)
- 5.9 The Council simplified its officer governance structure, to ensure more effective stewardship of public resources and to deliver the best possible outcomes through Southend 2050. This has seen the introduction, from April 2019, of four new boards, focussing on: investment, growth & infrastructure, commissioning and innovation & design, that will report into CMT along with a revised Good Governance Group that will now also encompass information management and focus on promoting simple and effective governance.
- 5.10 Previously it has been reported that the arrangements for identifying, recording and monitoring **corporate 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. (Principle F)
- 5.11 In a practical sense, there is a strong understanding of risks being faced by individual Directors and a discipline around the production of the Corporate Risk Register, but the value obtained from the process is not being 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.
- 5.12 During the year the responsibility for risk management has been transferred to the Head of Internal Audit who is now working to refresh the risk management framework so that it operates in a proportionate, practical way, focussing on adding value and minimising the investment of resources required to support the service and corporate process.

- 5.13 Overall, the changes in approach that are being applied represent significant change for the Council and it remains early days in the implementation of that change. As a result it is recognised that there is still much work to be done to properly deliver and embed the changes to the ways of working and culture that are being sought. Once the changes have been more fully implemented there will be a need to seek assurance that they are working effectively as intended, before they can be considered to be operating effectively.
- 5.14 However, as demonstrated above, the Council's overall developing approach to governing and managing itself is consistent with the principles outlined by CIPFA and therefore provides a good platform from which to continue the ongoing work.
- 5.15 A comprehensive programme of work was scoped in advance of **General Data Protection Regulations** (GDPR), supported by a specialist third party review to ensure it covered the necessary areas. Implementation was overseen by a range of governance forums, most importantly the Corporate Information Governance Group (CIGG), with senior membership. However, there are a number of significant issues which need to be addressed before the Council can regard GDPR compliance as 'business as usual'. The highest priority issues are:
- Subject Access Requests (SARs): the Council has not met statutory response deadlines for a number of the SARs initiated since the 1st April 2018
 - Contracts: the Council has not quantified the number of contracts that will require variations to comply with GDPR
 - IT Systems: the Council has seven systems from which it may not be possible to delete data (required to comply with GDPR), including key systems such as the Business World system, used for HR, the widely used Civica Document Management System (DMS) and the archived care management system, CareFirst.
- 5.16 The **Shareholder Board** was established in November 2017 and met for the first time in September 2018. The main objective for the Board is to consider the governance, risk framework, performance and financial performance of the Council's companies. The Terms of Reference have been approved by Cabinet which set these objectives.
- 5.17 As the Board is still relatively new and has only met once, there is a need for the Board Members to be supported in the delivery of their role and for the Terms of Reference (ToR) to reflect all the functions that the Board need to undertake as part of their roles and responsibilities, as defined in the ToR.

Service Delivery Risks

5.18 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 Council's Corporate Aims for 2018/19.

Safe

- 5.19 A review of management response to the children's **social care file quality assurance audits** has been undertaken. The review found that the stages within the process for improving cases that the quality assurance audits identified as inadequate was well designed, and when fully embedded should improve cases previously found to be inadequate in a timely way.
- 5.20 Support has been given to improve the monitoring around the process to ensure it is consistently followed, and deviations from it are identified at the earliest opportunity.
- 5.21 The effectiveness of these arrangements was re-reviewed later in the year and it was found that whilst there was proactive management, as well as timely delivery of some actions, with evidence they were embedded into working practices, there were other actions that still needed to be fully addressed.
- 5.22 There is evidence that there are some areas of good practice in respect of **safeguarding** within the Council's wider service lines (that were examined as part of this review), however there are also inconsistencies between services and a need to better share knowledge and best practice between services.
- 5.23 The Project Team (the Team)'s self-assessment of **readiness for "Go Live"** for the **Adults (Liquid Logic)** system against the success factors agreed with the Project Board (the Board) was found to be well documented. In addition, the Team demonstrated a clear understanding of the majority of mitigating actions that were required ahead of "Go Live" and had plans in place to address many of them.
- 5.24 The audited "Go Live" assessment presented to the Board was considered alongside other inputs from the Team and was used by the Board to inform their final decision to "Go Live".
- 5.25 The revisit audit work on **Social Care Payments to Individuals and Providers - Children** confirmed gaps in arrangements for making payments to providers and service users via the Children's Services database and ContrOCC is reducing the assurance that payments made are accurate and valid. There is scope to:
- improve the review of proposed payments ahead of authorisation
 - introduce checks by the various social care teams to ensure payments made outside of LCS are correct and align with arrangements agreed with providers and /or service users.
- 5.26 Going forward there are plans to significantly improve arrangements by transferring all payments on to LCS thereby making the Children's Database obsolete.

- 5.27 Access permissions within ContrOCC and LCS require review to ensure there is appropriate segregation in place between:
- both systems
 - the payment process.
- 5.28 The challenge and support provided to **Social Care Payments to Individuals and Providers – Adults Services** was particularly focused on known weaknesses in arrangements identified in previous audits. As the work progressed, its coverage broadened out into other related areas.
- 5.29 Therefore, during this work, advice and support has been given with regard to the design of processes to ensure:
- ContrOCC system access granted to users responsible for approving payments is in line with the Council’s Scheme of Delegation
 - manual adjustments are only made when appropriate, and that their use is independently monitored to confirm this
 - batch interface files between the ContrOCC finance module and the Council’s key financial system Unit 4 Business World had limited risk of manual intervention. In addition, there are timely reconciliations between the systems to confirm the accuracy of payments due to be made
 - suitable restrictions and clear processes exist regarding the ability to undertake ‘system rollbacks’ on LAS to minimise their occurrence to a small number of circumstances. This is significant because of the knock on impact on ContrOCC, especially where payments have already been made.
- 5.30 Review of the **Direct Payment Support Service Contract Management** confirmed that the contract itself is based on good practice, as it includes clear outcomes that the Council wishes to achieve. However, the lack of formal performance measures means what success looks like hasn’t been defined, which leaves it open to interpretation, potentially impacting the delivery of the outcomes for service users and the Council.
- 5.31 There are various requirements built into the contract that should enable the Council to gain adequate assurance over the contractor’s delivery, if used consistently. These include requirements for regular meetings, monitoring returns and satisfaction surveys.
- 5.32 Formalising the council’s monitoring arrangements of direct payment monies held by the contractor on behalf of service users will also give the council assurance that the considerable sums held are being properly accounted for.

Clean

- 5.33 Review of the **Recycling, Waste and Street Cleaning Services Contract Management** confirmed that the contract is robustly managed through:
- A widespread suite of key performance indicators that include customer satisfaction targets;
 - Client contract managers' checking of contractor reported achievement against system data;
 - Client contract managers' own calculations of performance failure points, from which above a threshold accumulated amount, deductions in financial amounts payable to the contractor may be made, incentivising the contractor to avoid failure; and
 - Contractually specified increases in some key performance targets over the life of the contract driving continual improvement incentivised by contractor need to avoid above threshold accumulative performance failure points.
- 5.34 Improvement opportunities also exist in respect of identifying firm proposals in the Annual Service Improvement Plan, agreed with the contractor, for improving services in response to customer feedback and suggestions for improvement identified through the 'Customer Satisfaction Survey' and 'Annual Report' and contract performance management meetings.

Healthy

- 5.35 The success of the **hospital social care team** in achieving consistently low **Delayed Transfers of Care** is due to the commitment and experience of staff in post. Strengthening arrangements identified below will help to ensure that this can continue:
- introducing KPI's monitoring the timeliness of assessments and reviews of service users after discharge from hospital, driven by data within Liquid Logic (LAS)
 - developing an understanding of reasons for re-admissions within Southend will allow social care to address the reasons behind them where appropriate, and provide directed support to those who need it.
- 5.36 The team have been proactively actioning the areas for strengthening arrangements as they have been identified during the audit. This has included:
- formalising arrangements for improving the resilience of the hospital social work team to ensure there is an adequate cover when sickness or high demand for the service arises
 - improving IT functionality to enable more flexible / reactive working.

Prosperous

- 5.37 The Internal Audit team worked closely with the **Corporate Procurement** and **Better Queensway Project** teams to review processes and procedures and develop learning as the procurement of a joint venture partner progressed to ensure that a robust and compliant process was followed.
- 5.38 There were individual audits at the various key stages of the process i.e. post:
- Selection Questionnaire evaluation and moderation,
 - Invitation to detailed solutions
 - Invitation to Refined Solutions; and
 - throughout the Final Tender stage.
- 5.39 Recommendations were discussed and agreed after each stage and ahead of the next stage to strengthen processes. A key deliverable was the development of an evaluation and moderation tool, which clearly mapped across the key elements of the offer at the final tender stage to the requirements in each of the technical (qualitative) questions and the requirements set out in the objectives.
- 5.40 This provided a clear evidence tool and rationale for determining the value for money outcome in relation to the final tender submission.
- 5.41 The approach adopted of providing live feedback and assurance has been positively received and proved to be effective in terms of working together with colleagues to achieve the desired outcomes for the Council.
- 5.42 Review of the **South Essex Active Travel Programme Governance Arrangements** Training is needed to strengthen the SEAT team's skills and knowledge in relation to:
- the Councils Contract Procedure Rules
 - rules and regulations relating to State Aid.
- 5.43 Legal advice obtained confirmed that State Aid had not been breached and thus notification to the EU commission was not required.
- 5.44 Programme management arrangements were evolving during the audit and are generally good but reporting to the Programme and Project Boards should be more focused to enable full understanding of progress against promised KPI outputs and enable performance to be appropriately challenged.

Excellent

- 5.45 **Building Control** continue to deliver a suitable service to the residents of Southend, but their market share of Building Control applications is reducing each year.
- 5.46 There is a need for the Building Control team to introduce a strategy to set out the overall objectives for the service, performance quality targets that can be used to assess the quality of the service that Building Control deliver and how the Council will respond to market changes so that it can retain a stable market share.
- 5.47 The review of the **Data Quality of Children's Services Key Performance Indicators** found no exceptions in the calculations for the four Key Performance Indicators (KPIs). This is mainly due to the Operational Performance & Intelligence team implementing a well controlled KPI process with recognised good practice data quality procedures.

- 5.48 However, there is an opportunity to improve the consistency in documenting quality assurance (QA) outcomes to ensure senior management can be fully confident that the data produced has been through appropriate QA procedures to ensure it is accurate.
- 5.49 While the process for producing the KPIs is satisfactory, the audit did identify issues with the timeliness of data entered by social workers that could have a significant impact on the information produced by the reporting process
- 5.50 The revisit of the **IT Enterprise change management** work confirmed that satisfactory progress had been made in addressing the issues identified by the original work, however there remained work to be done in each of the three areas assessed: change, configuration and release.
- 5.51 The revisit of the **Unit 4 Business World system access control** confirmed that there remains a need to review Corporate Information Security, Acceptable Use and ICT Infrastructure policies to ensure they:
- align with good practice
 - continue to meet the needs of the Council
 - have been appropriately approved by the Council's Senior Information Risk Owner (SIRO).
- 5.52 The revisit of the **Procurement Cards** work confirmed that satisfactory progress had been made in addressing the issues identified by the original work, although not all of the management actions had been fully completed.

Key Financial Systems

- 5.53 The **payroll self-serve module** was upgraded in November 2018. The module has embedded well and due to the automated features, it has improved the overall controls, including the facility for employees to scan in the supporting evidence for their claims.
- 5.54 The main areas that need to be reviewed and update are listed below:
- Expenses and Allowance Policies
 - Validation limits.
- 5.55 Our review of the **payroll system** confirmed that there are robust processes in place to ensure annual changes are properly configured at the start of the financial year and staff access permissions to Payroll on Business World is restricted only to those who need it.
- 5.56 The current guidance for staff confirms the steps involved in processing the payroll, but more information is needed to clarify the purpose of reports that are run and the checks that are undertaken.
- 5.57 Pay forms for starters, leavers and amendments, overtime outside of self-serve, first aid and additional run payments are manually input onto Business World. These are not always independently reviewed to confirm they are accurate. Extending the current monthly spot check to include a selection of the manually input allowances and additional run transactions will help identify when the two-step process has been circumvented.
- 5.58 BACS payment runs are checked and signed off by two Officers ahead of being processed.

Implementing Action Plans

- 5.59 Internal Audit input agreed actions into Pentana¹ once audit reports were issued. Management then used this to monitor their implementation via Departmental Management Team meetings.
- 5.60 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

- 5.61 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 2018/19, this work included:
- providing support and challenge to the cross departmental working group established to identify how to create and maintain a complete and accurate **establishment list** within Unit 4 Business World
 - providing ongoing support and challenge of the arrangements currently in place and being developed within the **funded childcare provision** to ensure the accuracy of the funding being approved by the Group Manager, Early Years and that providers are fulfilling their duties in line with agreements
 - assessing whether effective arrangements are being developed to manage the issue of as well as approve and monitor expenditure on **pre-payment cards** given to clients in receipt of direct payments and where the Council acts as the official receiver for Court Protection purposes.
 - whether robust processes had been followed when examining issues raised by a complainant regarding potential non-compliance with **Gas Safety** (Installation and Use) Regulations
 - supporting colleagues undertaking due diligence work of the **Sustainable Motion** Community Interest Company's financial statements submitted as part of a procurement exercise
 - providing support and challenge to the project team planning and delivering the implementation of the **new income management system**
 - providing support and challenge to the project team planning and delivering the implementation of the **new recruitment contract and system**
 - providing support and challenge as the project team introduce workflow to automate the current manual process for adding new suppliers to Business World (Agresso). With the recent upgrade to Business World in has become possible to use workflow to automate the **new supplier process**

¹ Pentana is the Council's Corporate Performance Information System.

- supporting the Council in bringing partner organisations together to work collaboratively in achieving the agreed outcomes for families and young people beyond 2020 when the local **Troubled Families** funding comes to an end
- providing support and challenge whilst the control framework was being designed into the new Liquidlogic case management system and the ContrOCC finance module, to help ensure accurate and timely social care payments are made to individuals and providers
- providing support and challenge to the Aids and Adaptations Team in developing a process for assessing the works exceeding the £30K Disabled Facilities Grant limit provided by the Ministry of Housing and Local Government.

Grant Claims

5.62 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 – Flooding
- Highways Maintenance Challenge Fund – Street Lights
- Local Transport Capital Block Funding.

5.63 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.

Quality and Improvement Programme

- 6.2 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)
 - reviewing the independent external assessment of compliance with the Standards in October 2017 which is required at least every five years.
- 6.3 I have received assurance from external suppliers used that where they have undertaken work using their own audit approach, this is also compliant with the Standards.
- 6.4 Due to resource constraints, the only independent file reviews of work completed this year was undertaken as part of the independent review.
- 6.5 **Appendix 3** summarises the results of the independent external assessment of compliance against each element of the Standards.
- 6.6 **Appendix 4** 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 the Annual Report presented to the Audit Committee in July 2018
 - independent external review.
- 6.7 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.
- 6.8 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.

Resourcing

- 6.9 Since the last Head of Internal Audit annual report to the Audit Committee there has been significant change within the team. The Head of Internal left in May 2018 and was replaced in July 2018.
- 6.10 One of the two Audit Managers left the team and work is currently underway to replace him. Following the successful recruitment to two of the vacant posts completed in June there remain four vacancies out of ten posts,. The salaries of the remaining vacant posts continue to be used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.
- 6.11 Therefore, during 2018/19, the continued lack of specific capacity within the team has had an impact on the service's performance and its ability to deliver its normal performance targets.

- 6.12 The expected requirements of the internal audit service into the future are evolving and this has been assessed to determine the most appropriate team model utilising the resources available. This will then be implemented resulting in an appropriate mix of experienced staff, trainees who will be put through a relevant training programme and externally sourced skills. This will enable the team to deliver the internal audit service required by the organisations that it serves.
- 6.13 The remainder of this report needs to be considered within this context.

Audit Plan 2018/19

- 6.14 The target was to deliver 100% of the Audit Plan by mid-May so that the Head of Internal Audit Annual Opinion could be included in the Council's Annual Governance Statement, which has to be produced by 31 May. In the event, as at 31 May 2019 most pieces of audit work had all of the audit work delivered, although not all of the reporting had been completed and finalised. As at the final reporting point in July, all pieces of audit work have all of the audit work delivered, reports drafted and issued to services, but there remain 12 reports that have yet to be fully agreed and finalised
- 6.15 Appendix B 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

- 6.16 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.
- 6.17 Sickness absence remained low at 3.2 days per FTE compared to a target of less than 5 days per FTE for in-house staff.
- 6.18 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, officers were interviewed and surveyed in respect of our audit work completed by both in-house staff and contractors. **Appendix 5** summarises the final survey results for 2018/19. Overall, the level of compliance remains high, particularly with regard to internal audit adding value to the Council (100%).

Other Disclosures

- 6.19 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, with the exception of the transfer of risk management into the responsibilities of the Head of Internal Audit. As a result independent assurance over the delivery of risk management will need to be obtained from an alternative source in future
 - 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 the Southend 2050 Road Map

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

8.2 Financial Implications

The Audit Plan has been 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 Accounts and Audit Regulations 2015 require the Council 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.

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 Implications

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

8.5 Property implications

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

8.6 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.

8.7 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.

8.8 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 ambition and outcomes.

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.

8.9 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.

8.10 Community Safety Implications

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

8.11 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	Assurance Summary 2018/19
Appendix 2	Internal Audit Plan 2018/19 as at 12 July 2019
Appendix 3	Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2018 /19
Appendix 4	Compliance with the UK Public Sector Internal Audit Standards Action Plan as at 12 July 2019
Appendix 5	Stakeholder Surveys, Compliance with Professional Standards