

Eastern Internal Audit Services



SOUTH HOLLAND DISTRICT COUNCIL

Progress Report on Internal Audit Activity

Period Covered: 1ST April 2016 to 18 July 2016

Responsible Officer: Emma Hodds – Internal Audit Consortium Manager (IACM)

CONTENTS

1. INTRODUCTION	2
2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN	2
3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK	3
4. THE OUTCOMES ARISING FROM OUR WORK	3
5. PERFORMANCE MEASURES	5
APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK	6
APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES	8
APPENDIX 3 – ICT RECOMMENDATIONS - UPDATE	14
APPENDIX 4 – PERFORMANCE MEASURES	15

1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive (known in this context as the Internal Audit Consortium Manager) to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:-
 - Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from those audits; and
 - Performance Indicator outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on the 3rd March 2016, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered.

The IT audit coverage at the time of the report was to be confirmed following a meeting between the IT Audit Manager and the Shared IT Manager for the Council. The IT audits to be undertaken this year will be; Cybersecurity; due to recent events and Disaster Recovery; to ensure that there is adequate provision, backup & recovery capabilities, and alignment with business continuity plans.

One amendment has been made to the plan, which has been agreed with the Section 151 Officer and the Chief Accountant as follows:

Audit description	Nature of the change
Welland Homes replaced by Housing Right To Buy	<p>On 12 July 2016 Cabinet received an interim business plan for Welland Homes in light of the housing and planning bill and the anticipated impact on implications for the Council as Landlord in housing delivery across the District.</p> <p>The audit of Welland Homes has therefore been postponed to 2017/18 to allow time for the business plan to be developed and embedded at the Council.</p> <p>Through discussions it was agreed it would be timely to look at the Housing Right To Buy process to ensure that this is robust, well controlled and efficient & effective for the customer. Also it's important to gain an understanding of the impact of the housing and planning bill in this area, and how the Council are managing this.</p>

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations. .
- 3.2 In summary 23 days of programmed work has been completed by Eastern Internal Audit Services, equating to 24% of the (revised) Internal Audit Plan for 2016/17.
- 3.3 East Lindsey District Council provide the review of Compass Point Business Services, with the majority of this work due to be undertaken in quarters three and four of the 2016/17 financial year.

4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the definitions shown in the table below.

Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation’s management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.
Limited Assurance	Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.
No Assurance	Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

- 4.2 Recommendations made on completion of audit work are prioritised using the definitions shown in the table below.

Urgent	Fundamental control issue on which action to implement should be taken within 1 month.
--------	--

Important	Control issue on which action to implement should be taken within 3 months.
Needs Attention	Control issue on which action to implement should be taken within 6 months.

- 4.3 In addition, on completion of audit work “Operational Effectiveness Matters” are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.
- 4.4 During the period covered by the report Internal Audit Services have issued two final reports and the Executive Summary of these reports are attached at **Appendix 2**, full copies of these reports can be requested by Members from the Internal Audit Consortium Manager.
- 4.5 As a result of these audits eight recommendations have been raised; no urgent (priority one), two important (priority two) and six needs attention (priority three). All of which have been agreed by management for implementation.

In addition two Operational Effectiveness Matters have been proposed to management for consideration.

- 4.6 In summary the final reports issued conclude the following:

Corporate Health and Safety

This audit reviewed the systems and controls in place for Corporate Health and Safety (H&S) at both Breckland and South Holland District Councils. With specific regard to; designated responsible officers, roles & responsibilities of the H&S Group and respective joint committees, guidance available, inspections, and reporting of instances.

The audit concluded with a **reasonable** assurance and raised two important (priority two) and one needs attention (priority three) recommendations. The important recommendations relate to; reviewing outlying / residual premises to determine where H&S responsibility lies & to obtain evidence of H&S compliance and H&S inspections to be undertaken on all corporate premises & to document and report on the outcomes.

Branding

This joint audit focused on brand guidelines across Breckland and South Holland District Councils, in particular focusing on whether brands are fit for purpose, have been formally approved and are being correctly applied.

The audit concluded with a **reasonable** assurance and five needs attention (priority three) recommendations were agreed with management.

- 4.7 It is pleasing to note that both audits concluded in a positive opinion being awarded, indicating a strong and stable control environment to date, with no issues that would need to be considered at year end and included in the Annual Governance Statement.
- 4.8 Committee have previously requested updates on the two limited assurance reports that were issued by Audit Lincolnshire on ICT Strategy & Projects and ICT Software.

East Lindsey District Council has followed up on the recommendations and the detailed responses for the work in progress / outstanding recommendations can be seen at **Appendix 3**. In summary the current position is:

ICT Strategy and Projects

Five recommendations (four high priority and one medium priority) were agreed with management on conclusion of the review. The current position is that four have been either actioned by management or superseded, and one high priority is work in progress, with a revised date of September 2016 provided for implementation.

ICT Software

Six recommendations (three high priority and three medium priority) were agreed with management on conclusion of the review. The current position is that the three medium priority recommendations have been actioned by management or superseded, and the three high priority recommendations are work in progress, with deadline dates of September 2016 provided for implementation.

5. PERFORMANCE MEASURES

5.1 The new Internal Audit Services contract includes a suite of key performance measures against which the new contractor will be reviewed on a quarterly basis. There are a total of 11 indicators, over 4 areas. The performance measures can be seen at **Appendix 4**.

5.2 There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows (for the first year):

- 9-11 KPIs have met target = Green Status.
- 5-8 KPIs have met target = Amber Status.
- 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed by the contractor and agreed with the Internal Audit Consortium Manager to ensure that appropriate action is taken.

5.3 The first quarters work has been completed and a report on the performance measures is due to be provided to the Internal Audit Consortium Manager imminently, however early indication is that performance is at green status.

5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. A review of the most recent update indicates that work is progressing as expected.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 1											
Corporate Health and Safety	SH1701	3	3	3	Final Report issued 24 May 2016	Reasonable	0	2	1	1	28 July 2016
Branding	SH1702	3	3	3	Final Report issued 18 July 2016	Reasonable	0	0	5	1	28 July 2016
TOTAL		6	6	6							
Quarter 2											
South Holland Centre	SH1703	7	7	2	Audit to start 26 July 2016						
Strategic Housing	SH1704	10	3	25	Draft Report imminent						
Welland Homes	SH1714	0	7	0	Currently being scoped						
Housing Right to Buy											
Ascoughfee	SH1705	7	7	0.5	Audit to start 16 August 2016						
TOTAL		24	24	5							
Quarter 3											
Licensing and Business Support	SH1706	5	5	0							
TOTAL		5	5	0							
Quarter 4											
Corporate Governance	SH1707	4	4	0							
Risk Management	SH1708	3	3	0							
TOTAL		7	7	0							
IT Audits											
Coverage to be confirmed	TBC	20	0	0							
Cybersecurity	SH1712	0	10	9	Draft Report issued 14 July 2016						
Disaster Recovery	SH1713	0	10	0	Planned for quarter 3						
TOTAL		20	20	9							

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
FollowUp											
FollowUp	NA	12	12	3	Ongoing review of the implementation of audit recommendations through Covalent						
Other work - timing to be confirmed											
Transformation Programme - benefits realisation	SH1709	6	6	0	Currently in discussion over what to cover - timetabled review for quarter 4						
Planned Maintenance, major contracts and property services Responsive repairs, voids and recharges	SH1710	10	10	0	Provisionally planned for quarter 4						
Leisure	SH1711	5	5	0							
TOTAL		33	33	3							
TOTAL		95	95	23			0	2	6	2	
Percentage of plan completed				24%							
Audits to be delivered by East Lindsey DC											
Key Controls and Assurance	TBC	20	20	0	Planned for quarter 3/4						
Payroll	TBC	10	10	0	Planned for quarter 3/4						
Accounts Payable	TBC	10	10	0	Planned for quarter 3/4						
HB Subsidy Testing	TBC	25	25	0	Due to commence early August						
		65	65	0							
				0%							
OVERALL TOTAL		160	160	23							
				14%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of Corporate Health and Safety

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p> 	<p>ACTION POINTS</p> <table border="1" data-bbox="1131 539 2020 865"> <thead> <tr> <th>Control Area</th> <th>Urgent</th> <th>Important</th> <th>Needs Attention</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>Health and Safety Group and Joint Committees</td> <td>0</td> <td>0</td> <td>1</td> <td>1</td> </tr> <tr> <td>Programmed Inspections</td> <td>0</td> <td>2*</td> <td>0</td> <td>0</td> </tr> <tr> <td>Inspection Outcomes</td> <td>0</td> <td>0*</td> <td>0</td> <td>0</td> </tr> <tr> <td>Total</td> <td>0</td> <td>2</td> <td>1</td> <td>1</td> </tr> </tbody> </table> <p>*Applies to both areas.</p> <p>No recommendations have been raised in respect of Corporate Responsibilities, Written Guidance, Management System and Incident Reporting.</p>	Control Area	Urgent	Important	Needs Attention	Operational	Health and Safety Group and Joint Committees	0	0	1	1	Programmed Inspections	0	2*	0	0	Inspection Outcomes	0	0*	0	0	Total	0	2	1	1
Control Area	Urgent	Important	Needs Attention	Operational																						
Health and Safety Group and Joint Committees	0	0	1	1																						
Programmed Inspections	0	2*	0	0																						
Inspection Outcomes	0	0*	0	0																						
Total	0	2	1	1																						
<p>SCOPE</p> <p>The objective of the audit was to review the systems and controls in place within Corporate Health and Safety, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.</p>																										

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with Remittances. The assurance opinion has been derived as a result of two 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', which set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

KEY FINDINGS

Positive Findings

We found that the Council has demonstrated the following points of good practice as identified in this review and we will be sharing details of these operational provisions with other member authorities in the Consortium:

- Breckland and South Holland have procured a Health and Safety Management system (Vision Communications System) which is being rolled out across both Councils with separate modules for each Council. The intention is to make individual managers responsible for health and safety management within their areas of responsibility, overseen by the Health and Safety Advisor and the Executive Manager - Public Protection.
- The new system will allow all locations/corporate offices to be set up, accessible through drop down menus with designated managers assigned to specific tasks including health and safety risk assessments, with progress of those assessments being monitored by the Health and Safety Advisor and the Executive Manager - Public Protection. There is also the facility to store policy and procedural guidance, training records/material and reporting of incidents as well as providing management reports on health and safety activity.

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Responsibility for corporate health and safety is assigned to the Executive Manager - Public Protection, supported by the Health and Safety Advisor. Individual managers will be assigned day to day responsibility for their areas as the new health and safety management system is rolled out.
- Policies and procedures exist covering health and safety which are accessible to staff and members via the respective Council intranets. Copies will also be available via the new health and safety management system when fully operational.
- Incidents/accidents are reported to the respective health and safety sub committees and to the Joint Strategic Corporate Health and Safety Group (JSCHSG).

Issues to be addressed

The audit has highlighted the following areas where two 'important' recommendations have been made:

Programmed Inspections Health and Safety

- A review is required of all outlying Breckland and South Holland Council owned premises to determine where responsibility for health and safety lay and then to obtain the requisite evidence that health and safety compliance is being maintained. This is to prevent the risk of non compliances being overlooked and legal action being taken against the Council in the event of injury to staff or members of the public.
- Health and safety inspections to be undertaken of all corporate premises as a matter of priority and be formally documented with outcomes reported to and monitored by, the respective health and safety sub committees, the JSCHSG and EMT so as to reduce the risk of injury to staff, members and stakeholders of the Council and the risk of legal proceedings including imprisonment and fines for Council staff, regardless of rank or position.

The audit has highlighted the following area where one 'needs attention' recommendation has been made:

Health and Safety Group and Joint Committees

- Terms of reference for the respective health and safety sub-committees require updating to remove reference that an annual work plan is to be agreed at the first meeting (of each joint committee) in each municipal year with the terms of reference for the JSCHSG to also be updated to refer to the annual work plan being reported to and progress monitored by EMT. This will help reduce the risk of any confusion with the process and or inconsistent practices developing.

Operational Effectiveness Matters

Health and Safety Group and Joint Committees

The operational effectiveness matter, for management to consider, relates to the need to improve clarity by aligning meeting minute titles with the respective health and safety committees for Breckland and South Holland.

Assurance Review of Branding

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p>  <p>The diagram shows a central yellow circle labeled 'REASONABLE ASSURANCE' surrounded by a blue ring with the text 'Adequate & effective governance, risk and control processes'. To the right, a vertical legend lists four levels of assurance: 'SUBSTANTIAL ASSURANCE' (light green), 'REASONABLE ASSURANCE' (yellow), 'LIMITED ASSURANCE' (orange), and 'NO ASSURANCE' (red).</p>	<p>ACTION POINTS</p> <table border="1"> <thead> <tr> <th>Control Area</th> <th>Urgent</th> <th>Important</th> <th>Needs Attention</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>Strategies, policies and procedures</td> <td>0</td> <td>0</td> <td>4</td> <td>0</td> </tr> <tr> <td>Branding and criteria</td> <td>0</td> <td>0</td> <td>1</td> <td>1</td> </tr> <tr> <td>Total</td> <td>0</td> <td>0</td> <td>5</td> <td>1</td> </tr> </tbody> </table>	Control Area	Urgent	Important	Needs Attention	Operational	Strategies, policies and procedures	0	0	4	0	Branding and criteria	0	0	1	1	Total	0	0	5	1
Control Area	Urgent	Important	Needs Attention	Operational																	
Strategies, policies and procedures	0	0	4	0																	
Branding and criteria	0	0	1	1																	
Total	0	0	5	1																	
<p>SCOPE</p> <p>The objective of the audit was to review the systems and controls in place within Branding across Breckland and South Holland District Councils to help confirm that these are operating adequately, effectively and efficiently.</p>																					

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with Branding. The assurance opinion has been derived as a result of five 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

KEY FINDINGS

Positive Findings

- Both Breckland Council and South Holland District Council have documented 'Corporate Branding Guidelines', which are available to staff via the intranet.
- Breckland Council also has documented 'Social Media Guidance', which is available to staff via the intranet.
- A review of a randomly selected sample of publications for South Holland District Council confirmed that the Council logo had been used correctly in all instances.
- Breckland Council has recently updated its logo. Evidence exists confirming that Council employees have been sent regular reminders to ensure that the updated logo is used.
- Breckland Council officers working with external partners and stakeholders have been requested to ensure they use the updated logo. Evidence was also available to show that third parties had been advised of the need to use the updated logo for Breckland Council, where it was identified that the old version was being used.

Issues to be addressed

The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings five 'needs attention' recommendations have been made.

Strategies, policies and procedures

- The 'Corporate Branding Guidelines' for Breckland Council and South Holland District Council would be enhanced by the inclusion of more specific guidance on use of the Council logo in relation to partnerships, contractors and providers of goods and services to the Council, signage, vehicle liveries, stationery and advertising, in order to reduce the risk of legal action against the Council if the incorrect branding is used.
- Publication of the 'Corporate Branding Guidelines' on the respective Council websites, would provide guidance to third parties, and would help to reduce the risk that the logo is incorrectly used, reinforcing the message of a strong identity for the Council to its residents and stakeholders.
- The inclusion of a statement that copying and use of the Council logo is not permitted without prior approval from the respective Communications Teams in the 'Corporate Branding Guidelines' and/or on the Council websites, would help reduce the risk of the Council logos being used inappropriately.
- The production of formal social media guidance for South Holland District Council employees (potentially via the Communication Strategy) would help mitigate the risk that social media is used by employees in a way that could damage the Council's brand and reputation.

Branding and Criteria

- There is a need to update the standard documents available to the public so that they include the current Breckland Council logo. The sign at the entrance to Breckland's Council's main premises (Elizabeth House) also requires updating to display the correct version of the Council's logo. Ensuring that the correct version of the logo is used reduces the risk that an incoherent message is sent to the Council's residents and stakeholders.

Operational Effectiveness Matters

The operational effectiveness matter, for management to consider, relates to the inclusion of brief reference to the role of the Communications Team during staff induction.

Other Issues

It was noted that the 'Corporate Branding Guidelines' for Breckland Council were updated during 2016 and reflect current practice. Although no recommendation is deemed necessary, the 'Corporate Branding Guidelines' for Breckland Council should state the year of publication, and be tracked to confirm that they are reviewed on a timely basis.

APPENDIX 3 – ICT RECOMMENDATIONS - UPDATE

ICT Strategy and Projects

Agreed Action	Priority	Responsible Officer	Due Date	Comment
A scoping exercise be undertaken to identify the resource and skills required in order to fulfil the outstanding ICT Strategy requirements. Market testing will be undertaken and proposals submitted to the clients for consideration.	High	IT Director	May 2016	The Interim ICT Manager has agreed to provide a draft ICT Strategy for both client organisations by the end of August 2016. Revised Date – September 2016

ICT Software

Agreed Action	Priority	Responsible Officer	Due Date	Comment
All hardware devices that represent a key risk to the clients should be reviewed and brought up to date in terms of critical maintenance data with Support Works	High	Sam Needham	September 2016	Not yet due
A review of the software versions (BIOS / firmware etc.) for all key infrastructure devices should take place and a risk assessment undertaken to determine whether there are any security or other vulnerability risks.	High	Michael Payne	September 2016	Not yet due
Due to the volume of work and the very specific technical skills that are required to complete this work, a scoping exercise to be undertaken and presented to the clients with a view to commissioning some external support.	High	Michael Payne	May 2016	Costs for undertaking work obtained, but final scope to be agreed. Revised Date – July 2016

APPENDIX 4 – PERFORMANCE MEASURES

Area / Indicator	Target
<u>Audit Committee / Senior Management</u> 1. Audit Committee Satisfaction – measured annually 2. Chief Finance Officer Satisfaction – measured quarterly	Adequate Good
<u>Internal Audit Process</u> 3. Each quarters audits completed to draft report within 10 working days of the end of the quarter 4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter 5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager) 6. Compliance with Public Sector Internal Audit Standards 7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.	100% 100% 100% Full 100%
<u>Clients</u> 8. Average feedback score received from key clients (auditees) 9. Percentage of recommendations accepted by management	Adequate 90%
<u>Innovations and Capabilities</u> 10. Percentage of qualified (including experienced) staff working on the contract each quarter 11. Number of training hours per member of staff completed per quarter	60% 1 day