

Southend-on-Sea Borough Council

Agenda
Item No.

Report of the Executive Director (Finance and
Resources)

to

Audit Committee

on

15 January 2020

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 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 3 January 2020. This highlights where audits contained in the original plan considered by the Audit Committee in March 2019 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 October.
- 3.3 In addition to the originally planned audit work, the team has been assisting the Council 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 taken over responsibility for the Council's corporate approach to risk management that has involved updates to the Risk Management Policy Statement and Strategy, work to deliver the planned changes to the approach arising from that and maintenance of the corporate risk register.
- 3.5 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".

4. Performance Targets and Resourcing

- 4.1 As outlined in the Strategy presented to the March 2019 Audit Committee, the team will be reporting on a limited set of indicators this year given the amount of work that is still being contracted out.
- 4.2 So as at 3 January 2020:
- the team has had 4.5 days of sickness absence since April 2019 (which impacts on productivity) and equates to 0.74 days per FTE
 - in terms of the jobs in the plan:
 - 17% of audits are finalised
 - 17% of audits have work complete with reports being produced or discussed
 - 17% of audits are in progress
 - 12% of audits have terms of reference produced
 - 33% of audits are resourced and booked, but yet to be started
 - 4% of audits require scope to be reassessed.
- 4.3 Stakeholder surveys are completed throughout the year as audits are completed. **Appendix 3** reflects the results of the 7 surveys covering 7 audits undertaken since April 2019. The feedback in this period is very strong showing that stakeholders find the service to be knowledgeable, flexible, communicative, collaborative and of value to the organisation. The results also show that there is some scope for improvement around articulating our understanding of information provided by services and issues surrounding it, keeping services updated with progress and being fully consistent between our discussed findings and reported findings.
- 4.4 The shared team with Castle Point has a resource structure consisting of:
- two Audit Managers (both in post)
 - two Senior Auditors (one post vacant)
 - four Auditors (two posts vacant)
 - cash (from the vacant posts) to buy in specialist and other services on behalf of both sites.
- 4.5 That leaves the shared team with three 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.
- 4.6 The expected requirements of the internal audit service into the future continue to evolve and this is being assessed to determine the most appropriate team model utilising the financial resources available. Work is also ongoing integrating two recently recruited members of staff into the team. Once the current team resourcing and integration 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.

4.7 Since the last report to the Audit Committee in October 2019 the Head of Internal Audit has also been assisting with the re-integration of the counter fraud team to become an in-house service.

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
- lack of management capacity to support and develop the team, while processing work in a timely manner and providing strategic leadership to the team and support to the Council
- 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 periodically considers whether it provides a value for money service.

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 2019/20

Appendix 2 Audit Assurance and Themes

a Follow ups

b Partial assurance

Appendix 3 Stakeholder survey results