

Eastern Internal Audit Services



SOUTH HOLLAND DISTRICT COUNCIL

Progress Report on Internal Audit Activity

Period Covered: 1 April to 31 August 2017

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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 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 27 March 2017, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Since then, the following amendments have been made:

Audit description	Nature of the change
Communications	The area of communications has recently been assessed via a Peer Review. This audit was initially proposed to provide independent oversight of the results of the peer review and to look at the outcomes to see how the recommendations flowing from this are being delivered. However, there is now a mechanism in place for monitoring progress against agreed actions and therefore it was agreed that a formal audit was not necessary. Reduction of four days.
Elections & Electoral Registration	The area of elections was out-scoped from this review as there has been no election activity recently that hasn't already been subject to scrutiny by either the Cabinet Office or the County Council. Reduction of four days.

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:

41.5 days of programmed work has been completed by Eastern Internal Audit Services, equating to 27% of the (revised) Audit Plan for 2017/18.

16 days of programmed work has been completed by East Lindsey District Council, equating to 25% of the (revised) Audit Plan for 2017/18.

4. THE OUTCOMES ARISING FROM OUR WORK

Eastern Internal Audit Services

- 4.1 The Greater Lincolnshire Local Enterprise Growth and Efficiency Programme (GL LEGE), branded Grants4Growth, is an ERDF funded project managed and delivered by South Holland District Council's Economic Development Service.

The objective of the first phase of the audit was to confirm that the controls used to compile the claim are robust and effective. The testing undertaken assessed the control environment, and carried out a high-level analysis of claim two, which covered the period January to March 2017. No issues were identified that needed attention by management.

The second phase of this review is due to be completed in quarter three of the financial year.

- 4.2 The review of Planning, Planning Enforcement and Section 106 Agreement has been completed and two reports issued; one on Planning & Planning Enforcement and one on Section 106 Agreements. Management responses are imminent in respect of the first report and a meeting has been set up in September to discuss the second report with management.
- 4.3 The audits of Corporate Performance & Corporate Plan, Asset Management and Elections & Electoral Registration are now complete, with the draft reports currently being finalised by the contractor.
- 4.4 The remaining work for quarter two (Welland Homes, Environmental Protection and IT Project Delivery Phase 1) is planned in and will be complete by the end of the quarter.

East Lindsey District Council (CPBS reviews)

- 4.5 The subsidy audit in relation to Housing Benefits is currently underway and is progressing as expected, the outcomes of this review are provided to the external auditor.
- 4.6 The remaining work undertaken in CPBS services areas is planned in for the end of quarter two and quarter three. This will result in these audits being finalised sooner this year, enabling a much smoother year end reporting process.

5. RECOMMENDATION IMPLEMENTATION – SUMMARY POSITION

- 5.1 As requested by the Committee each progress report now contains a summary position in relation to the action taken by management to implement audit recommendations. This summary position will be further explored on a six-monthly basis through the full follow up reports already received by the Committee

Internal Audit recommendations raised by Eastern Internal Audit Services

- 5.2 At 2016/17 financial year end there were 17 audit recommendation outstanding.

11 of these were raised by Audit Lincolnshire, and remain outstanding. Management response has indicated that these are tied up with the Place Review, however the Performance, Risk and Audit Board has requested that an update is provided prior the next Committee meeting in December so as they can explore how these can be addressed.

Of the remaining six recommendations; four have now been addressed by management and two remain outstanding – one in relation to Cybersecurity and one in relation to the Ascoughfee Hall review. Revised deadline dates have been provided by management.

The current position with the 2016//17 audit recommendations is as follows:

Number raised	48	
Complete	34	71%
Outstanding	6	12%
Not yet due	8	17%

Internal Audit recommendations – CPBS

- 5.3 At 2016/17 financial year end of the 40 recommendations raised within year, eight of these had been addressed by management and 32 were not yet due.

East Lindsey monitor the implementation of the audit recommendations on a regular basis with CPBS staff. The current position in relation to the 32 recommendations that were not yet due is:

- 11 have now been implemented by management
- 15 are not yet due, and
- Six are outstanding.

In addition, there were two recommendations relating to prior financial years which required action, one has been implemented and one, in relation to establishment lists, remains outstanding.

6. PERFORMANCE MEASURES

- 6.1 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 2**.

- 6.2 There are individual requirements for performance in relation to each measure; however, performance will be assessed on an overall basis as follows:

- 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.

- 6.3 The first quarters work has been completed and a report on the performance measures provided to the Internal Audit Consortium Manager, performance is currently at green status with targets having been satisfactorily met for this quarter.
- 6.4 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 on track as expected, as highlighted in this report.

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											
Grants for Growth Phase 1	SH1801	2	2	2	Final Outcomes issued 14 June 2017						
Communications	SH1802	4	0	0							
Planning and Planning Enforcement	SH1807	16	16	15	Draft Report issued 27 July 2017						
Section 106	SH1818				Draft Report issued 27 July 2017						
TOTAL		22	18	17							
Quarter 2											
Corporate Performance & Corporate Plan	SH1803	7	7	6	Draft Report imminent						
Welland Homes	SH1804	10	10	1	Audit due to start 12 September 2017						
Environmental Protections	SH1805	6	6	1	Audit due to start 11 September 2017						
Asset Management	SH1809	10	10	9	Draft Report imminent						
Elections & Electoral Registration	SH1806	8	4	3	Draft Report imminent						
TOTAL		41	37	20							
Quarter 3											
Housing Rents	SH1808	12	12	0							
Grants for Growth Phase 2	SH1801	6	6	0							
Democratic Services	SH1810	5	5	0							
Housing needs, allocation, homelessness, housing register and PSH	SH1811	10	10	0							
Planned maintenance, major contracts and property services	SH1812	10	10	0							
Responsive repairs, voids and recharges											
TOTAL		43	43	0							

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 4											
Corporate Governance	SH1813	4	4	0							
Risk Management	SH1814	3	3	0							
Transformation Programme	SH1815	6	6	0							
Procurement & Contract Management	SH1816	8	8	0							
TOTAL		21	21	0							
IT Audits											
IT Project Delivery - Phase 1	SH1817	7.5	7.5	0.5	Audit to start 11 September 2017						
IT Project Delivery - Phase 2	SH1817	5	5	0							
IT Project Delivery - Phase 3	SH1817	7.5	7.5	0							
TOTAL		20	20	0.5							
Follow Up											
Follow Up	NA	12	12	4							
TOTAL		12	12	4							
TOTAL		159	151	41.5			0	0	0	0	
Percentage of plan completed											
				27%							
Audit delivered by East Lindsey District Council											
Key Controls & Assurance	tbc	20	20	0	Quarter three audit						
Accounts Receivable	tbc	10	10	0	Quarter two audit						
Budget Management & Control	tbc	10	10	0	Quarter three audit						
Housing Benefit Subsidy	tbc	25	25	16	Audit underway						
		65	65	16							
				25%							
OVERALL TOTAL		224	216	57.5							
				27%							

APPENDIX 2 – 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