

Eastern Internal Audit Services



South Holland District Council

Progress Report on Internal Audit Activity

Period Covered: 21 July 2020 to 11 November 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 12 March 2020, the Annual Internal Audit Plan for the year was approved identifying the specific audits to be delivered. Since this meeting the plan has been revised in order to better respond to the Coronavirus Pandemic.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 **Appendix 1** covers progress made against the revised 2020/21 internal audit plan. A total of 80 days of work has been allocated to Eastern Internal Audit Services (EIAS) to be delivered by TIAA Ltd. A total of 65 days has been allocated to Audit Lincolnshire (formally East Lindsay District Council).

Audit Lincolnshire'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 Audit Lincolnshire when concluding on the overall Internal Audit Opinion. Progress in relation to completion of this work is provided to the Committee in quarter four.

- 3.2 **In summary:**

A total of 23 days of programmed work has been completed by EIAS, equating to 27% of the (revised) EIAS Audit Plan for 2020/21, in line with the scheduled plan for the majority of audits to be completed in Q3 and Q4.

A total of 26 days of programmed work has been completed by Audit Lincolnshire, equating to 40%, in line with the scheduled internal audit plan.

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 Due to the late start of the Internal Audit Plan for the 2020/21 financial year, no reports have been finalised to date, however the plan of work is on track to the revised timetable.

5. PERFORMANCE MEASURES – Eastern Internal Audit Services

5.1 The Internal Audit Services contract includes a suite of key performance measures against which TIAA 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 TIAA and agreed with the Internal Audit Consortium Manager to ensure that appropriate action is taken.

5.3 Due to the late start of the Internal Audit Plan for work for 2020/21, a quarter one report was not provided. A quarter two report has now been provided and on return from maternity

leave the Internal Audit Manager will receive the quarter three report and will review both of the outputs with regard to the performance.

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	Comments
							Urgent	Important	Needs Attention	Op		
Quarter 1												
TOTAL		0	0	0								
Quarter 2												
Assurance Mapping	SH2101	8	8	7								
TOTAL		8	8	7								
Quarter 3												
Corporate Governance	SH2102	4	4	0								
Procurement Contract Management	SH2103	10	10	8								
Accounts Receivable	SH2104	12	12	1								
Income	SH2105	8	8	7								
TOTAL		34	34	16								
Quarter 4												
Coronavirus Response and Recovery	SH2106	15	15	0								
Safeguarding	SH2107	5	5	0								
Asset Management	SH2108	10	10	0								
TOTAL		30	30	0								
IT Audits												
Remote Access	SH2109	8	8									
TOTAL		8	8	0								
Follow Up												
Follow Up	NA	5	5	0								
TOTAL		5	5	0								
TOTAL		85	85	23			0	0	0	0		
Percentage of TIAA plan completed				27%								

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 Audit Lincolnshire												
Key Controls & Assurance	tbc	40	40	1								
Revenues					In progress							
Benefits					Scheduled Q3							
Housing Rents					Scheduled Q4							
Financial Services: Accounts Receivable Accounts Payable Budget Management Income Asset Management					Scheduled Q4							
Accountancy Services (general ledger, control accounts, treasury management & bank reconciliation)					In progress							
Housing Benefit Subsidy	tbc	25	25	25	Complete – no report							
TOTAL		65	65	26			0	0	0	0		
				40%								
OVERALL TOTAL		150	150	49			0	0	0	0		
				33%								