

Eastern Internal Audit Services



SOUTH HOLLAND DISTRICT COUNCIL

Revised Strategic and Annual Internal Audit Plans 2020/21

Responsible Officer: Head of Internal Audit

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1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 The 2020/21 Internal Audit Plan was approved by the Governance Risk and Audit Committee on 12 March 2020. However, in line with the PSIAS the risk-based plan is required to be sufficiently flexible to reflect the changing risk and priorities of the organisation.
- 1.3 The Coronavirus Pandemic has impacted the Council significantly in several ways and Internal Audit therefore needs to remain responsive to the needs and risks of the Council by revising the agreed Internal Audit Plan.
- 1.4 Some of the significant impacts on the Council include:
 - Staff being re-deployed to front line services to ensure residents basic needs are met such as food and medicines whilst remaining mindful of safeguarding concerns.
 - The pausing of key Council projects whilst workforce and contractors are in lockdown impacting on deadlines and budgets.
 - Increased pressure on HR to monitor and manage large numbers of staff re-deployed, sickness and changes to working arrangements.
 - The issuing of business grants at short notice without pre-defined procedures or assurance over adequacy of data used or pre application checks for the prevention of fraud.
 - Additional pressure put upon the technological capabilities of the Council to allow staff to work from home during the pandemic.
 - Additional requirements from central government on Councils to temporarily house rough sleepers.
- 1.5 In response to the significant pressure placed on the Council to react effectively to the Pandemic, the Chief Executive requested that all 2020/21 Internal Audit activity be paused until at least quarter two. In addition, the Internal Audit contractors TIAA took the decision to Furlough most of their workforce until 1 July 2020.
- 1.6 The Internal Audit Plan for 2020/21 will therefore be revised to respond to the changing risk profile of the Council, to ensure that Internal Audit and Officer resources are able to support the assurance work required to formulate an opinion on the governance, risk and control framework for 2020/21.
- 1.7 This report outlines our approach to Internal Audit for 2020/21 in response to the impact that the Coronavirus Pandemic has had on the Council.

2. INTERNAL AUDIT STRATEGY

- 2.1 Due to the impact of the Coronavirus Pandemic the risk profile of the Council has changed significantly from the one used to formulate the 2020/21 Internal Audit Plan earlier this year. The risk register and Corporate Plan used to identify areas where assurance would need to be provided will in some cases no longer be appropriate.
- 2.2. We therefore determine that the most effective way to provide assurance over the current governance risk management and control framework for 2020/21 considering any significant changes, is to cover key themes. This will enable enough assurance to be provided

throughout the year to support the Head of Internal Audit Opinion whilst ensuring that officers are not placed under additional pressure to support internal audit if it is not deemed urgent or necessary at this time.

2.3 The 2020/21 Internal Audit Plan will now be split into five key themes providing assurance over key controls, changes to the control framework, current risks, and the Council's preparedness for recovery and ongoing disruptions.

2.4 The five key themes are as follows:

Theme	Audit
Theme 1: Assurance Mapping	A questionnaire style enquiry will be carried out to gather information and determine any changes to the control environment and document any available assurance that these controls are working effectively. One areas of focus for this enquiry will be to evaluate the strength of controls for the prevention of Fraud and support staff with remote working.
Theme 2: Key Controls	In order to enable us to provide an opinion over the key financial and governance controls of the Council, our annual testing regime will be enhanced, and the assurance mapping exercise mentioned above will be used where appropriate to develop testing for new controls. This will provide independent assurance to Senior Management and the Committee that governance and financial risks have been appropriately mitigated during the Pandemic period.
Theme 3: Response and Recovery	We will provide assurance that the Council has where possible reacted sufficiently to the pandemic and considered its response to recovery. This review will be carried out across the Consortium comparing the approaches taken by each of our members in areas such as: Supporting the Local Economy, staff reintegration, financial modelling and business plan revision and preparedness for ongoing disruptions. If appropriate we will suggest areas for lessons learnt in the Councils response to the Pandemic.
Theme 4: Partnerships	This work will be carried out in the style of a position statement and will evaluate the impact of the Pandemic on the Council's ability to deliver key projects and services through third party contracts during and in the recovery phase of the pandemic.
Theme 5: Essential Assurance	This work will ensure that areas from the originally agreed 2020/21 Internal Audit Plan that are integral to forming an opinion on the governance, risk management and control framework for 2020/21 are still carried out. This will include areas where limited assurance or no assurance has been given in previous years and where control weaknesses remain or have increased due to the Coronavirus Pandemic.

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- 2.5 Internal Audit reviews that were included in the original plan for 2020/21 will be deferred to 2021/22. A risk assessment will be undertaken to establish whether each area is still required early in 2021 when the risk based internal audit plan for the year ahead is developed.

3. REVISED STRATEGIC INTERNAL AUDIT PLAN

- 3.1 **Appendix 1** shows the internal audit reviews that have been deferred from the original 2020/21 Internal Audit plan and have now been deferred to the 2021/22 plan. The Strategic Internal Audit plan indicates the Council’s assurance requirements for the next three years based on the current risk register and corporate plan.
- 3.2 Each area will be subject to a risk assessment during planning in early 2021 to determine if it is still required for 2021/22 based on the Council’s requirements, at that time. We expect that the plan for the next three years will change considerably in response to the Coronavirus Pandemic.

4. REVISED ANNUAL INTERNAL AUDIT PLAN 2020/21

- 4.1 **Appendix 2** shows the revised Internal Audit Plan for 2020/21. The plan incorporates the five key themes mentioned in section 2, covering the key risks identified in relation to the impact the Coronavirus Pandemic has had on the Council. The revised plan aims to ensure that we can form an opinion on the governance, risk management and control framework whilst ensuring that we do not place increased pressure on officers to support Internal Audit work during the recovery phase.
- 4.2 The revised Internal Audit plan 2020/21 includes; the theme, Internal Audit area, key risk, number of days, quarter in which it will be undertaken, and a summary of the work proposed.

Theme 1 - Assurance Mapping and Theme 3 – Recovery, will be undertaken at all Council’s within the Consortium within the same period. This will allow Internal Audit to compare each Council’s response to the Pandemic, drawing out good practice where relevant and including it in our conclusions for consideration.
- 4.3 The revised Annual Internal Audit Plan for 2020/21 now totals nine reviews over 85 days of which will be provided by Eastern Internal Audit Services. A total of 65 days will still be provided through the arrangements in place with Audit Lincolnshire as originally planned.
- 4.4 The Internal Audit reviews that were unfinished in 2019/20 due to the Coronavirus Pandemic will be added to the 2020/21 Internal Audit Plan to allow us to complete our assessment of these controls. Both of these areas; Asset Management and Remote Access, represent significant risks and assurance in these areas will be required to evaluate the overall opinion on the Governance, Risk and Control framework for 2020/21.
- 4.5 Audit verification work concerning audit recommendations implemented to improve the Council’s internal control environment will also be undertaken throughout the financial year but reduced to reflect the decrease in scheduled Governance and Audit Committee meetings to 5 days.
- 4.6 As a result of the proposed revisions the 2020/21 Internal Audit Plan has been reduced by 75 days representing a decrease in the agreed Internal Audit budget for 2020/21. It is

important to note that the decrease is in response to unprecedented circumstances and represents the absolute minimum assurance required to form a caveated opinion on the Governance, Risk Management and Control framework for 2020/21. We will aim to revert back to our usual level of assurance coverage in the 2021/22 Internal Audit Plan.

5. RECOMMENDATIONS

- 5.1 We invite senior management and the Committee to consider the suggested revisions to the 2020/21 Internal Audit Plan to ensure that it provides the coverage required to meet the assurance needs of the Council and the requirements to enable the Head of Internal Audit Opinion to be provided.

6. CONCLUSION

- 6.1 We are committed to remaining responsive to the needs of the Council throughout the year amending our approach as and when required.
- 6.2 The Internal Audit contractor TIAA will continue to be subject to the performance measures outlined within the contract and progress against the revised 2020/21 Internal Audit Plan will be reported to the Committee at the agreed intervals.

APPENDIX 1 – STRATEGIC INTERNAL AUDIT PLAN

Audit Area	Last reviewed & assurance	Associated risk or critical activity	Joint?	2020/21	2021/22	2022/23
Annual Opinion / Governance audits						
Theme 1 Assurance Mapping	New area for review	Establish changes to key controls in response to Coronavirus Pandemic.		8		
Theme 2 Key Controls Corporate Governance	2017/18 - Reasonable 2018/19 - Reasonable	Integral to all critical activities.	√	4	4	4
Corporate Plan, Corporate Performance, Risk Management, FOI and Complaints	2017/18 - Substantial 2019/20 Reasonable	Integral to all critical activities	√			8
Theme 3 Coronavirus Pandemic Recovery	New area for review	Council's ability to recover from impact of the Coronavirus Pandemic	√	15		
Theme 4 Procurement and Contract Management	2018/19 - Limited 2019/20 - Reasonable	Position statement - Theme 4 Partnership Impact of Coronavirus	√	10		8
PSPS	2014/15 - Some Improvement 2018/19 - Reasonable	Medium risk due to necessity to deliver a high quality service to a number of Councils				10
Fundamental Financial Systems						
Housing Rents / Management	2017/18 - Reasonable	High risk due to links to Statement of Accounts				12
HR and Payroll - Deferred to 2021/22	2018/19 - Reasonable	High risk due to links to Statement of Accounts			15	
Theme 5 Essential Assurance Income	Audit deferred to 2020	High risk due to links to Statement of Accounts		8		8
Theme 5 Essential Assurance Accounts Receivable	Audit deferred to 2020	High risk due to links to Statement of Accounts.		12		12

Audit Area	Last reviewed & assurance	Associated risk or critical activity	Joint?	2020/21	2021/22	2022/23
Directorate audits						
Executive Director Commercialisation						
Budget sustainability savings -Deferred to 2021/22	New area for review	CA28 Our Council			10	
Strategic Housing	2016/17 - Reasonable 2019/20 - Reasonable	CA03 Your Home - delivering solutions				
Welland Homes	2017/18 - Reasonable	CA04 Housing Companies				10
Delivery Unit Team	2018/19 - Position Statement	CA20 Attract Investment	v			10
Economic Development (2017/18 Grants For Growth)	2017/18 Position Statement	CA22 - Business Support				10
Locality Programme Management - Deferred to 2021/22	New area for review	CA19 Attract Investment	v		10	
Executive Director Strategy and Governance						
Legal Services - Deferred to 2021/22	New area for review	CA27 Our Council Regulatory	v		10	
Democratic Services - Deferred to 2021/22	2018/19 - Reasonable	CA25 Skills			10	
Elections and Electoral Registration	2017/18 - Reasonable	CA27 Our Council Regulatory	v			8
Contact Centre- Deferred to 2021/22	New area for review	CA24 Our Council - Digital	v		7	
Theme 5 Essential Assurance Safeguarding	New area for review	CA26 Protecting Children Vulnerable	v	5		

Audit Area	Last reviewed & assurance	Associated risk or critical activity	Joint?	2020/21	2021/22	2022/23
Executive Director Place						
Licensing and Business Support - Deferred to 2021/22	2016/17 - Reasonable	CA27 Regulatory services	v		10	
Corporate Health and Safety - Deferred to 2021/22	2016/17 - Reasonable	CA27 Regulatory services	v		7	
Environmental Protection	2017/18 - Limited 2019/20 - Reasonable	CA27 Regulatory services	v			
Food, Health & Safety	2018/19 - Reasonable	CA27 Regulatory services	v			8
Housing needs, allocation, homelessness, housing register	2018/19 - Reasonable.	CA02 Housing				10
Private Sector Housing includes DFGs, empty properties & enforcement, HMO licensing & standards	2015/16 Planned Maintenance - Substantial 2019/20 - No Assurance	CA03 Housing			12	
Housing Repairs and maintenance includes; planned maintenance, property services, responsive repairs, voids and projects	Position Statement 2018/19 - Position Statement 2019/20 - Reasonable	CA07 Housing				
Housing Services	Not recently reviewed	CA07 Housing			10	
Theme 5 Essential Assurance Asset Management	2017/18 - Limited 2018/19 - Position Statement 2019/20 - Audit incomplete	Limited assurance given in previous years. Unable to complete testing in 2019/20 due to COVID		10		
Community Safety & ASB	2018/19 - Reasonable	CA10 Reduce & prevent crime				10
Leisure	2018/19 - Substantial 2019/20 - Reasonable	CA08 Health & Wellbeing				
South Holland Centre	2016/17 - Substantial	CA29 Our Council				8
Ascoughfee	2016/17 - Reasonable	CA08 Health and Wellbeing				
Planning - development control, enforcement, land charges - Deferred to 2021/22	2017/18 - Reasonable	CA27 Our Council			12	
Section 106 Agreements	2017/18 - Limited 2019/20 - Reasonable	CA27 Our Council				
Building Control	2018/19 - Substantial	CA27 Our Council				8
Environmental Services - waste, recycling and depot services	2018/19 - Reasonable	CA27 Our Council				16
Car Parks and Markets	2019/20 Limited	CA11 Support Market Towns			12	
Strategic Enforcement	2019/20 Position Statement	CA10 Reduce & prevent crime	v			
Business Continuity and Emergency Planning - Deferred to 2021/22	No recent review	CA27 Our Council	v		5	

Audit Area	Last reviewed & assurance	Associated risk or critical activity	Joint?	2020/21	2021/22	2022/23
ICT Audits						
Office 365 - Deferred to 2021/22	Deferred from 2019/20	Medium	v		7.5	
Digital Strategy - Deferred to 2021/22	New area for review	CA24 Digital Services	v		10	
Cyber Security	2018/19 Reasonable	Medium	v			
Network Management	2018/19 Position Statement	Medium	v			
Software Licencing	2018/19 Reasonable	Medium	v			
Problem Management and Change Control - Deferred to 2021/22	New area for review	Medium	v		7.5	
Customer Relationship Management Application	Deferred to 2021/22	Medium	v			7.5
Disaster Recovery	2019/20 Reasonable	Medium	v			
Service Desk	2018/19 Substantial	Medium	v			
Theme 5 Essential Assurance Remote Access	2019/20 Incomplete due to COVID 19	Medium	v	8		
IT Strategy	2019/20 Position Statement	Medium	v			
Telephony	New area for review	Medium	v			7.5
IT audits TBC						10
Follow Up of audit recommendations						
All previous audits SHDC				5	10	10
Total number of days delivered by EIAS				85	169	195
Compass Points Audits						
Theme 2 Key Controls and Assurance	Various assurances*	High risk due to links to Statement of Accounts		40	40	40
HB Subsidy Testing				25	25	25
Days provided by other Internal Audit Services				65	65	65
Total Internal Audit provision				150	234	260

APPENDIX 2 – ANNUAL INTERNAL AUDIT PLAN

Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Joint	Description
Theme 1 - Assurance Mapping								
Assurance Mapping Exercise	Some of the Council's Key and service area controls will be revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed.	8		8			v	We will conduct a questionnaire style enquiry to document and risk assess any changes in controls that have taken place in response to the Pandemic. We will gather information on any available assurances that these controls are working effectively and will focus on the strength of controls for the prevention of Fraud and supporting staff to work remotely. This will allow us to ensure that testing is focused in these areas and independent assurance is provided over the adequacy of the internal control framework for the annual opinion.
Theme 2 - Key Controls								
Corporate Governance	The processes for decision making may have changed in some areas in response to the Pandemic.	4			4		v	This review is carried out annually to support the Head of Internal Audit Opinion. Supported by the above assurance mapping exercise, we will provide assurance that any changes to the systems in place to control and manage the Council such as the utilisation of virtual meetings have been made in line with the constitution.
Theme 3 - Recovery								
Coronavirus Pandemic - Council's Response and Recovery Plan	<p>Services disrupted to focus on statutory and to ensure residents basic needs are met. The increased costs of these changes.</p> <p>The Council's Corporate Plan, Medium Term Financial Plan, planned projects may need to be revised to ensure effective recovery from the Coronavirus Pandemic.</p> <p>Staff working arrangements and the Council's technological capacity may have to support continued disruptions.</p>	15				15	v	We will provide assurance that the Council has where possible considered its response to recovery following the Pandemic. This review will be carried out across the Consortium comparing the approaches taken by each of our members in areas such as: Supporting the Local Economy, reverting of resources to statutory services, staff reintegration, financial modelling, business plan revision and preparedness for ongoing disruptions. If appropriate we will suggest areas for lessons learnt in the Council's response to the Pandemic.

Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Joint	Description
Theme 4 - Partnerships								
Procurement Contract Management	The pausing of key Council projects whilst workforce and contractors are in lockdown impacting on deadlines, budgets and ability to monitor contracts.	10			10		v	Our review will evaluate the Council's ability to monitor contracts in place during the Pandemic and during recovery. We will seek to provide assurance that the Council has reviewed the impact that the pandemic may have had on third parties ability to deliver services for the Council and key projects.
Theme 5 - Essential Assurance								
Fundamental Financial Systems								
Accounts Receivable	PSPS controls will have been revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed.	12			12			These audits were deferred from the 2019/20 Internal Audit Plan to allow PSPS to implement a new financial system. Our periodical in-depth review of financial controls will be carried out by TIAA to support the Annual Internal Audit Opinion.
Income		8			8			
Executive Director Strategy and Governance								
Safeguarding	The Councils' ability to support vulnerable residents during the Pandemic and in recovery.	5				5	v	Due to the increased risks residents have faced during the Coronavirus Pandemic, our review will examine what arrangements have been considered during the pandemic. Ensure compliance with the related legislation, provide assurances that an adequate policy and procedure is in place, that incidents are reported in line with it and that staff are aware of requirements and have been trained appropriately. Particularly those redeployed to assist with front line services.
Executive Director Place								
Asset Management	Risks highlighted in the 2017/18 Internal Audit review remain unresolved following a limited assurance grading given. Due to the impact of the Coronavirus pandemic we were unable to complete testing for this audit in 2019/20 it has therefore been added to the 2020/21 plan.	10				10		This review will be completed to provide assurance over the Councils Asset Management Strategy, ensuring that objectives relating to realising social value, rate of return and local employment benefits have been considered. We will provide assurance on the recommendations raised during the 2017/18 review. Controls relating to property valuation, acquisitions, disposal, lease renewals, rent, re-letting and rental arrears will be completed.
IT Audits								
Remote Access	Additional pressure put upon the technological capabilities of the Council to allow staff to work from home during the pandemic. Due to the impact of the Coronavirus pandemic we were unable to complete testing for this audit in 2019/20 it has therefore been added to the 2020/21 plan.	8		8				An audit of the infrastructure and management of remote access will be carried out to provide assurance that IT systems are able to support the additional pressure placed on them from the Coronavirus Pandemic whilst completing testing started in 2019/20.

Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Joint	Description
Follow Up of audit recommendations								
All previous audits SHDC	Risks identified in previous internal audit reviews remain unless mitigated through the completion of recommendations.	5	0	1.66	1.66	1.66		Follow up of recommendations. Evidence will be obtained from management to support completion of recommendations using updates provided on Covalent.
Total number of days delivered by EIAS		85	0	17.66	35.7	31.66		
Audit Lincolnshire								
Key Controls of PSPS	PSPS controls will have been revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed. The reliability of data to support grant requests is a key risk.	40			20	15		This annual audit looks at the fundamental systems that feed into the statement of accounts to provide assurance on the key controls. The areas reviewed as part of this audit are; Accountancy Services, Revenues and Benefits, Housing Rents, Financial Services and Payroll/HR. Data gathered from the assurance mapping exercise will be used to enhance testing in relevant areas.
Housing Benefit Subsidy Testing - PSPS	PSPS controls will have been revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed. The reliability of data to support grant requests is a key risk.	25						Approach as agreed with External Audit (KPMG)
Days provided by other Internal Audit Services		65	0	0	20	15		
Total Internal Audit provision		150	0	17.66	55.7	46.66		