

Eastern Internal Audit Services



South Holland District Council

Progress Report on Internal Audit Activity

Period Covered: 21 July 2021 to 1 November 2021

Responsible Officer: Faye Haywood – 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 Annual Internal Audit Plan was approved on 29 July 2021. Since it was approved, there have been no significant changes made to the plan.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 **Appendix 1** covers progress made against the 2021/22 internal audit plan. A total of 47.5 days of work has been completed equating to 24% of the overall agreed Internal Audit Plan.

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.

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 Internal Audit has issued one final report.

Audit	Assurance	High	Medium	Low
Covid-19 Business Grants	Substantial	0	0	2

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

- 4.5 In addition to the above-mentioned audit, Audit Lincolnshire has concluded their Housing Benefit Subsidy work, producing a report for External Audit with a substantial grading given overall. A total of 61 cases were reviewed in respect of payments made in the 2020/21 financial year. One error was noted that did not have a significant impact on the benefit paid or subsidy claimed, therefore no formal recommendation was raised.

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 The contractor has concluded all allocated quarter two work and is making progress on quarter three work. The Covid-19 Business Grants work was not completed in time for the quarter two deadline of 10 working days after quarter end. The KPI requirements were not met. The majority of work is profiled into quarter three and four of 2021-22, therefore the risk of delays to overall plan delivery are being closely monitored.

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 2											
COVID-19 Business Grants	SH2203	8	8	8	Final report issued 28 October 2021	Substantial	0	0	2	0	November 2021
TOTAL		8	8	8							
Quarter 3											
Operational Fleet Review	SH2209	8	8	1	APM (Audit Planning Memorandum) issued 13 September 2021						
Legal Services	SH2207	10	10	0	Planned.						
Corporate Health and Safety	SH2206	8	8	5	Audit in progress.						
Private Sector Housing DFGs	SH2211	12	12	0	Planned.						
TOTAL		38	38	6							
Quarter 4											
Performance Management, Corporate Policy and Business Planning	SH2201	10	10	0	Planned.						
Human Resources	SH2202	7	7	0	Planned.						
Budget Sustainability Savings	SH2204	10	10	0	Planned.						
Digital Strategy	SH2205	10	10	0	Planned.						
Licensing	SH2208	10	10	0	Planned.						
Housing needs, allocation, homelessness, housing register	SH2210	10	10	0	Planned.						
TOTAL		57	57	0							
IT Audits											
Cyber Security	SH2212	8	8	1	APM issued 27 September 2021. Audit due to commence in mid December.						
Problem and Change Management	SH2213	8	8	0	Planned quarter four.						
TOTAL		16	16	1							
Follow Up											
Follow Up	N/A	10	10	2.5							
TOTAL		10	10	2.5							
TOTAL		129	129	17.5			0	0	2	0	
Percentage of TIAA plan completed				14%							
Audit delivered by Audit Lincolnshire											
Key Controls & Assurance	N/A	40	40	0	Due for quarter four						
Payroll	N/A	5	5	5	Draft report issued 28 October 2021						
Housing Benefit Subsidy	N/A	25	25	25	Report issued	Substantial	0	0	0	0	Nov-21
TOTAL		70	70	30			0	0	0	0	
				43%							
OVERALL TOTAL		199	199	47.5			0	0	2	0	
				24%							

APPENDIX 2 – EXECUTIVE SUMMARIES

Assurance Review of the SH/22/03 Covid-19 Business Grants Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Data collection, processing, tools for post assurance checks, assessment of progress and system accuracy	0	0	1	0
Risk Monitoring	0	0	1	0
Total	0	0	2	0

SCOPE

The objective of the audit was to review the systems and controls in place within Covid Government Grants, to help confirm that guidance was clear, internal processing and checks were/are adequate, relevant resources assigned, funding arrangements in place and submissions to Government adequate

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'needs attention' recommendations being raised upon the conclusion of our work. It is accepted that both recommendations relate to controls in administering grant schemes that are now complete. Therefore, they have been made for future reference should there be a need for the Government to provide further financial support of this type.
- A direction of travel is not applicable since the areas under scope have not previously been subject to internal audit scrutiny.

POSITIVE FINDINGS

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

- Policies were enacted by the Council for administering the discretionary grant schemes, and were in accordance with Government guidance.
- Application forms were developed in accordance with Government guidance.
- Internal procedures and checklists were created to assist the processing of the grant applications. Pre-payment assurance steps were proactively built into the checklist to mitigate identified fraud risks. Subsequent post-payment assurance checks have identified zero instances of suspected fraud.
- System reports and returns to Government were assigned to designated personnel, and shown to be completed at defined intervals.
- New Burdens Grants were utilised by the Council to fund additional resource requirements for the processing of grant applications.

ISSUES TO BE ADDRESSED

The audit has also highlighted the following areas where two 'needs attention' recommendations have been made. These are for future reference should there be a need for the Government to provide further financial support of this type.

Data collection, processing, tools for post assurance checks, assessment of progress and system accuracy

- Internal performance measures to be used in order to monitor processing times versus resources, so as to ensure the Council is able to meet demand.

Risk Monitoring

- Risk assessment to be completed, and regularly updated, for administering any future Covid business grants.

**Note that the aforementioned matters raised should be considered in light of past and present grant activity.*

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

This area has not been subject to previous internal audit scrutiny.

Other Issues Noted

As a result of the diversion of the business rates team to set up and deliver business grants, the NNDR system was not up to date at the onset of the Small Business and Retail, Hospitality, and Leisure grant schemes. Weekly reports received by the contracted (PSPS) business rates team have a target processing time of 10 business days. As a result of the priority to deliver business grants, these reports were not being processed within the target at the start of these schemes. To account for this, all applications were checked against pending Valuation Office Agency (VOA) update schedules, as a required step within the grant application checklist created for these schemes. Following completion of the grant schemes, and the return of the team to business as usual, the VOA schedules are processed within the 10-day target.