

Southend-on-Sea Borough Council

Report of the Executive Director (Finances & Resources)

to

Audit Committee

on

21 October 2020

Report prepared by: Andrew Barnes, Head of Internal Audit

**Agenda
Item No.**

Internal Audit Plan for 2020/21 update

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present to the Audit Committee, the updated Internal Audit Plan for 2020/21 following further consideration as a result of the impact of the Covid-19 pandemic and the consequent change in risk and priorities.

2. Recommendation

- 2.1 The Audit Committee approves the updated Internal Audit Plan for 2020/21.**

3. Background

- 3.1 The original Internal Audit Plan for 2020/21 was reported to the April 2020 meeting of the Audit Committee. As was noted in the report at that time much of the work to produce the Audit Plan has been undertaken in the period when Council officers have been required to work from home due to the Covid-19 emergency lockdown and the Council effort were focussed on addressing the emergency facing the country and therefore the Borough making it more difficult to liaise with colleagues. At that time a piece of work on Covid-19 was included in the plan, however the scope of that was not established as the extent to which the pandemic would have an ongoing impact on the Borough and the operations of the Council was not clear.
- 3.2 The uncertainties regarding the length of time that lockdown would continue, the government strategy for coming out of lockdown, the expectations of the Council in assisting with work to address the challenges posed by Covid-19, the Council's response and the impact on the arrangements to deliver Council services moving forward, all meant that it was recognised that there would be a need for flexibility in both the things that internal audit focusses upon and the way that it undertakes it's work.
- 3.3 As a result, it was agreed that the Audit Plan would be reviewed in the autumn, once the ongoing impact of the Covid-19 situation and the changes to the way that the Council works as a result are better understood, to re-assess the changes to the risk profile and therefore, the work planned for later in the year. As is usual practice, it was agreed that any proposed future amendments to the Audit Plan would be reported to the Audit Committee for approval.

- 3.4 The team have undertaken that review and have prepared the updated plan that is attached at **Appendix 1**. This documents the audits that have been added to the plan, with a high level scope of what the work plans to cover and the audits that have been removed from the plan that was approved in April with the reasons for that decision.
- 3.5 The Audit Charter for 2020/21 and the other documents of the Audit Strategy for 2020/21 that were reported to the April meeting remain appropriate and no changes are proposed to those at the current time.
- 3.6 At the time of producing this report the country is experiencing a second wave of the pandemic and therefore the need for flexibility in both the things that internal audit focusses upon and the way that it undertakes it's work remains important. It is possible that internal audit resources may be required to assist with addressing the Council's response effort. If that becomes the case then it will be discussed in the first instance with the Audit Committee Chairman and subsequently reported to the rest of the Committee, along with the anticipated impact on delivery of the Audit Plan.

4. Reasons for Recommendations

- 4.1 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.**

5. Corporate Implications

5.1 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.

5.2 Financial Implications

Financial risk is one of the categories used when assessing the risk profile of all the activities that the Council delivers.

The Audit Plan will be delivered within the agreed budget for the service.

5.3 Legal Implications

The Accounts and Audit Regulations 2015, Section 5 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.

The Standards require:

- the Audit Committee to approve (but not direct) the annual internal Audit Plan and this report discharges that duty
- the Audit Committee to then receive regular updates on its delivery, as provided by the quarterly performance report
- the Head of Internal Audit to provide an annual audit opinion on the Council's risk management, control and governance arrangements and report on this to the Audit Committee, which is delivered to its July meeting.

5.4 People Implications

People risk is another of the categories used when assessing the risk profile of all the activities that the Council delivers.

Resourcing issues relating to the team are covered in the Strategy.

5.5 Property Implications

Property risk is another of the categories used when assessing the risk profile of all the activities that the Council delivers.

5.6 Consultation

This is set out in the Strategy.

5.7 Equalities and Diversity Implications

Not applicable to these documents.

5.8 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 on the Council's ability to deliver its corporate Ambition and Outcomes.

The key team risks are:

- its inability to recruit or retain staff
- that external suppliers won't deliver contracted in work within the required deadlines to the expected quality standards
- that it becomes increasingly difficult to:
 - engage staff in service departments within the audit process
 - obtain information at all or in a timely way, so that a full review can be completed
 - discuss and agree opinions and action plans as the resources to implement them become more stretched.

Additional time has been built into the Audit Plan for managing external contractors.

Internal Audit maintains an audit risk assessment which is explained in the Strategy.

5.9 Value for Money

Internal Audit undertook a service review in 2013/14 which demonstrated that the cost of the service was competitive. This was reconfirmed as part of the external service review completed in September 2016, and supported by the external assessment that was undertaken in October 2017.

This needs to be taken in conjunction with the other indicators reported upon quarterly, when assessing whether the service provides value for money.

5.10 Community Safety Implications

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

5.11 Environmental Impact

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

6. Background Papers

- Audit Committee Report on the Internal Audit Charter with the supporting Strategy and Audit Plan for 2020/21 reported to the 29 April 2020 meeting

7. Appendices

- Appendix 1: Updated Internal Audit Plan for 2020/21