

# Southend-on-Sea Borough Council

Report of the Executive Director (Finance and  
Resources)

To

**Audit Committee**

On

**28th April 2021**

Report prepared by: Andrew Barnes, Head of Internal Audit

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**Internal Audit Services, Quarterly Performance Report**

***A Part 1 Public Agenda Item***

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**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 16<sup>th</sup> April.

3.2 **Appendices 2 and 3** set out the results of the work completed since the last progress report to the Audit Committee in January.

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. The Council is now updating this transformation programme to become focussed on Future Ways of Working, and the Head of Internal Audit has been asked to lead the 'Decision Making' workstream within that programme.

3.4 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.

3.5 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 2020 and this was re-presented to the Committee in October 2020. As noted in that report, the plan remains continuously under review, as will the utilisation of internal audit resources, in the context of the Council's ongoing response to the Covid-19 pandemic.

- 3.6 Since the last report to the Committee requests have been made by central government and senior management to review and assist with work being undertaken in a number of areas, and therefore the audit plan has been further amended to reflect the following items that are noted as 'New' in Appendix 1:
- An ICT risk assessment to ensure that resources can be focussed on the most critical areas of the ICT work arrangements
  - Post-payment assurance in respect of business support grant funding for the Department for Business, Energy and Industrial Strategy to ensure the funding provided has been awarded in line with the guidance provided. The Council has awarded almost £40 million through the following grants:
    - Small Business Grant Fund
    - Retail, Hospitality and Leisure Grant Fund
    - Local Authority Discretionary Grant Fund.
  - A follow up of the Council's response to the Better Queensway Project Assurance report that was completed earlier in the audit year
  - Assurance to the Department for Transport in respect of the Council's utilisation of the Emergency Active Travel Grant provided by that Department
  - A review of the specific concerns raised by councillors regarding the highways scheme for the Queensway development and the options for the underpass
  - Support and challenge to the service as they develop the Council's policy for awarding Disabled Facilities Grants
  - Support and challenge to the Adult Community College Board with responsibility for monitoring the transfer of the College's governance structure to a more flexible model in direct relationship with Council governance structures.
- 3.7 This represents significant additional work for the team to undertake on top of the plan that was previously agreed. As a result some items of work in the plan have not progressed as quickly as anticipated or desired. However, the team's 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 31<sup>st</sup> March 2021:
- For the period 1<sup>st</sup> April 2020 – 31<sup>st</sup> March 2021 the team had sickness absence which equates to 11.02 days per FTE. This is high and is primarily as a result of three different members of the team requiring long periods of sickness absence. None of these were Covid-19 related and two of those officers are no longer part of the team

- 4.3 In terms of the 42 jobs now included in the audit plan:
- 42% of audits are complete with finalised reports issued
  - 2% of audits are complete with draft reports issued
  - 10% of audits have fieldwork completed with reports being drafted
  - 29% of audits are in progress
  - 14% of audits have terms of reference being agreed
  - 2% of audits are being planned
  - 2% of audits are resourced, but yet to be started.
- 4.4 No stakeholder surveys have 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 January 2021 there have been no changes to the staffing of the team. This leaves the combined team with three vacancies. A Senior Auditor post that was advertised in January did not result in a successful appointment. This position has now been escalated to the specialist finance recruitment team at Hayes, who will provide an enhanced focussed service to assist with filling this position.
- 4.6 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
- 4.7 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 and at a local level. An in-house team supported by suitably experienced contractors for specialist work 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 is 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.

### 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 the Audit Committee.

All terms of reference and draft reports are discussed with the relevant Managers, Directors or Deputy Chief Executive before being finalised.

### 6.7 Equalities and Diversity Implications

The relevance of equality and diversity is considered during the initial planning stage of 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 the Southend 2050 Ambition and outcomes.

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
- Appendix 3 Follow up audits