

Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

13 January 2021

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 2020/21.

2. Recommendations

- 2.1 **The Audit Committee notes the progress made in delivering the 2020/21 Internal Audit Strategy.**

3. Internal Audit Plan Status

- 3.1 **Appendix 1** sets out the current status of the audit work contained in the updated plan, as at 18th December.
- 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 planned audit work, the team has also been assisting the organisation 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 Since the last report to the Committee requests have been made by senior management to assist with work being undertaken as part of Getting to Know Your Business, including in respect of Adult Social Care data and finances, and one of the Audit Managers has been closely involved in the development of the Children's Services Improvement Plan, as reported at Appendix 2B, and has received very positive feedback on the challenge and support provided.
- 3.5 The team has also provided support resource to assist with the Council's Track and Trace team in response to the Covid-19 pandemic, with the business support officer being seconded into that team.
- 3.6 The Head of Internal Audit also takes Head of Service responsibility for the Counter Fraud and Investigation Team, that is now an in-house service and for the Council's corporate approach to risk management.

- 3.7 As a result of the Covid-19 pandemic response a key focus for the team has been providing advice and support to new activities and changes to arrangements that the Council is having to implement at pace to respond to the pandemic that has dramatically affected the way that all services and everyone is having to work, as the onset of Covid-19 and subsequent lockdown had a significant impact on all areas of the public sector and all other sectors. Operationally, the Council has had to react quickly to rapidly changing circumstances. This has had an impact on the pace of progression for some of our audits, however we continue to work closely with services to progress the 2020/21 audit work, and are currently getting appropriate engagement from services.
- 3.8 In order to ensure that our work continues to focus on the areas of greatest risk to the Council, we reconsidered our Audit Plan for 2020/21 that was initially presented to the Committee in April and this was re-presented to the Committee in October. As noted in that report the plan will remain under review, as will the utilisation of internal audit resources, in the context of the Council's ongoing response to the Covid-19 pandemic. Work is focussed on the delivery of that plan and progress is documented in Appendix 1.

4. Performance Targets and Resourcing

- 4.1 As outlined in the Strategy presented to the April 2020 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 As at 18th December 2020:
- For the period 1st April 2020 – 18th December 2020 the team had sickness absence which equates to 6.91 days per FTE. This is primarily as a result of two members of the team requiring long periods of sickness absence.
- 4.3 In terms of the jobs in the plan:
- 29% of audits are complete with finalised or draft reports issued
 - 26% of audits are in progress
 - 13% of audits have terms of reference agreed
 - 6% of audits are being planned
 - 26% of audits are resourced, but yet to be started.
- 4.4 No stakeholder surveys have yet been completed for 2020/21 because of the impact of Covid-19 and the redeployment of the Business Support Officer to assist with the Council's track and trace team.
- 4.5 Since the last report to the Audit Committee in October 2020 there have been no changes to the staffing of the team. This leaves the combined team with three vacancies and a Senior Auditor post is currently being advertised with a closing date for applications of 8th January. The salaries of the vacant posts are 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 the impact of Covid-19 is causing further deliberations to take place both at an industry level, as partially reflected in the CIPFA Audit Committee Update included as an information item with the papers for this meeting, and at a local level. An in-house team supported by suitably experienced contractors is currently assessed as being the most appropriate team model, utilising the financial resources available. The ongoing development of the team to implement this approach will 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.

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 2020/21 progress status

Appendix 2 Audit Assurance and Themes

A Partial Assurance

B Other Audits and Grants