

Eastern Internal Audit Services



South Holland District Council

Progress Report on Internal Audit Activity

Period Covered: 12 November 2020 to 5 January 2021

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 The revised Annual Internal Audit Plan was approved on 26 November 2020, to 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 85 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 36 days of programmed work has been completed by EIAS, equating to 45% 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 40 days of programmed work has been completed by Audit Lincolnshire, equating to 62%, 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 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 A quarter two and three report has been provided by the contractor to the Internal Audit Manager for review. At time of writing, planned work is on track to be completed in line with the agreed timeframes except for the position statement on Procurement and Contract Management and assurance work on Accounts Receivable. We do not expect the issuing of these draft reports to be significantly delayed. Performance will continue to be closely monitored to ensure that the plan remains on track for completion by 31 March 2021.

## 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	
<b>Quarter 1</b>											
<b>TOTAL</b>		<b>0</b>	<b>0</b>	<b>0</b>							
<b>Quarter 2</b>											
Assurance Mapping	SH2101	8	8	7	Report in draft awaiting quality assurance.						
<b>TOTAL</b>		<b>8</b>	<b>8</b>	<b>7</b>							
<b>Quarter 3</b>											
Corporate Governance	SH2102	4	4	2	Fieldwork in progress						
Procurement Contract Management	SH2103	10	10	9	Fieldwork in progress						
Accounts Receivable	SH2104	12	12	9	Fieldwork in progress						
Income	SH2105	8	8	7	Draft report issued 16 December 2020						
<b>TOTAL</b>		<b>34</b>	<b>34</b>	<b>27</b>							
<b>Quarter 4</b>											
Coronavirus Response and Recovery	SH2106	15	15	1	APM issued						
Safeguarding	SH2107	5	0	0	Cancelled						
Asset Management	SH2108	10	10	1	APM issued						
<b>TOTAL</b>		<b>30</b>	<b>25</b>	<b>2</b>							
<b>IT Audits</b>											
Remote Access	SH2109	8	8	0	To be scheduled						
<b>TOTAL</b>		<b>8</b>	<b>8</b>	<b>0</b>							
<b>Follow Up</b>											
Follow Up	NA	5	5	0							
<b>TOTAL</b>		<b>5</b>	<b>5</b>	<b>0</b>							
<b>TOTAL</b>		<b>85</b>	<b>80</b>	<b>36</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Percentage of TIAA plan completed				45%							

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
<b>Audit delivered by Audit Lincolnshire</b>											
Key Controls & Assurance	tbc	40	40	15							
Revenues & Benefits					Fieldwork						
Housing Rents					Planning						
Financial Services: Accounts Receivable Accounts Payable Budget Management Income Asset Management					Fieldwork						
Accountancy Services (general ledger, control accounts, treasury management & bank reconciliation)					Fieldwork						
Housing Benefit Subsidy	tbc	25	25	25	Complete						
<b>TOTAL</b>		<b>65</b>	<b>65</b>	<b>40</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
				62%							
<b>OVERALL TOTAL</b>		<b>150</b>	<b>145</b>	<b>76</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
				52%							