

Southend-on-Sea City Council

Report of the Deputy Chief Executive and Executive Director (Finance and Resources)

To

Audit Committee

On

23 November 2022

Agenda
Item No.

10

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 2022/23.

2. Recommendations

- 2.1 **The Audit Committee notes the progress made in delivering the 2022/23 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 9th November.
- 3.2 **Appendices 2a, 2b, 2c & 2d** set out the results of the work completed since the last progress report to the Audit Committee in July.
- 3.5 In order to ensure that our work remains focussed on the areas of greatest risk to the Council, we continue to consider our Audit Plan for 2022/23 that was initially prepared for the Committee meeting that took place in April 2022.
- 3.6 As a result, the audit plan has been amended to reflect the following changes that are reflected in Appendix 1:
- An additional piece of work has been added to the plan, Climate Project Management, which will look to provide advice, support and challenge to the service area as they further develop their project management framework
 - The HRA Strategic Asset Management audit has been removed from the plan and is to be replaced with a piece of advice and support work on the development of the HRA Business Plan
 - Universal Drug Treatment Grant certification has been added to the plan
 - Local Transport Capital Block Funding – Highways Maintenance Challenge Funding (2021/22) has been further deferred into 2023/24 due to a delay in the funding being spent

- A new piece of advice and support work is being undertaken, assisting the HR Service Manager and wider business as the options for a replacement Recruitment Management System are explored and developed
- The Children's Quality Assurance Audit has been removed from the 2022/23 plan, but is planned to be undertaken in Q1 as part of the 2023/24 plan. This is to enable work currently underway to continue in embedding the framework into business as usual
- A follow up of the Business World Enterprise Resource Planning Programme of Work has been added to the plan, to review progress in implementing the agreed actions following the work completed as part of the 2021/22 audit plan.

3.7 In addition to the Advice and Support items detailed at Appendix 1, the team has been providing support on work and arrangements that the Council is undertaking in respect of:

- Reviewing and updating the Council's governance framework so that this can be optimised to support the delivery of the new corporate plan and meet the Council's objective of simple and effective governance
- Assisting the SEND Strategic Partnership Board to refine and enhance their risk register.

4. Performance Targets and Resourcing

4.1 As outlined in the Strategy presented to the April 2022 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 9th November 2022, for the period 1st April 2022 – 9th November the team had 12 days sickness. 10 days of this absence relates to one member of staff who was unwell with Covid-19.

4.3 Of the 45 jobs now included in the audit plan:

- 26% of audits are complete with finalised reports issued
- 4% of audits are complete with draft reports issued
- 4% of audits are complete with draft reports being drafted
- 28% of audits are in progress
- 13% of audits have terms of reference being developed and / or agreed
- 11% of audits are being planned
- 13% of audits are resourced, but yet to be started.

4.4 Stakeholder surveys have now re-commenced and will be completed throughout the year as audits are finalised. **Appendix 3** reflects the results of the two surveys covering two audits undertaken since April 2022. The feedback is very strong, showing that stakeholders find the service to be knowledgeable, flexible and communicative. There is also recognition from services that the "scrutiny of audit is of great benefit to the Council".

4.5 Since the last report to the Audit Committee in July 2022 there has been two changes to the staffing of the team.

- The auditor brought in on a temporary basis for six months has now finished their contract with the team. They have secured a permanent position with the Economic Development team in the Council.
- One of the Audit Managers retired after more than 30 years working within the Audit team at Southend.

A recruitment exercise is being undertaken to replace the retired Audit Manager. Potential candidates are being interviewed w/b 14th November 2022. A verbal update on the outcome of this will be provided at the Audit Committee meeting.

Including the vacant Audit Manager post, the team currently has eight vacancies. 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.

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, Executive Directors and other senior managers before being reported to the Audit Committee.

All terms of reference and draft reports are discussed with the relevant Managers, and Executive Directors 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 expectations of the Corporate Plan and 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 external suppliers won't deliver contracted-out work within the required deadlines to the expected quality standards
- need to maintain relationships with clients and 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 2022/23 progress status
Appendix 2a	Audit Assurance and Themes – Partial assurance
Appendix 2b	Audit Assurance and Themes – Satisfactory assurance
Appendix 2b	Audit Assurance and Themes – Other audits & grants
Appendix 2c	Audit Assurance and Themes – Reports Revisited
Appendix 3	Stakeholder Survey Results

8. Information Items

CIPFA Audit Committee Update Issue 36