

Eastern Internal Audit Services



South Holland District Council

Progress Report on Internal Audit Activity

Period Covered: 1 April 2018 to 1 October 2018

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

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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. MATTERS ARISING FROM COMMITTEE MEETING - 26 JULY 2018

- 2.1 During the last Governance and Audit Committee meeting members were made aware that East Lindsey District Council (ELDC) had experienced delays in completing the finance audit reports for quarter four.
- 2.2 At the request of the Committee, the Head of Internal Audit has worked with ELDC to provide a response on the reasons for delays. Following a review of the information available, it was observed that an exercise to re-define each process step and lead officer responsibility would be of benefit.
- 2.3 Upon conclusion of this exercise a process map has been developed to ensure that procedures are consistently followed between the two internal audit providers, which is attached at **Appendix 3 and Appendix 4.**
- 2.4 In addition, the difference between the two providers assurance terminology was discussed by Members. Whilst an explanation of each set of gradings is provided by the Head of Internal Audit at each Governance and Audit Committee meeting, ELDC have decided to adopt the EIAS assurance definitions going forward to enhance comparability.

3. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 3.1 At the meeting on 15 March 2018, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Since then, there has been one significant change to that plan as shown below;

Audit description	Nature of the change
East Lindsey Internal Audit Coverage	The 20 days reserved for service audits has been reallocated to key controls work only. This will allow ELDC to cover the eight required areas over 40 days with the exception of Payroll which will be covered in depth by TIAA in the Quarter 3 review of Payroll and Human Resources.

4. **PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK**

4.1 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.

4.2 In summary 47 days of programmed work has been completed, equating to 18% of the (revised) Audit Plan for 2018/19.

5. **THE OUTCOMES ARISING FROM OUR WORK**

5.1 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.

5.2 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.

5.3 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.

5.4 During the period covered by the report Internal Audit Services has issued one final report:

Audit	Assurance	P1	P2	P3
Environmental Services	Reasonable	0	1	4

The Executive Summary of this report is attached at **Appendix 2**, a full copy of this report can be requested by Members.

5.5 As can be seen in the table above as a result of this audit five recommendations have been raised.

5.5.1 All recommendations have been agreed by management. The one important environmental services recommendation relates to ensuring that all new starters are added to the Gemini training system promptly following employment so that completed training can be recorded and further training requirements can be easily identified. Details of the four 'needs attention' recommendations can be found at **Appendix 2**, of this report within the Executive Summary. In addition, one Operational Effectiveness Matters has been proposed to management for consideration.

5.6 It is pleasing to note that this audit has 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.

6. PERFORMANCE MEASURES

6.1 The Internal Audit Services contract includes a suite of key performance measures against which the contractor will be reviewed on a quarterly basis, there are a total of 11 indicators, over four areas.

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 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 Head of Internal Audit, 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 allocated for quarter two is progressing as expected.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

TIAA

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee	Comments
							Urgent	Important	Needs Attention	Op		
Quarter 1												
Environmental Services including waste, recycling & depot services	SH1902	16	16	16	Final report issued 13 September 2018	Reasonable	0	1	4	1	October 2018	
TOTAL		16	16	16								
Quarter 2												
Procurement & Contract Management	SH1901	8	8	7	Draft Report imminent							Joint audit review
Compass Point - Finance	SH1903	10	10	5	Fieldwork underway							
Food, Health & Safety	SH1905	8	8	7	Draft Report imminent							Joint audit review
Democratic Services	SH1906	8	8	6	Fieldwork underway							Joint audit review
TOTAL		34	34	25								
Quarter 3												
Corporate Governance	SH1908	4	4	0								Joint audit review
Payroll and Human Resources	SH1909	15	15	0								Joint audit review
Delivery Unit Team	SH1910	6	6	0								Joint audit review
Leisure	SH1911	10	10	0								
Strategic Enforcement including Community Safety & ASB	SH1907	12	12	0								
Building Control	SH1912	8	8	0								
TOTAL		55	55	0								
Quarter 4												
Asset Management	SH1904	10	10	0								
Transformation Programme	SH1913	6	6	0								Joint audit review
Environmental Protection	SH1914	8	8	0								
Housing	SH1915	30	30	0								
TOTAL		54	54	0								
IT Audits												
Office 365	SH1916	5	5	0								Joint audit review
Cyber Security	SH1917	10	10	1	Audit to start 8 October 2018							
Network Management	SH1918	5	5	0								Joint audit review
Software Licensing	SH1919	5	5	0	Audit starting 12 November 2018							Joint audit review
TOTAL		25	25	1								
Follow Up												
Follow Up	NA	12	12	5								
TOTAL		12	12	5								
TOTAL		196	196	47			0	1	4	1		
Percentage of plan completed				24%								

ELDC

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee	Comments
							Urgent	Important	Needs Attention	Op		
Audit delivered by East Lindsey District Council												
Key Controls & Assurance	tbc	20	40	0								
Revenues												
Income												
Benefits												
(Payroll)												
Housing Rents												
Accounts Payable												
Accountancy Services												
Accounts Receivable												
Service audits - tbc	tbc	20	0	0								
Housing Benefit Subsidy	tbc	25	25	0								
		65	65	0								
				0%								
OVERALL TOTAL		261	261	47								
				18%								

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of Environmental Services, including Waste

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Polies and Procedures	0	0	1	0
Refuse Collection	0	1	1	0
Street Cleansing	0	0	1	1
Grounds Maintenance	0	0	1	0
Total	0	1	4	1

No recommendations have been raised in respect of recycling, garden waste and bulky waste.

SCOPE

The objective of the audit was to review the adequacy, effectiveness and efficiency of the systems and controls in place over Environmental Services.

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 one 'important' and four '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.
- This area has not been previously audited by Tiaa, hence no direction of travel has been provided.

POSITIVE FINDINGS

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

Refuse Collection

- All health and safety incidents are reported to the Council's Health and Safety Manager (Compass Point Business Services) thus ensuring compliance with Health and Safety regulations.
- Servicing and maintenance details of all waste vehicles are recorded using the workshop system (fleet management software), thereby providing detailed records of the road worthiness of the Council's refuse fleet.

Garden and Bulky Waste Collections

- Income from garden waste and bulky waste collections had been received, thereby confirming that payment has been received for all services provided and in accordance with approved charging policies.
- Various initiatives, including the use of social media, have taken place to promote the collection of garden waste, following a pilot scheme in 2016 and introduced as a permanent service since January 2018. The take up is monitored through a new performance indicator, with extra trucks being introduced in early June 2018. This provides a useful service to the residents of South Holland as well as adding a new income stream.

Recycling

- Recycling credits have been received from Lincolnshire County Council in respect of drop in sites, thereby ensuring income is received towards the provision of this service.

ISSUES TO BE ADDRESSED

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

Refuse Collection

- To add all new starters to the Gemini training system, so as to ensure that completion of the requisite training necessary to carrying out their role is recorded. This will reduce the risk that any shortfalls in training are quickly identified and rectified, including risks of breaches in health and safety requirements.

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

Policies and Procedures

- Internal procedures be produced for staff on processing service requests to mitigate against the risk of inconsistent practices developing and errors arising in service provision.

Refuse Collection

- For the driver and supervisor to sign daily driver logs to reduce the risk of information not being recorded or recorded incorrectly.

Street Cleansing

- To review the performance measure for clearing fly tipping to establish whether it is meeting management's expectations as a measure of the service provided. Having a performance indicator that does not accurately reflect the service provides management with misleading or irrelevant information about the service as a whole.

Ground Maintenance

- Ground maintenance and grass cutting records to be signed off by the appropriate member of staff and supervisor, to evidence that the task has been completed, thus reducing the reputational risk that the service has not been provided in line with public expectation.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

Street Cleansing

- The Council considers introducing a volunteer scheme for litter picking, incorporating a disclaimer regarding duty of care, to generate public involvement in reducing litter in the District.

Other issues noted

Testing of complaints established that two from 20 tested had not been acknowledged within the five-day target. The new Environmental Services Manager stated that acknowledgement of complaints was not within the service area but the responsibility of the Corporate Improvement Performance (CIP) team, *before* the complaint is passed to the service area. The new Environmental Services Manager also stated that complaint handling, in particular, late responders, is a standard item for consideration by the Council's Performance, Risk and Audit Board and that the service area under review is not an area of concern. As such, no recommendation has been raised.

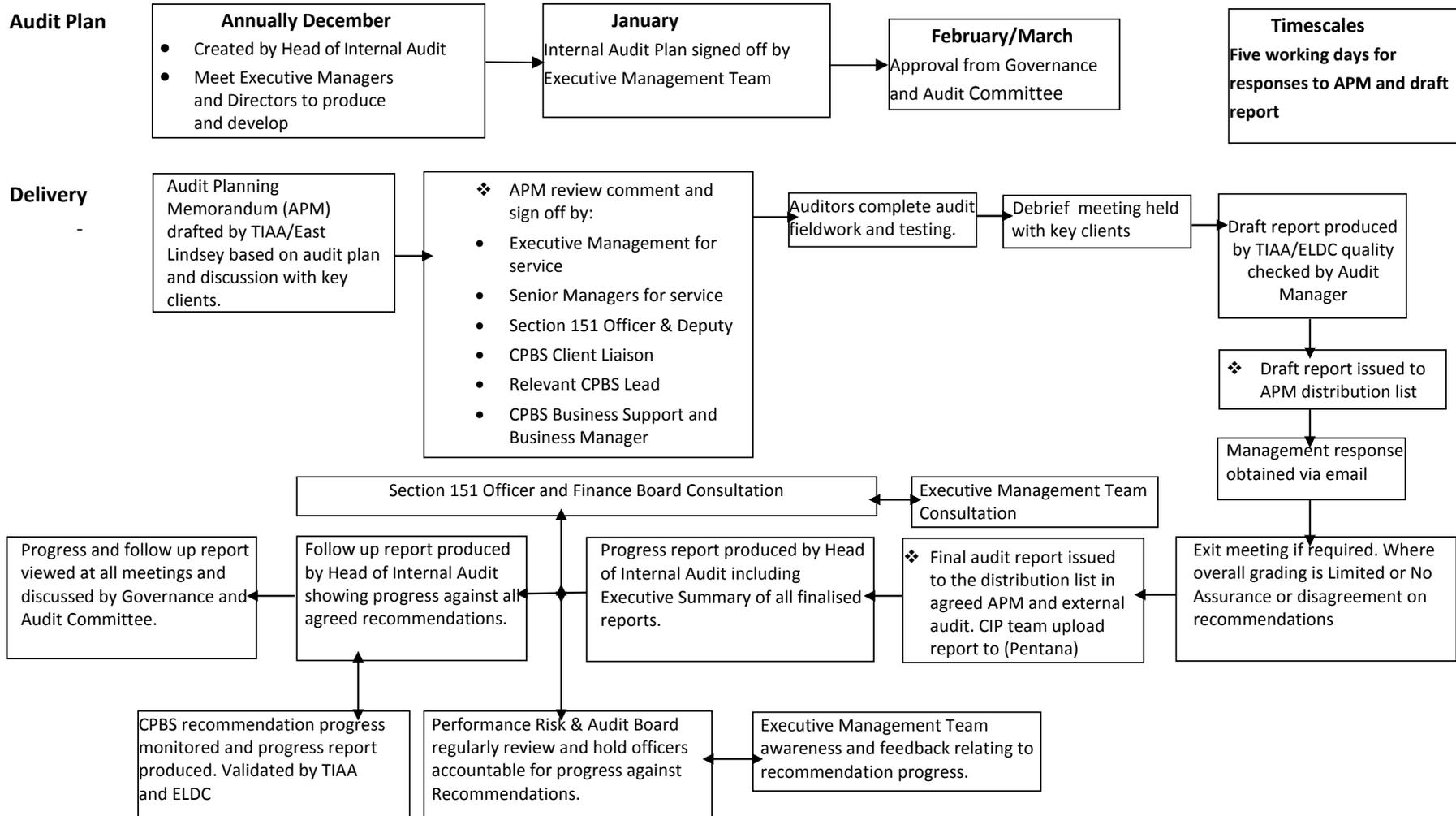
An anomaly was noted in the testing of income for garden waste where although payment was confirmed through the raising of a service request, the date of the actual payment was the day after the service request was raised. The new Environmental Services Manager stated that this could be down to a timing issue e.g. a web payment and the time of processing. As the payment had been received, no recommendation has been raised. However, the new Environmental Services Manager, agreed to monitor this to see if it happens again and to investigate the reasons why.

Previous audit recommendations

This area had not been audited previously by Tiaa.

APPENDIX 3 INTERNAL AUDIT PLANNING FLOWCHART

Section 151 Officer responsible for delivery and oversight



- ❖ Cross reference to SHDC and CPBS Stakeholder Chart
- ❖ Debrief meeting is a discussion prior to the issue of the draft report to ensure that correct conclusions have been drawn. **Alternatively** an exit meeting may be held instead (CPBS audits).

APPENDIX 4 INTERNAL AUDIT STAKEHOLDER CHART – SOUTH HOLLAND INCLUDING CPBS

