

Southend-on-Sea Borough Council

Report of Corporate Director for Corporate Services

to

Audit Committee

on

30th March 2016

Report prepared by: Linda Everard, Head of Internal Audit

Agenda
Item No.

Internal Audit Services, Quarterly Performance Report

Executive Councillor – Councillor Ron Woodley

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 2015/16.

2. Recommendations

- 2.1 **The Audit Committee notes the progress made in delivering the 2015/16 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 26th February 2016. This shows that since the last Audit Committee, five audits have been deleted from the Audit Plan and the reasons for that. These risks have been taken into account when producing the Audit Plan for 2016/17.
- 3.2 However in order to provide the Audit Committee with assurance that the fieldwork for outstanding audits will be substantially completed by the end of March 2016, additional detail has been provided in the Audit Plan. Named staff have been allocated to audits and start dates agreed with clients in most cases where work is not already in progress.

4. Audit Opinions and Themes

- 4.1 **Appendix 2** summarises the results of and where appropriate, the audit opinions given on work completed to date. No significant issues have arisen from the work reported.

5. Internal Audit Performance Targets

- 5.1 As at 26th February 2016, the service remains on target to:
- deliver sufficient work to enable the Head of Internal Audit to give an annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance arrangements as:
 - sickness absence remains low at 0.78 days per FTE compared to a target of under 5 days per FTE

- productivity is on target at 77.3% compared to 75%
 - fieldwork is due to be substantially complete by the end of March 2016 with reports being finalised by the end of April 2016. Current performance being:
 - 50% of planned work (excluding schools) either having been delivered or being at draft report stage
 - 46% of schools work planned having been delivered.
 - remain substantially compliant with professional standards.
- 5.2 The service has revised its approach to obtaining feedback from stakeholders at the conclusion of audits. The purpose of the stakeholder survey is to obtain evidence of compliance with some of the less tangible elements of the UK Public Sector Internal Audit Standards (the Standards).
- 5.3 The intention is to pilot it for the remainder of 2015/16. The results of these surveys will be included in the Head of Internal Audit's Annual Report. A performance target will then be developed to apply to all 2016/17 audits.

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, Corporate Directors / Director, and Heads of Service before being reported to Corporate Management Team and the Audit Committee.

All terms of reference and draft reports are discussed with the relevant Corporate Directors / Director and Heads of Service 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:

- 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.

With the loss of the Senior Audit & Resources Manager, limited time is currently available within the Audit Plan for managing this contract.

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 2015/16

Appendix 2 Audit Opinions and Themes

- a • Other Audits and Grant Claims
- b • Audits Revisited