

Eastern Internal Audit Services



South Holland District Council

Progress Report on Internal Audit Activity

Period Covered: 5 November 2019 to 6 January 2020

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. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 14 March 2019, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Since our last report to the Committee in November 2019, there has been no significant changes to that plan.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 **Appendix 1** covers progress made against the 2019/20 agreed internal audit plan. A total of 170 days of work has been allocated to Eastern Internal Audit Services (EIAS) to be delivered by TIAA Ltd. A total of 65 days was also allocated to East Lindsey District Council.

East Lindsey's coverage includes the testing of key financial systems managed by Public Sector Partnership Services (previously Compass Point Business Services) on behalf of South Holland District Council. The Head of Internal Audit places reliance on the work carried out by East Lindsey District Council when concluding on the overall Internal Audit Opinion. Progress in relation to delivering the East Lindsey allocated days is provided in **Appendix 1**.

- 3.2 **In summary:**

92 days of programmed work has been completed by EIAS, equating to 60% of the (revised) Audit Plan for 2019/20.

4. THE OUTCOMES ARISING FROM OUR WORK

- 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 TIAA has issued one final report:

Audit	Assurance	P1	P2	P3
Corporate Performance	Reasonable	0	4	0

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

4.5 As can be seen in the table above as a result of this audit four recommendations have been raised and agreed by management.

In addition, one Operational Effectiveness Matter has been proposed to management for consideration.

4.6 The East Lindsey District Council Internal Audit team has issued one report in final in this period. A substantial assurance opinion was given in the area of Housing Benefits. One Important recommendation was raised in relation to ensuring that accurate reconciliation supporting documentation is retained.

5. PERFORMANCE MEASURES – Eastern Internal Audit Services

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.

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 Internal Audit Consortium Manager to ensure that appropriate action is taken.

- 5.3 Quarter one, and two has now 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.
- 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 2019/20 Internal Audit plan is being completed in line with expectations.

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											
Strategic Enforcement - Joint BRK	SH2001	10	10	10	Final position statement issued 5 November 2019						Nov-19
Private Sector Housing	SH2002	12	17	17	Final report issued 17 October 2019	No Assurance	16	6	6	3	Nov-19
TOTAL		22	27	27							
Quarter 2											
Strategic Housing	SH2003	10	10	10	Final report issued 24 October 2019	Reasonable	0	1	1	1	Nov-19
Environmental Protection Joint	SH2004	8	8	8	Final report issued 28 October 2019	Reasonable	0	0	2	0	Nov-19
Section 106 Agreements	SH2005	8	8	8	Final report issued 17 October 2019	Reasonable	0	0	4	1	Nov-19
Leisure	SH2006	10	10	10	Final report issued 29 October 2019	Reasonable	0	1	1	0	Nov-19
TOTAL		36	36	36							
Quarter 3											
Corporate Plan, Performance Measures - Joint BRK	SH2007	8	8	8	Final report issued 28 October 2019	Reasonable	0	4	0	1	Jan-20
Car Parks and Markets	SH2008	12	12	6	Audit underway						
Accounts Receivable PSPS - awaiting confirmation	SH2017	12	0		Deferred to 2020/21						
Income - PSPS - awaiting confirmation	SH2018	8	0		Deferred to 2020/21						
TOTAL		40	20	14							
Quarter 4											
Corporate Governance - Joint BRK	SH2009	4	4	0							
Procurement & Contract Management - Joint BRK	SH2010	6	6	0							
Asset Management	SH2011	10	10	0							
Housing Repairs and Maintenance	SH2012	18	18	0							
TOTAL		38	38	0							
IT Audits											
CRM replaced with IT Strategy reduced 1 day	SH2013	6	5	5	Final position statement issued 3 October 2019						Nov-19
Office 365	SH2014	5	5		Deferred to 2020/21						
Disaster Recovery - Joint BRK	SH2015	5.5	5.5								
Remote Access - Joint BRK	SH2016	7.5	7.5								
TOTAL		24	23	5							
Follow Up											
Follow Up	NA	10	10	10							
TOTAL		10	10	10							
TOTAL		170	154	92			16	12	14	5	
Percentage of TIAA plan completed				60%							

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Audit delivered by East Lindsey District Council											
Key Controls & Assurance	tbc	40	40								
Revenues and Benefits				6	Final report issued 6 December 2019	Substantial	0	1	0	0	Jan-20
Housing Rents					Audit underway						
Financial Services: Accounts Receivable Accounts Payable Budget Management Income Asset Management					Quarter four						
Accountancy Services (general ledger, control accounts, treasury management & bank reconciliation)					Audit underway						
Housing Benefit Subsidy	tbc	25	25	25	Complete						
		65	65	31							
				48%							
OVERALL TOTAL		235	219	123							
				56%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of the SH2007 Corporate Plan, Performance Measures, Risk Management, Freedom of Information (FOI) and Complaints Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
System access	0	1	0	0
Performance monitoring	0	1	0	1
Risk management	0	2	0	0
Total	0	4	0	1

No recommendations have been raised in respect of corporate plan, FOIs or complaints.

SCOPE

The Change, Innovation and Performance (CIP) Team have recently adopted an account manager/business partner approach to support performance across both Councils. This audit reviewed the systems and controls in place in managing delivery of the corporate plan, monitoring performance, risks, freedom of information (FOI) requests and the handling of complaints, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of four 'important' 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 subject to previous audit scrutiny by TIAA, so no direction of travel is provided.

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:

- The Pentana system is used to manage all performance, risk, audit and feedback within the Council, to increase the automation of these processes and ensure that consistent and timely updates are provided by services.

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

- The current version of each Council's corporate plan, which runs from 2019 to 2023, was approved by members and is available on its website, to ensure that residents are aware of the Council's corporate priorities and objectives.
- The Councils have a Corporate Performance Board which meets monthly, to ensure that issues in these areas are addressed promptly and effectively.
- Following the publication of the new corporate plan, team delivery plans were created, containing the actions necessary to achieve the corporate objectives. Progress against these actions is reviewed every six months, to ensure that they are on track to deliver the Councils' corporate objectives.
- Complaints and freedom of information requests are managed by the Statutory Information Officer on the Pentana system, with dates set for departmental responses, to ensure that responses are provided within target timescales.

ISSUES TO BE ADDRESSED

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

System access

- Access rights to Pentana, including user groups, particularly those with administration rights, be regularly reviewed to ensure that permissions correspond to a user's job role. In addition, processes to be put in place to ensure that responsibilities are promptly reassigned when officers leave the Council or move to a new role. This is to reduce the risk of unauthorised changes being made to key management information. There is also a risk that updates are not provided where responsibilities have not been promptly reassigned when key staff have changed role or have left the Council.

Performance monitoring

- Performance measures to be reviewed and updated on a regular basis, to ensure that they provide statutory information or information that is useful for helping the Council to achieve its corporate objectives. Furthermore, all performance data be recorded on Pentana, be regularly reviewed at meetings between the CIP Business Partners and service managers, and challenged by the Corporate Performance Board where data is missing or performance is consistently below target. This reduces the risk of having performance information which is not focused on the Council's key priorities and or key outcomes not being reported and being overlooked, which is required for supporting key priorities.

Risk management

- Operational risks to be regularly reviewed and updated in the CIP Business Partner meetings, to ensure that current risk scoring and mitigations are accurately recorded with updates recorded on Pentana, even when the circumstances have not changed, as evidence that the risk has been reviewed. This is to reduce the risk of potentially damaging events not being effectively managed through the Council's risk management process.
- Risks be reviewed on a regular basis for addition to or removal from the strategic risk register, to reduce the risk of significant risks not being adequately assessed or responded to and with stated risks materialising adversely impacting on the achievement of the Council's objectives.

Operational Effectiveness Matters

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

- Consideration be given to removing labels from data visualisations in performance reports, in order to provide a simple view as to the trend over time and whether targets are being achieved.

Previous audit recommendations

This area has not been reviewed previously by TIAA and therefore there are no previous audit recommendations.

Other points noted

During the audit, it was identified that the Freedom of Information Policy on the South Holland District Council website was not the most up to date version. This was rectified during the audit and as such, no recommendation has been raised.

It was also noted that the number of complaints and FOI requests responded to within the target timescales, of 15 days for complaints and 20 days for FOI requests, is slightly below target. However, steps have been taken to improve response times and the performance has improved significantly in the last 12 months.

The CIP team has developed a complaints dashboard, which allows users to drill down into the data by service, date, response time and reason. This will enable common reasons for complaints to be identified and hence drive service improvements.