

# Eastern Internal Audit Services



## SOUTH HOLLAND DISTRICT COUNCIL

### Annual Report and Opinion 2021/22

Responsible Officer: Faye Haywood – Head of Internal Audit for South Holland DC

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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 Those standards – the Public Sector Internal Audit Standards - require the Chief Audit Executive to provide a written report to those charged with governance (known in this context as Governance and Audit Committee) to support the Annual Governance Statement (AGS). This report must set out:
- The opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control during 2021/22, together with reasons if the opinion is unfavourable;
  - A summary of the internal audit work carried from which the opinion is derived, the follow up of management action taken to ensure implementation of agreed action as at financial year end and any reliance placed upon third party assurances;
  - Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
  - The Annual Review of the Effectiveness of Internal Audit, which includes; the level of compliance with the PSIAS and the results of any quality assurance and improvement programme, the outcomes of the performance indicators and the degree of compliance with CIPFA’s Statement on the Role of the Head of Internal Audit.
- 1.3 When considering this report, the statements made therein should be viewed as key items which need to be used to inform the organisation’s Annual Governance Statement, but there are also a number of other important sources to which the Governance and Audit Committee and statutory officers of the Council should be looking to gain assurance. Moreover, in the course of developing overarching audit opinions for the authority, it should be noted that the assurances provided here, can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes subject to internal audit review. The annual opinion is thus subject to inherent limitations (covering both the control environment and the assurance over controls) and these are examined more fully at **Appendix 3**.

## 2. ANNUAL OPINION OF THE HEAD OF INTERNAL AUDIT

### 2.1 Roles and responsibilities

- The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.
- The AGS is an annual statement by the Leader of the Council and the Chief Executive that records and publishes the Council’s governance arrangements.
- An annual opinion is required on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control, based upon and limited to the audit work performed during the year.

This is achieved through the delivery of the risk based Annual Internal Audit Plan discussed and approved with the Management Team and key stakeholders and then approved by Governance and Audit Committee.

The Internal Audit plan was approved at the meeting held on 29 July 2021.

This opinion does not imply that internal audit has reviewed all risks and assurances, but it is one component to be considered during the preparation of the AGS.

Governance and Audit Committee should consider this opinion, together with any assurances from management, its own knowledge of the Council and any assurances received throughout the year from other review bodies such as the external auditor.

## 2.2 The opinion itself

The overall opinion in relation to the framework of governance, risk management and control at South Holland District Council is **Reasonable**. This conclusion has been reached by considering the following points.

During 2021/22 a total of 12 assurance reviews have been completed at South Holland District Council. Eight of these reports concluded in a positive assurance grading, with three of these resulting in Substantial assurance:

- COVID-19 Business Grants
- Licensing
- Housing Benefit Subsidy

The Private Sector Housing DFGs audit has received a limited assurance grading. It is important to note that the 2019/20 audit of this area resulted in a no assurance grading and a total of 16 urgent and six important recommendations were originally raised in. The 2021/22 audit has indicated that progress has been made with a further three urgent and five important actions agreed to support the further work required to fully implement the original recommendations. A significant improvement in the control framework in this area is however indicated.

The audit of Corporate Health and Safety, resulting in a Limited assurance grading. It is confirmed that seven of the eight medium priority recommendations relating to this review have now been resolved, the remaining recommendation has been reported as partially implemented.

Audit Lincolnshire have concluded their testing of Key Financial Controls and have indicated a reasonable assurance overall. The draft report containing recommendations for management consideration is imminent.

Section 3.4 of this report covers the areas which we recommend are referenced within the Councils Annual Governance Statement.

This opinion has been discussed with the Section 151 Officer.

## 3. **AUDIT WORK UNDERTAKEN DURING THE YEAR**

3.1 **Appendix 1** records the internal audit work delivered during the year on which the opinion is based. In addition, **Appendix 2** is attached which shows the assurances provided over previous financial years to provide an overall picture of the control environment.

3.2 Internal audit work is divided into 4 broad categories:

- Annual opinion audits;
- Fundamental financial systems that underpin the Council's financial processing and reporting;

- Service area audits identified as worthy of review by the risk assessment processes within internal audit;
- Significant computer systems which provide the capability to administer and control the Council's main activities.

### 3.2 Summary of the internal audit work

A total of 163 days of internal audit work has been delivered. A total of three reviews from the originally approved plan have been deferred. The audits of Performance Management, Corporate Policy and Business Planning, Change and Patch Management are in their final stages. The results are expected imminently. Key controls work has concluded with a reasonable assurance opinion across areas of Accountancy Services and Financial Services overall.

One position statement has also been issued this year by TIAA Ltd providing suggested actions and improvements for Operational Fleet.

### 3.3 Follow up of management action

In relation to the follow up of management actions to ensure that they have been effectively implemented, the position at year end is that of the 49 recommendations raised and agreed, 15 are now complete, one important and one needs attention recommendations are outstanding, and 32 are within deadline.

For 2020/21, two important recommendations remain outstanding for Asset Management; and one needs attention recommendation is outstanding for Accounts Receivable.

Please refer to **Appendix 3**, which shows the details of the progress made to date in relation to the implementation of the agreed recommendations, and **Appendix 4**, which provides an update from management regarding important outstanding recommendations.

### 3.4 Issues for inclusion in the Annual Governance Statement

We recommend the following recommendations from the 2021/22 limited assurance reviews are referenced within the Council's AGS until they are confirmed as complete.

#### **Private Sector Housing**

##### Urgent

1. For a report to be designed in Assure that allows for a list to be produced of all HMOs showing a full audit trail of the inspection history and the date the next inspection is due. This report to be run regularly and reviewed by management to ensure all scheduled inspections are taking place. Any outstanding inspections to be completed forthwith.
2. For a report to be designed in Assure that allows for a list to be produced of all HMOs subject to enforcement action including a full audit trail of the enforcement history, both past action and the date the next inspection is due. This report to be run regularly and reviewed by management to ensure all scheduled inspections are taking place.
3. For a report to be designed in Assure that allows for a list to be produced detailing the status of follow up action where an enforcement notice has been issued. This report to be run regularly and reviewed by management to ensure all scheduled inspections are taking place.

### Important

4. Quarterly budget reconciliations between the Council's main financial system and PSH system (Assure) to be subject to independent check by the Homelessness Reduction and Private Sector Improvement Manager, with evidence retained thereof, thereby ensuring accuracy over DFG expenditure.
5. To ensure that the Council complies with the 'Mobile Homes and Caravan Site Licensing and Fee Policy - Issued August 2021', including any subject to new planning applications, in respect of fee charging, where applicable.
6. To ensure all outstanding sites are licensed and the introduction of routine management reporting and oversight of caravan licensing activity.
7. The Council's PSH Team review its approach to overseeing administration of empty homes to align to the priorities within the Empty Homes Strategy whilst at the same time taking in to account the actual numbers of empty properties in the district and available resources. This could include looking to share resources with Boston BC and East Lindsey DC, through the new Alliance.
8. A procedure be produced that provides levels of delegation for officers assessing / approving financial assistance under the Housing Assistance Policy (current/new Policy) with evidence (audit trail) retained where independent approval is required.

### **Health and Safety**

#### Important – Partially complete

1. Actions arising from H&S Audits / Inspections be recorded and followed up, through to conclusion. Progress to be monitored by the Forum and by either the Head of Public Protection and or the Public Protection through the introduction of a process that allows regular updates between the quarterly performances reporting and Forum meetings. This to enhance oversight of H&S matters given that the Council is the regulatory body for health and safety matters even where oversight is passed to a third party.

#### **4. THIRD PARTY ASSURANCES**

- 4.1 In arriving at the overall opinion reliance has been placed on third party assurances provided by Audit Lincolnshire, formally East Lindsay District Council. Protocols are in place to enable all audit work programmes to be shared with the Head of Internal Audit before the start of the audit and on conclusion of the audit, the summary working papers and draft report is also provided. This approach enables input into the scope of the audit to ensure that all pertinent areas are covered. It also enables a detailed review of the work that has been undertaken. We can therefore agree with the conclusions that are reached and the recommendations that are raised.

## 5. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

### 5.1 Quality Assurance and Improvement Programme (QAIP)

#### 5.1.1 Internal Assessment

A checklist for conformance with the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note has been completed for 2021/22. This covers; the Definition of Internal Auditing, the Code of Ethics and the Standards themselves.

The Attribute Standards address the characteristics of organisations and parties performing Internal Audit activities, in particular; Purpose, Authority and Responsibility, Independence and Objectivity, Proficiency and Due Professional Care, and Quality Assurance and Improvement Programme.

The Performance Standards describe the nature of Internal Audit activities and provide quality criteria against which the performance of these services can be evaluated, in particular; Managing the Internal Audit Activity, Nature of Work, Engagement Planning, Performing the Engagement, Communicating Results, Monitoring Progress and Communicating the Acceptance of Risks.

On conclusion of completion of the checklist conformance has been ascertained in relation to the Definition of Internal Auditing, the Code of Ethics and the Performance Standards.

#### 5.1.2 External Assessment

In relation to the Attribute Standards it is recognised that to achieve full conformance an external assessment is needed. This is required to be completed every five years, with the first review having been completed in January 2017 and the next review scheduled for October 2022.

The external assessment was undertaken by the Institute of Internal Auditors in 2017 and it has concluded that ***“the internal audit service conforms to the professional standards and the work has been performed in accordance with the Internal Professional Practices Framework”***. Thus, confirming conformance to the required standards.

The external assessment report has previously been provided to the Section 151 Officer and the Committee.

### 5.2 Performance Indicator outcomes EIAS (TIAA)

5.2.1 Actual performance against these targets is outlined within the following table:

Area / Indicator	Frequency	Target	Actual	Comments
<u>Audit Committee / Senior Management</u>				
1. Audit Committee Satisfaction – measured annually	Annual	Adequate	Good	Exceeded
2. Chief Finance Officer Satisfaction – measured quarterly	Annual	Good	TBC	Requested
<u>Internal Audit Process</u>				
3. Each quarters audits completed to draft report within 10 working days of the end of the quarter	Quarterly	100%	20%	Not achieved. 2/10 issued within deadline.
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	Quarterly	100%	0%	Not achieved. Quarterly report received over the 15 working day deadline in all cases.
5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)		100%	100%	Achieved
6. Compliance with Public Sector Internal Audit Standards		Generally conforms	Generally conforms	Achieved
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.		100%	N/A	No unsatisfactory feedback received
<u>Clients</u>				
8. Average feedback score received from key clients (auditees)		Adequate	Excellent	Exceeded (2 out of 7 responses received)
9. Percentage of recommendations accepted by management		90%	100%	Exceeded
<u>Innovations and Capabilities</u>				
10. Percentage of qualified (including experienced) staff working on the contract each quarter		60%	60%	Achieved
11. Number of training hours per member of staff completed per quarter		1 day	1 day	Achieved

5.2.2 Performance has not been in line within the boundaries of our agreed targets in some areas during 2021/22 such as the issuing of draft reports 10 day after quarter end and performance reports being provided within a 15 working day window after quarter end.

As reported to the Governance and Audit Committee throughout the year, Internal Audit performance has continued to be impacted in 2021/22 by the Covid-19 pandemic. The development and approval of the 2021/22 internal audit plan in quarter two had an impact on the profiling and resourcing of the internal audit plan. A period of adjustment was also required in response to prolonged remote working practices. Contractor resourcing and sickness were also a key challenge throughout the year.

This performance result has been experienced across the internal audit consortium in 2021/22 with other assurance providers also experiencing similar challenges. Resourcing levels did settle in time to ensure the majority of the 2021/22 plan of work could be completed.

### 5.3 Effectiveness of the Head of Internal Audit (HIA) arrangements as measured against the CIPFA Role of the HIA

5.3.1 This Statement sets out the five principles that define the core activities and behaviours that apply to the role of the Head of Internal Audit, and the organisational arrangements to support them. The Principles are:

- Champion best practice in governance, objectively assessing the adequacy of governance and management of risks;
- Give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Undertake regular and open engagement across the Authority, particularly with the Management Team and the Audit Committee;
- Lead and direct an Internal Audit Service that is resourced to be fit for purpose; and
- Head of Internal Audit to be professionally qualified and suitably experienced.

Completion of the checklist confirms full compliance with the CIPFA guidance on the Role of the Head of Internal Audit in relation to the 5 principles set out within.

The detailed checklist has been forwarded to the Section 151 Officer for independent scrutiny and verification.

## 6. Recommendations

- a) Receive and approve the contents of the Annual Report and Opinion of the Head of Internal Audit.
- b) Consider that a **Reasonable** audit opinion has been given in relation to governance, risk management and control for the year ended 31 March 2022.
- c) Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2021/22.
- d) Review the conclusions of the Review of the Effectiveness of Internal Audit.

### 6.1 Reason for Recommendations

The Governance and Audit Committee, in maintaining an overview as to the quality of systems of internal control in operation at the Council, is being requested to consider and approve the assurance opinion awarded, and confirm that key information provided is carried across to the Council's Annual Governance Statement.

The Governance and Audit Committee, in ensuring it fulfils its obligations is being requested to review the effectiveness of the Internal Audit service, and to consider and approve this report.



## APPENDIX 1 – AUDIT WORK UNDERTAKEN DURING 2021/22

Audit Area	Assurance	No of Recs	Implemented	P1 OS	P2 OS	P3 OS	Not yet due
Performance Management, Corporate Policy and Business Planning	TBC						
Human Resources	Reasonable	5	0	0	0	0	5
Covid-19 Business Grants	Substantial	2	2	0	0	0	0
Corporate Health and Safety	Limited	12	11	0	0	0	1
Licensing	Substantial	2	0	0	0	1	1
Operational Fleet Review	Position Statement						
Housing needs, allocation, homelessness, housing register	Reasonable	4	0	0	0	0	4
Private Sector Housing DFGs	Limited	10	0	0	0	0	10
<b>IT audits</b>							
Cyber Security	Reasonable	11	0	0	0	0	11
Problem and Change Management	TBC						
<b>PSPS audits</b>							
Key Controls & Assurance (DRAFT)	Reasonable						
Payroll	Reasonable	3	2	0	1	0	0
Housing Benefit Subsidy	Substantial	0	0	0	0	0	0
<b>Total</b>		<b>49</b>	<b>15</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>32</b>

<b>Assurance level definitions</b>		<b>Number</b>
Substantial Assurance	Based upon the issues identified there is a robust series of suitably designed 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 audit review were being consistently applied.	3
Reasonable Assurance	Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisations 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.	5
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.	2
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.	0

<b>Urgent – Priority 1</b>	Fundamental control issue on which action to implement should be taken within 1 month.
<b>Important Priority 2</b>	Control issue on which action to implement should be taken within 3 months.
<b>Needs Attention – Priority 3</b>	Control issue on which action to implement should be taken within 6 months.

## APPENDIX 2 - ASSURANCE CHART

Eastern Internal Audit Services	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Annual Opinion / Corporate Audits</b>					
Corporate Governance	Reasonable	Reasonable	Reasonable	Substantial	
Risk Management	Substantial				
Compass Point - Governance / Finance		Reasonable			
Performance Management, Corporate Policy and Business Planning	Substantial		Reasonable		TBC
Procurement and Contract Management		Limited	Reasonable	Position Statement	
Transformation Programme - benefits realisation	Position Statement				
<b>Fundamental Financial Systems</b>					
Housing Rents / Management	Reasonable				
Human Resources		Reasonable			Reasonable
Income				Reasonable	
Covid-19 Business Grants					Substantial
Accounts Receivable				Reasonable	
<b>Service Area Audits</b>					
Strategic Housing			Reasonable		
Housing Right to Buy					
Welland Homes	Reasonable				
Asset Management	Limited	Position Statement		Reasonable	
Delivery Unit Team		Position Statement			
Economic Development (GFG 1718)	Position Statement				
Licensing and Business Support					Substantial
Corporate Health and Safety					Limited
Environmental Protection	Limited	Reasonable	Reasonable		
Food, Health & Safety		Reasonable			
Legal Services					
Democratic Services		Reasonable			

Eastern Internal Audit Services	2017-18	2018-19	2019-20	2020-21	2021-22
<b>Service Area Audits</b>					
Legal Services					
Democratic Services		Reasonable			
Elections and Electoral Registration	Reasonable				
Branding					
Housing needs, allocation, homelessness, housing register and PSH	Position Statement	Reasonable			Reasonable
Planned maintenance, major contracts and property services	Position Statement	Position Statement	Reasonable		
Responsive repairs, voids and recharges					
Strategic Enforcement, including Community Safety & ASB			Position Statement		
Leisure		Substantial	Reasonable		
South Holland Centre					
Ascoughfee					
Planning - development control, enforcement and land charges	Reasonable				
Section 106 Agreements	Limited		Reasonable		
Private Sector Housing DFGs			No Assurance		Limited
Building Control		Substantial			
Markets			Limited		
Operational Fleet Review					Position Statement
Car Parking			Limited		
Environmental Services - waste, recycling and depot services		Reasonable			

Eastern Internal Audit Services	2017-18	2018-19	2019-20	2020-21	2021-22
<b>ICT Audits</b>					
Cyber Security		Reasonable			Reasonable
Remote Access				Reasonable	
Disaster Recovery			Reasonable		
IT Strategy			Position Statement		
Service Desk		Substantial			
ISO27001: 2013 Gap Analysis					
IT Project Delivery	Reasonable				
Change and Patch/Problem Management	Reasonable				TBC
Software Licencing		Reasonable			
<b>Audit Lincolnshire reviews</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
<b>Key Controls and Assurance</b>					
Key Controls and Assurance					Reasonable
Income	Reasonable				
Housing Rents		Reasonable	Reasonable	Reasonable	
Accounts Receivable					
Revenues	Limited	Reasonable	Substantial	Substantial	
Benefits	Reasonable	Reasonable	Substantial		
Financial services Includes AP, AR, AM, Income, Budget	Reasonable	Limited	Reasonable		
Accounts Payable	Reasonable			Limited	
Accountancy Services Includes General Ledger, Control Accounts, Treasury, Bank Rec		Reasonable	Reasonable	Substantial	
Payroll	Limited		Reasonable		Reasonable
<b>Service Area Reviews</b>					
Accounts Payable					
Payroll					
Housing Benefit Subsidy					Substantial
Accounts Receivable	No assurance				

### APPENDIX 3 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 09/03/2022 to 31/03/2022			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
<b>2019/20 Internal audit Reviews</b>															
SH2002	Private Sector Housing	No assurance			1							0			
SH2003	Strategic Housing	Reasonable		1								0			
SH2010	Contracts and Procurement	Reasonable		1	1							0			
SH2020	Car Parks	Limited		1	1							0			
<b>2020/21 Internal Audit Reviews</b>															
PSPS SH2105	Income	Reasonable			2							0			
PSPS SH2104	Accounts Receivable	Reasonable			1			1				1			
SH2102	Corporate Governance	Substantial			1							0			
SH2108	Asset Management	Reasonable			1			2				2			
<b>2021/22 Internal Audit Reviews</b>															
SH2212	Cyber Security	Reasonable										0		3	8
PSPS	Payroll	Reasonable		1						1		2			
SH2210	Housing Needs, Allocations, Homelessness and Housing Register	Reasonable										0		3	1
SH2211	Private Sector Housing	Limited										0	3	5	2
SH2202	Human Resources	Reasonable										0		3	2
SH2206	Health and Safety	Limited		7	4									1	
SH2208	Licencing	Substantial								1		0			1
<b>TOTALS</b>			<b>0</b>	<b>11</b>	<b>12</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>3</b>	<b>15</b>	<b>14</b>

## APPENDIX 4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS

2020/21

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Number of times revised	Latest Note
SH2108 Asset Management	Strategic and Operational Property Manager	The Asset Management Strategy (AMS), Corporate Land and Property Policy, and the Land Sales Procedure be updated and merged as one document and be made available to relevant staff members.	Medium	Outstanding	29/10/2021	16/09/2022	1	The Assistant Director for Assets is currently considering the approach to asset management across the Partnership, prompting a pause on the update and review of the existing policy.
SH2108 Asset Management	Strategic and Operational Property Manager	<b>Recommendation 3.</b> A planned maintenance programme be developed and complied with, for the Council's operational assets and this be subject to regular review.	Medium	Outstanding	31/08/2021	30/12/2022	1	Capital enhancements to the Council's operational assets have been identified and are individually going through the approval process. The next stage will be to work on developing the ongoing plan.

2021/22

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Number of times revised	Latest Note
PSPS Payroll	HR Manager – Operations	2.2 Intervention resolution should be reported as part of progress and performance to client as part of set milestones.	Important	Outstanding	31/03/2022	30/09/2022	1	PSPS have arranged meetings with key management at our software provider to develop a way forward to progress some of the issues identified in the audit. At this stage we have created a detailed issue log identifying as critical areas where the system does not calculate pay and it has to be undertaken using external calculators. we are at a stage where these issues have been identified and CIPHR have confirmed that they will look at resolutions to these issues. we are now requesting further information as to what resolutions can be provided, and timescales for when these will be provided. Once this has been established, regular updates in the client meetings will be included to ensure they are made aware of the progress of the project.

## **APPENDIX 5 – LIMITATIONS AND RESPONSIBILITIES**

### **Limitations inherent to the Internal Auditor's work**

The Internal Audit Annual Report has been prepared and TIAA Ltd (the Internal Audit Services contractor) were engaged to undertake the agreed programme of work as approved by management and the Audit Committee, subject to the limitations outlined below.

### **Opinions**

The opinions expressed are based solely on the work undertaken in delivering the approved 2021/22 Annual Internal Audit Plan. The work addressed the risks and control objectives agreed for each individual planned assignment as set out in the corresponding audit planning memorandums (terms of reference) and reports.

### **Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate/service policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. Internal control systems essentially rely on an ongoing process of identifying and prioritising the risks to the achievement of the organisation's policies, aims and objectives, evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. That said, internal control systems, no matter how well they have been constructed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### **Future Periods**

Internal Audit's assessment of controls relating to South Holland District Council is for the year ended 31 March 2022. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in the operating environment, law, regulation or other matters; or,
- The degree of compliance with policies and procedures may deteriorate.

### **Responsibilities of Management and Internal Auditors**

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The Head of Internal Audit, has sought to plan Internal Audit work, so that there is a reasonable expectation of detecting significant control weaknesses and, if detected, additional work will then be carried out which is directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected and TIAA's examinations as the South Holland District Councils internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.