

Eastern Internal Audit Services



SOUTH HOLLAND DISTRICT COUNCIL

Progress Report on Internal Audit Activity

Period Covered: 1 December 2017 to 28 February 2018

Responsible Officer: Emma Hodds – Head of Internal Audit for South Holland DC

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.....	7
APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES.....	10
APPENDIX 3 – PERFORMANCE MEASURES.....	26

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. Changes were reported to the Committee in September (Communications and Elections & Electoral Registration) and December (Democratic Services and Housing Benefit Subsidy), since then, there have been the following changes to the plan:

Audit description	Nature of the change
Housing	<p>This review was to focus on two key areas within Housing, however following the implementation of the Place review there have been some fundamental changes in the Housing Services team. The budget has therefore been combined to undertake a review of the service as a whole and review the changes that have been made, concluding in a Position Statement for the service to work on.</p> <p>The outcomes of this review will also result in conclusions being reached as to the areas that need closer scrutiny in 2018/19.</p>
Procurement and Contract Management	<p>As the team is relatively new it has been agreed that the review of this service area will be postponed to 2018/19, and is scheduled for quarter one to ensure this is undertaken at the right time to be able to fully assess controls.</p>
IT audits	<p>The first audit in 2017/18 reviewed the progress with the work being undertaken on the IT infrastructure. The conclusions of this were positive and the two areas to be reviewed now</p>

	are Change & Patch Management and ISO Policy Review.
--	--

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:

101 days of programmed work has been completed by Eastern Internal Audit Services, equating to 73% of the (revised) Audit Plan for 2017/18.

51 days of programmed work has been completed by East Lindsey District Council, equating to 73 % of the (revised) Audit Plan for 2017/18.

4. THE OUTCOMES ARISING FROM OUR WORK

Eastern Internal Audit Services

4.1 On completion of each individual audit an assurance level is awarded using the following definitions:

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 following definitions:

Urgent (priority one): Fundamental control issue on which action to implement should be taken within 1 month.

Important (priority two): Control issue on which action to implement should be taken within 3 months.

Needs attention (priority three): 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 four final reports:

Audit	Assurance	P1	P2	P3
Housing Rents	Reasonable	0	3	3
Section 106 Arrangements	Limited	2	2	2
Asset Management	Limited	5	2	1
Environmental Protection	Limited	1	3	5

The Executive Summary of these reports are attached at **Appendix 2**, full copies of these reports can be requested by Members.

- 4.5 As can be seen in the table above as a result of these audits 29 recommendations have been raised, all of which have been agreed by management.

Of these 29 recommendations, six have been implemented and 23 are not yet due.

- 4.6 In relation to the priority one recommendations the current position is as follows:

Section 106 Arrangements: both recommendations have completion dates of 30 June 2018, an update position will be sought at financial year end.

Asset Management: implementation dates for the five recommendations vary between 1 April 2018 and 21 June 2018, an update position will be sought at financial year end.

Environmental Protection: this recommendation has been implemented by management.

- 4.7 The areas of Section 106 Arrangements and Asset Management contain risks that if not appropriately mitigated by year end will need to be considered for inclusion in the Head of Internal Audit Annual Opinion, and ultimately for inclusion in the Annual Governance Statement. The related recommendations will continue to be monitored.

Compass Point Business Services (CPBS) – Service are audits

- 4.8 As with the work completed by TIAA, on completion of each individual audit an assurance option is awarded, the principle behind the assurance is the same however they are referred to in different terms. The following is a comparison for Members information:

TIAA assurances	CPBS assurances
Substantial assurance	High assurance

Reasonable assurance	Substantial assurance
Limited assurance	Limited assurance
No assurance	Low assurance

The audits also conclude with recommendations which are classed as high risk, medium risk or advisory points, these equate to the priority one, two and three recommendations raised by TIAA.

For ease of reference for Members the terminology employed by TIAA will be utilised when referencing this work within this report.

- 4.9 The following summary is also provided for Members information with regards to the audits competed in this period. A full copy of the report can be requested by Members.

Accountancy Services

The purpose of this review was to provide independent assessment of the controls in place for; general ledger maintenance, control accounts, asset management and treasury management.

The audit concluded with a reasonable assurance, raising four priority two recommendations, three in relation to general ledger & controls accounts and one in relation to treasury management. To address the associated risks, management have agreed to undertake the following:

1. Separation of duty to be introduced between the officer creating the journal and the officer approving them, the policy will also be updated to reflect this.
2. Ensure that the Finance Team are notified of leavers through the HR leavers distribution list and for the system to be updated accordingly.
3. Monthly general reconciliations will be undertaken with more focus thus ensuring that these are timely, differences are explained and balances are correctly totalled. Spot checks will also be undertaken by the Financial Control Manager.
4. The treasury management work instructions will be updated following the update of the Treasury Management Plan to ensure that these are reflective of current practice and are version controlled.

- 4.10 It is pleasing to note that this audit 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.

5. PERFORMANCE MEASURES

- 5.1 The 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 3**.

- 5.2 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 Head of Internal Audit to ensure that appropriate action is taken.

- 5.3 The first three quarters work has been completed and a report on the performance measures provided to the Head of Internal Audit, performance is currently at green status with targets having been satisfactorily met for this quarter.
- 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 the audit plan is on track for completion 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											
Grants for Growth Phase 1	SH1801	2	2	2	Final Outcomes issued 14 June 2017						
Communications	SH1802	4	0	0							
Planning and Planning Enforcement	SH1818	16	16	16	Final Report issued 29 September 2017	Reasonable	0	4	1	2	14 December 2017
Section 106	SH1807				Final Report issued 21 December 2017	Limited	2	2	2	0	15 March 2018
TOTAL		22	18	18							
Quarter 2											
Corporate Performance & Corporate Plan	SH1803	7	7	7	Final Report issued 13 September 2017	Substantial	0	0	2	0	14 December 2017
Welland Homes	SH1804	10	10	10	Final Report issued 14 November 2017	Reasonable	0	2	1	0	14 December 2017
Asset Management	SH1809	10	10	10	Final Report issued 16 January 2018	Limited	5	2	1	0	15 March 2018
Elections & Electoral Registration	SH1806	8	4	4	Final Report issued 20 September 2017	Reasonable	0	0	3	0	14 December 2017
TOTAL		35	31	31							
Quarter 3											
Environmental Protection	SH1805	6	6	6	Final Report issued 25 January 2018	Limited	1	3	5	0	15 March 2018
Housing Rents	SH1808	12	12	12	Final Report issued 1 December 2017	Reasonable	0	3	3	0	15 March 2018
Democratic Services	SH1810	5	0	0							
TOTAL		23	18	18							

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											
Grants for Growth Phase 2	SH1801	6	6	5	Review being finalised						
Housing needs, allocation, homelessness, housing register and PSH	SH1811	10	20	10	Audit underway						
Planned maintenance, major contracts and property services Responsive repairs, voids and recharges	SH1812	10	0	0							
Corporate Governance	SH1813	4	4	0.5	Audit to start 14 March 2018						
Risk Management	SH1814	3	3	0.5	Audit to start 19 March 2018						
Transformation Programme	SH1815	6	6	0.5	Audit to start 6 March 2018						
Procurement & Contract Management	SH1816	8	0	0							
TOTAL		47	39	16.5							
IT Audits											
IT Project Delivery - Phase 1	SH1817	7.5	7.5	7.5	Final Report issued 18 October 2017	Reasonable	0	0	1	0	14 December 2017
IT Project Delivery - Phase 2 Change and Patch Management	SH1819	5	10	0	Audit to start in March						
IT Project Delivery - Phase 3 ISO Policy Review	SH1820	7.5	2.5	0	Audit to start in March						
TOTAL		20	20	7.5							
Follow Up											
Follow Up	NA	12	12	10							
TOTAL		12	12	10							
TOTAL		159	138	101			8	16	19	2	
Percentage of plan completed				73%							

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Compass Point Business Services											
Key Controls & Assurance	tbc	20	20	12	Quarter three / four reviews						
Revenues					Draft Report issued						
Income					Fieldwork underway						
Benefits					Fieldwork underway						
Payroll					Fieldwork underway						
Accounts Payable					Draft Report imminent						
Accountancy Services					Final Report issued 16 February 2018	Reasonable	0	4	0		
Accounts Receivable	tbc	10	10	9	Draft Report imminent						
Budget Management & Control	tbc	10	10	0	Quarter four						
Housing Benefit Subsidy	tbc	25	30	30	Work complete & submitted to KPMG						
		65	70	51							
				73%							
OVERALL TOTAL		224	208	152							
				73%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of the Housing Rents Management Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and procedures	0	0	1	0
Annual Rent Charge & Housing Rent Income	0	0	0	0
Rent Arrears (Current and Former)	0	1	0	0
Amendments to Housing Rent Accounts	0	1	0	0
Maintenance of the Housing Rents System, including System Access	0	1	2	0
Reconciliation with other Key Financial Systems	0	0	0	0
Total	0	3	3	0

SCOPE

The objective of the audit was to review the systems and controls in place to help confirm that these are operating adequately, effectively and efficiently. The audit covered setting the annual rent charge, housing rent income, recovery of rent arrears (former and current), amendments to housing rent accounts, maintenance of the housing rents system including system access, and reconciliations with other key financial systems

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'important' and three 'needs attention' recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

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

- Annual Rent calculation parameters have been spot checked, signed and dated by the Finance Business Partner and the Business Systems Support Officer before the start of the financial year to confirm that the correct rents rates have been applied to the relevant customer accounts.
- Rent payment received by the Council is automatically allocated to the customer rent account using the payment reference number, thus ensuring payments are accurately allocated.
- Tenants with returned payments are contacted by Neighbourhood Housing Officers either through telephone conversation or a written letter with notes of action taken recorded on the Northgate system. Rent due is then debited back to the relevant account, thus ensuring the account is up to date and outstanding rents can be recovered.
- Recovery action is being taken in accordance with the written procedures for current and formal arrears cases.
- Appropriate recovery actions were taken before the debts were approved for write off, and write offs were approved within officer delegated limits.
- The suspense account is reviewed by Business Support Manager on an ongoing basis with unallocated payments investigated and allocated to the correct tenants accounts.
- Sold Council housing properties were promptly removed from the Housing Rent system ensuring that the stock records are up to date and accurate.
- Right To Buy (RTB) conditions were stated in Land Registry TP1 documents for properties sold under the RTB conditions.
- The housing rent system is reconciled to the cash receipting system and housing benefit system weekly, and to the general ledger monthly.

ISSUES TO BE ADDRESSED

The audit has also highlighted the following areas where three 'important' recommendations have been made.

Rent Arrears (Current and Former Tenants)

- Evidence to confirm the review of rent arrears reports by management is to be retained, thus ensuring that over time all accounts in arrears are reviewed thereby increasing the probabilities of collecting the outstanding debts.

Amendments to Housing Rent Accounts

- All manual adjustments to rent accounts are to be independently checked for accuracy. This is to reduce the risk of inappropriate or inaccurate changes on the rent accounts which could lead to loss of income for the Council.

Maintenance of the Housing Rents System, including System Access

- All staff users' access rights on the Northgate system are to be reviewed to reflect changes in job roles in relation to the changes taking place within the Council. This will reduce the risk of fraud where leavers still have access to the system and current staff have access rights which are more than their job roles require.

The audit has also highlighted the following areas where two 'needs attention' recommendations have been made.

Policies and procedures

- The Rent Collection and Recovery Procedure is to be updated to reflect current practices, to reduce the risk of having conflicting procedures in the processing of housing rent.

Maintenance Of The Housing Rents System, Including System Access

- The password settings on the Northgate system is to be reviewed to ensure that passwords follow the advice of the National Cyber Security Centre. This will reduce the risk of passwords being broken and unauthorised individual gaining access to the Northgate system.
- Managers are to be informed to notify the Business Support Team of changes in their staff job roles by completing a change form and sending this to the Business Support team in a timely manner. This will reduce the risk of having staff carrying out activity outside their jurisdiction where staff access right is not commensurate to their job roles.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

This area has not been subject to previous audit scrutiny by Tiaa.

Assurance Review of Planning - s106 Agreements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
S106 Agreements	2	2	2	0
Total	2	2	2	0

SCOPE

The audit reviewed the Council's performance on dealing with planning applications and enforcement activities. The review also focused on Section 106 agreements, and the processes in place for managing and monitoring this key scheme.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Limited Assurance' in managing the risks associated with s106 Agreements. The assurance opinions have been derived as a result of two 'urgent', two 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

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

- S106 agreements are signed and sealed by Council representatives and all other parties to the agreements.

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 two 'urgent' recommendations have been made.

Section 106 Agreements

- A comprehensive review of all s106 agreements is to be completed, the review is to ensure that that the records include all trigger points, both financial and other planning obligations, along with responsible officers. This will reduce the risk that the Council overlooks / does not enforce all its s106 planning obligations and any financial loss and reputational damage to the Council.
- The Council is to assign responsible officers for monitoring financial and non-financial obligations contained in s106 agreements , to monitor when trigger points are reached to ensure the Council receives the obligations. A summary to be submitted to the joint Finance Board to provide oversight that obligations are monitored and received. This will help to reduce the risks of the Council missing out of the vital benefits from the s106 agreements and developers reclaiming commuted sums not been spent in accordance with the required timescales.

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

Section 106 Agreements

- A local procedure is to be devised detailing how the Council is to progress s106 agreements and subsequent monitoring of the obligations contained therein, this is to reduce the risk of having inconsistent practices being developed with key obligations being overlooked.
- A formal process is to be introduced to ensure Finance (CPBS) is informed of all s106 monies received and any payments made, with monitoring records updated accordingly. This will reduce the risk of incorrect coding of s106 monies on the ledger and ensuring that the monies are used for the purpose intended.

The audit has also highlighted the following areas where two 'needs attention' recommendations have been made.

Section 106 Agreements

- Written evidence of having reviewed and agreed the content of s106 agreements by interested departments and other relevant authorities be obtained and retained on file to reduce the risk of the Council losing out on vital benefits where approval from relevant departments or other relevant authorities is not received before the agreement is finalised.
- Finance is to review the current status of all s106 monies and to ensure updates are provided to and reviewed at subsequent meetings of the Finance Board as a standard agenda item. Management scrutiny and oversight will ensure that s106 monies are correctly accounted for and are spent as per their conditions.

Operational Effectiveness Matters

No operational effectiveness matters have been raised.

Previous audit recommendations

This area has not been subject to previous internal audit scrutiny.

Assurance Review of the Asset Management Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Strategies, Policies and Procedures	1	1	0	0
Lease Renewals, Re-letting and Rental Arrears	4	1	1	0
Total	5	2	1	0

No recommendations have been raised in respect of acquisitions and disposals, maintenance and insurance, property valuation and asset reconciliation.

SCOPE

The objective of the audit was to review the system and control in place in for the Council to proactively manage its assets, in particular, having a clear strategies, policies and procedures, acquisitions and disposals, lease renewals, rent, re-letting and rental arrears, maintenance and insurance, property valuation, and asset reconciliation, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed. 'Limited' in managing the risks associated with the audit. The assurance opinion has been derived as a result of five 'urgent', two 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

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

- Commercial property and contents insurance is in place, which includes all required categories; commercial buildings, building for private dwellings and content of both categories of building.
- The Council's commercial property portfolio was revalued by Wilks Head and Eve Chartered Surveyors and Town Planners on 31st March 2017, this ensuring that the portfolio value is up to date and reflects current condition.
- The value of assets on the valuation reports reconciled to value of assets on the asset register, with the 2016/17 asset control account reconciliation being prepared and reviewed.

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 'urgent' recommendations have been made.

Strategies, Policies and Procedures

- The Asset Management Strategy requires review and update to take account of the outcomes of the recent Place review and remove operational detail which is subject to change over a short period of time and can result of the Strategy becoming quickly obsolete. The operational detail should form part of policy and procedure instead. This will reduce the risk of having an obsolete Asset Management strategy in circulation and then need for unnecessary review and approval.

Lease renewals, rent, re-letting and rental arrears

- The Council is to undertake a programme of review of the current lease agreements, where these have expired new agreements are to be entered into. For new tenants lease agreements must be entered into as a matter of course, there is then the requirements to ensure that review dates are diarised to ensure that ongoing review of all lease agreements is undertaken. This will reduce the risk of loss of income to the Council where a lease and an increase in rent is not reviewed and communicated to tenants and will also ensure that up to date and relevant lease agreements are in place.
- End of tenancy inspection is to be carried out by the Council, with a checklist completed to record any repair works on property and costs being recovered from the (previous) tenants where applicable. This will help reduce the risk of the financial loss to the Council for damages where tenants fail to pay for wilful and accidental damages to property.
- There needs to be ownership and accountability to ensure that invoices are raised for all rent due, and appropriate debt recovery action taken where relevant. To ensure that this is achieved there needs to be a reconciliation between the lease payments reports from the financial system and the lease agreements held by the Council, thus ensuring that all tenants occupying Council's properties are invoiced and paying rent as required. This will help reduce the risk of loss of income to the Council where rents due have not been identified nor invoices raised to demand the rents due from tenants.
- Rent free periods granted to tenants is to be documented and monitored with details of justification, approval, and duration of the rent-free period retained on file. This will reduce the risk of loss of rental income to the Council where the rent free period elapses and the rent due is not paid by the tenant.

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

Strategies, Policies and Procedures

- The Corporate Land and Property Policy is to be updated and this should include version control information stating when the document is next due for a review. This will reduce the risk of staff not abiding by current guidelines leading to challenges and reputational damage to the Council.

Lease renewals, rent, re-letting and rental arrears

- The letting policy is to be updated to reflect current practices such as not obtaining deposit from tenants in the industrial units. This will reduce the risk of staff following obsolete policy, thereby leading to dissatisfied customers and an increase in complaints received by the Council.

The audit has also highlighted the following areas where one 'needs attention' recommendation has been made.

Lease renewals, rent, re-letting and rental arrears

- The CPBS finance team is to conduct a training session for the budget holders in this area on how to interpret the information on the monthly finance reports, such as 'Customer Invoice Balances' list monthly report which is uploaded on the South Holland DC portal. This will reduce the risk of budget holders ignoring or misinterpreting information on the finance reports provided to them. This training should also be considered for wider roll out.

Operational Effectiveness Matters

No operational effectiveness matters were raised.

Other Issues Identified

A Service Level Agreement (SLA) between Breckland and South Holland is currently being drafted for using Breckland officers to manage South Holland's industrial units, with this expected to be in place by 31st March 2018.

The Councils "moving forward programme" had looked at the financial viability of running certain assets which have been included in this programme of activity, namely the South Holland Centre and Ayscough. An exercise is currently underway looking at the feasibility of commercialising these assets. This work may help inform the use of the asset in the future, although does not impact on the assets as they sit at the moment. It does though demonstrate how the Council is proactively looking at the future of these assets in the longer term although this work is excluded from the scope of this audit. The audit covered operational and non-operational assets but excluded HRA related assets. It also took into account the outcomes of the Place review in terms of findings that arise and the proposed recommendations.

As a result of the Place review all assets will be brought under one service to ensure a consistent and pro-active approach to the management of assets. The recommendations made in this report will ensure that controls going forward are robust and provide a starting point for the service areas.

Assurance Review of Environmental Protection

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Contaminated Land	0	2	4*	0
Air Quality	1	1	2*	0
Private Water Supplies (Breckland only)	0	4	2*	0
Total	1	7	8	0

*Two recommendations apply to all three scope areas.

SCOPE

The objective of the audit was to review the systems and controls in place within Environmental Protection at Breckland District Council and South Holland District Council. This audit focused on air quality and contaminated land (at both Councils) and private water supplies (at Breckland only), to help confirm that these systems and controls are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Limited' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'urgent', seven 'important' and eight 'needs attention' recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

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

- There is a system in place across both Councils to manage the processes where user access rights are restricted to relevant, authorised personnel.
- There is a process in place for the assessment of potentially contaminated land and the placement of conditions through the planning process at both Councils, thus ensuring that the Council is monitoring and acting upon land where a risk of contamination is posed.
- There is a process in place at both Councils for the monitoring, management and annual reporting of air quality in line with the statutory requirements and action plans have been produced where required.
- Breckland Council maintains a record of all private water supplies and linked properties within the Flare system which is maintained and accessible to staff, thus ensuring that the Council is aware of and can monitor the water quality of private water supplies within the District.

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 one 'urgent' recommendation has been made.

Air Quality

- Documentation be retained for all aspects of environmental permitting including: inspections, fee receipt, permit renewals and permit variations, thereby reducing the risk of invalid permits being issued and renewed, which may lead to breaches in regulations and fines being levied. (South Holland)

The audit has also highlighted the following areas where seven 'important' recommendations have been made.

Contaminated Land

- Documented procedures be put in place for contaminated land processes, which are to include a contingency procedure, thereby reducing the risk of tasks not being completed or being completed incorrectly and to ensure that the statutory requirements are adhered to. (Both Councils)
- A central record be compiled and maintained of sites within the District where contamination is possible, thereby reducing the risk of potential contamination occurring where sites have been unidentified, unaccounted for and not monitored. (South Holland)

Air Quality

- The Council to ensure that the correct fee amount and method of charging is levied for annual subsistence fees charged for permits issued, thereby reducing the risk of fees being incorrectly levied which may lead to a loss of income and a contravention of regulations. (South Holland)

Private Water Supplies

- A risk assessment programme be implemented and maintained for private water supplies, thereby reducing the likelihood of risk assessments becoming overdue and / or unaccounted for, reducing the risk to people's health through drinking contaminated water and non-compliance with the Private Water Supplies Regulations 2009. (Breckland)
- The risk associated with the backlog of private water supply risk assessments is to be assessed by management, and appropriate mitigation action put in place, which is then regularly monitored and reported on. This will reduce the risk of backlogs increasing and becoming unmanageable and consequently, reduce the risk to people's health through drinking contaminated water and non-compliance with the Private Water Supplies Regulations 2009. (Breckland)
- A report be presented to senior management on backlogs experienced for completing private water supply risk assessments in a timely manner. This will reduce the risk of backlogs being given insufficient attention and follow up and consequently, reduce the risk to people's health through drinking contaminated water and non-compliance with the Private Water Supplies Regulations 2009. (Breckland)
- The Council is to ensure that prompt action is undertaken where failures in private water supply sampling is identified, in line with policy and regulatory requirements, thereby reducing the risk of people's health being at risk through drinking contaminated water and non-compliance with the Private Water Supplies Regulations 2009. (Breckland)

The audit has also highlighted the following areas where eight 'needs attention' recommendations have been made.

- Version control be implemented for all procedure notes retained in relation to contaminated land (Breckland and South Holland), environmental permitting (South Holland) and private water supplies (Breckland), thereby reducing the risk of outdated or inaccurate procedures being adhered to. (Both Councils)
- Documented, regular and independent sample checks of permits issued, contaminated land searches and planning application consultations and private water supply risk assessments and sampling be undertaken, thereby reducing the risk of tasks being completed erroneously or fraudulently. (Both Councils)

Contaminated Land

- A policy be implemented with supporting procedure notes for undertaking contaminated land search enquiries, thereby reducing the risk of services being provided with no charges or incorrect charges levied. (Both Councils)
- Contaminated land search enquiries be acknowledged and responded to within the prescribed target dates set, thereby reducing the risk of complaints being received where acknowledgements and responses are not timely. (South Holland)

Air Quality

- The environmental permitting page of the Councils' websites be updated to provide the correct information and documentation, thereby reducing the risk of disputes arising where website users are misled by or relying upon inaccurate information. (Both Councils)
- Independent checks be undertaken on environmental permitting annual subsistence fees to be raised by the Council, thereby reducing the risk of income not being received or unaccounted for where charges are incorrect. (Breckland)

Private Water Supplies

- Documented procedures be put in place for private water supply risk assessments. This reduces the risk of tasks not being completed or being completed incorrectly and consequently, reduces the risk to people's health through drinking contaminated water and non-compliance with the Private Water Supplies Regulations 2009. (Breckland)
- Evidence of breakdown/calculation be retained of the fees charged for each private water supply sample undertaken, thereby reducing the risk of incorrect fees being charged leading to financial loss for the Council. (Breckland)

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Other issues of note

Testing identified a backlog of risk assessments for private water supplies. This backlog arose due to changes in regulation, a lack of resource within the team and other work being given a higher priority. The Environmental Protection Manager stated that, on the back of previous Drinking Water Inspectorate (DWI) return issues, the identification and consideration of the risk assessments needing attention has been an ongoing process for some time and the team now has a good understanding of the risk assessments outstanding. The backlog of risk assessments and limitation on resource has also impacted on the sampling requirements for private water supplies. Recommendations have been raised within this report to ensure that the risks posed by the lack of risk assessment and sampling requirements are accounted for.

Audit identified that, the Local Air Quality Management Annual Progress Report 2017 for South Holland has not been submitted to DEFRA and published on the Council's website. Although a draft report has been produced, the delay in submission is due to a consultation being undertaken with DEFRA regarding funding required to undertake extra investigatory work before the final report can be submitted. Audit has been informed that this consultation is on-going.

APPENDIX 3 – 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