

Southend-on-Sea Borough Council

Agenda
Item No.

Report of the Chief Executive

to

Audit Committee

on

23rd October 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 and Plan for 2019/20.

2. Recommendations

- 2.1 **The Audit Committee notes the progress made in delivering the 2019/20 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 11th October 2019. This highlights where audits contained in the original plan considered by the Audit Committee in March 2019 have changed and why. This includes adding audits to the plan from the Risk Watch list, as we have increased the team's capacity by recruiting more in-house audit staff, reducing the need to use the framework contract to resource audits, and additional Advice and Support work that we have been asked to contribute to.
- 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 2019 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 11th October 2019:

- the team has had 4.5 of sickness absence since 1st April 2019 (which impacts on productivity) and equates to 0.76 days per FTE
- in terms of the jobs in the plan:
 - 14% of audits are completed
 - 2% of audits have reports being produced or discussed
 - 13% of audits are in progress
 - 14% of audits are being scoped and planned or have terms of reference produced
 - 53% of audits are resourced and booked, but yet to be started
 - 4% of audits have resourcing being finalised

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 7 surveys covering 6 audits undertaken since the last meeting. 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 In addition it is worth noting some very positive feedback that was provided in respect of one complicated area that we have audited. The respondent provided a range of positive feedback and concluded that 'I welcome internal audits. It gives a fresh pair of eyes and provides challenge in a constructive way. I have always learnt so much by going through the process.' which is very much what we are trying to deliver as a team.

5. Resourcing

5.1 Since the last report to the Audit Committee in May 2019:

- a Senior Auditor has been promoted to Audit Manager
- an Auditor joined the team in September
- a Senior Auditor has been appointed and is due to join the team in October.

5.2 That leaves the combined team with four vacancies. The salaries of the vacant posts are currently being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan. Time is also being spent supporting the development of in-house staff, with action plans in place to support and monitor the progress of their development, to enhance the effectiveness of the team overall.

5.3 The expected requirements of the internal audit service into the future continue to evolve and this has been assessed to determine the most appropriate team model utilising the financial resources available. Once the current team resourcing activities are complete, this will then be implemented to result 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. 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 2019/20
- Appendix 2A Assurance summary: satisfactory assurance
- Appendix 2B Assurance summary: partial assurance
- Appendix 2C Assurance summary: other audits and grants
- Appendix 2D Assurance summary: follow up audits
- Appendix 3 Stakeholder survey results