

Internal Audit

Progress Report



South Holland District Council November 2022

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The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan. 2

Introduction

The purpose of this report is to:

- Provide details of the audit work during October 2022
- Advise on progress with the 2022/23 Plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

In October Assurance Lincolnshire took over the Internal Audit work planned in quarters 3 and 4. TIAA continue to finish the remaining 3 audits started in the first half of the year. There were 2 further audits due to be completed by TIAA which were postponed by the client, these have now been deferred to 2023/24.

Since the previous report we have completed 2 audits. (Appendix 1 contains the full detail). Overall we have completed 41% of the plan for the whole year.

Appendices 4 and 5 contain details of the outstanding agreed actions and further details of those which are overdue. There are 24 actions remaining to be implemented, of these 3 are urgent and 11 important. There are 3 urgent and 8 important actions which are overdue.

Assurances

In this period 2 reviews have been completed:-

- Housing Benefit Subsidy – Substantial
- Key controls – Accountancy Services – Reasonable

The summaries of these reports are included in the following pages. Appendix 2 includes the assurance definitions.

Work in progress

- Key Controls 2021/22 – Accounts Receivable – Draft Report
- Key Controls 2021/22 – Accounts Payable – Draft report
- Housing Compliance – fieldwork
- Car Parks and Markets – nearing completion
- ICT – Problem and change Management - fieldwork

1

**SUBSTANTIAL
ASSURANCE**

1

**REASONABLE
ASSURANCE**

0

**LIMITED
ASSURANCE**

0

**NO
ASSURANCE**

0

CONSULTANCY

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 2.

Substantial Assurance

Housing Benefit Subsidy

We examined sixty two cases as part of the work undertaken to support the subsidy claim, in respect of payments made in the 2021/22 financial year. These included rent allowance claims rent rebate claims and twenty Non Housing Revenue Account (NHRA) claims.

We are able to give a substantial assurance rating because sixty one of the sixty two claims tested had no errors. The error we identified was an overpayment which had been incorrectly classified for a rent allowance claim. The overpayment of £3,448.91 was due to benefit paid in the previous year, but it had been classified incorrectly as a current year overpayment. This does not have any effect on the subsidy claim, it is just a classification error.

We did not find any errors in the module 2 testing we carried out. All parameters had been entered on the system correctly.

As a result of our testing and findings the Revenues and Benefits Support Team at PSPS will be liaising with External Audit regarding any additional testing required by them.

Reasonable Assurance

Key controls – Accountancy Services

Through our testing we found overall the operation of the areas reviewed were generally well controlled. We are therefore able to give a reasonable assurance opinion based on our review. The areas where controls were not operating as expected or could be strengthened include:-

- Reconciliation of Investments and loans to the ledger. Previously these were reconciled monthly from June to the end of the financial year. The Deputy Chief Finance Officer (DCFO) has said this is due to resources and will be completed as part of the year end processes.
- There are discrepancies on the payroll account due to system and coding issues since the new payroll interfaces commenced. This is being overseen by the Strategic Finance Manager and at the time of the audit it had not been fully reconciled or signed off by the DCFO.
- Updating the budget managers handbook following the move to Unit 4 Business World.

We noted that the budget should be reported quarterly to Cabinet but that quarter 1 was not reported due to delays in putting together the final position for 2020/21 and final accounts as per DCFO – Client. A briefing was prepared for the Finance Portfolio Holder and quarter 2 was reported as expected.

We were unable to include asset management in our opinion because at the time of the audit the year end closedown of capital had not been completed.

Internal Audit Work

Audit Reports at Draft Stage

- Key Controls 2021/22 – Accounts Receivable
- Key Controls 2021/22 – Accounts Payable

Work in Progress

- Housing Compliance
- Car Parks and Markets
- ICT – Problem and change Management

Audits Deferred

There are two audits which have been deferred to 2023/24:-

- Leisure
- ICT Disaster Recovery



Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators as at 31st October 2022

Performance Indicator	Year-end Target	Actual at 31 st Oct 2022
Percentage of revised plan completed*	100%	41%
Percentage of recommendations agreed**	100%	TBC%
Percentage of agreed actions implemented **	100% or escalated	N/A
Draft report issued within 10 days of fieldwork completion**	100%	TBC%
Final report issued within 5 days of management response**	100%	TBC%
Draft report issued within two months of fieldwork commencing**	80%	TBC%

* Combined TIAA and Assurance Lincolnshire

** Measures relate to Assurance Lincolnshire only



Other matters of interest

A summary of matters that will be of particular interest to Audit committee members



Audit Committees and Scrutiny Committees – Working Together

The Centre for Governance and Scrutiny (CfGS) produced a paper for councillors on audit committees and scrutiny committees on how member-level activity on audit, and councils' scrutiny functions, can work more closely. It focuses in particular on how scrutiny can contribute productively to the core functions of Audit committees.

The paper states that whilst Audit and Scrutiny require their own focus and resources, there will be matters of common interest where it makes sense to collaborate including:

- Action on mindset and culture
- Securing good governance
- Risk
- Value for money
- Wider policy issues, and the impact of council strategy on financial management

The report explores opportunities for collaboration within each of the areas listed above and provides practical examples of how it may work in practice.

The full report can be found using this link:



Audit Committee Update 36

CIPFA issued update 36 in August 2022 covering the Guidance on Audit Committees in Local Authorities and Police and Internal Audit Untapped Potential.

Guidance on Audit Committees in Local Authorities and Police

Position statement issued in April 2022 replacing the 2018 edition. It take into account the changes in legislation and other developments that affect the role of the Committee. The guidance document to support the position statement was published in October 2022 and is available from Assurance Lincolnshire on request.

The guidance covers the purpose of the committee and sets out good practices that the committee should follow. These include:-

- Establishing an independent and effective model
- Ensuring that the committee covers the core functions:
 - Supporting the maintenance of governance, risk, and control arrangements
 - Financial and governance reporting
 - Appropriate and effective arrangements for audit and assurance
- Establishing a committee with the necessary expertise and understanding

- Engaging with those charged with governance, senior officers, auditors, and other committees
- Reporting annually
- Evaluation of its own impact and identifying areas for improvement

The statement puts a stronger emphasis on the Committee being independent of executive decision making and for financial reporting and external audit reporting to build on themes considered under the Redmond Review. It also recommends that Committee should have at least two lay members to provide appropriate technical expertise.

Internal Audit Untapped Potential

This is a research report of internal audit across the public services. The report highlights how internal audit is having an impact and supporting their organisations. It also identifies opportunities to do more and for audit committees and management to better support internal audit.



Update.pdf

[A full copy of the Update is included here](#)

Appendix 1

2022/23 Audit Plan to Date

Audit Area	Audit Ref	No of days	Revised Days	Days Delivered	TIAA/AL	Status	Assurance Level	Recommendations				Date to Committee
								Urgent	Important	Needs Attention	Op	
Quarter 1												
Housing Benefit Subsidy		25	25	25	AL	Final report issued October 22	Substantial	0	0	0	0	November 2022
Economic Growth	SH2302	10	10	10	TIAA	Final report issued on 30 August	Substantial	0	2	5	0	September 2022
Housing Compliance	SH2303	15	15	10	TIAA	Fieldwork underway						
Procurement and Contract Management	SH2301	12	12	12	TIAA	Final report issued on 5 September 2022	Reasonable	0	2	5	0	September 2022
Quarter 2												
Leisure	SH2304	12	12	0	AL	Client request to move into Q3 2022/23. Handover to Assurance Lincolnshire not possible. - to be deferred.						
Car Parks and Markets	SH2305	10	10	6	TIAA	Fieldwork underway						
Quarter 3												
Corporate Governance		8	8	0	AL							
Risk Management		8	10	0	AL	Additional 2 days to cover highest scoring strategic risks.						
Key Controls and Assurance		15	15	0	AL							
Finance System Review (Joint with ELDC & BBC)		5	5	0	AL							
Quarter 4												
Key Controls and Assurance		20	20	0	AL							
ICT Audits												
Problem and Change	SH2213	10	10	7	TIAA	Fieldwork underway						
Disaster Recovery	SH2306	10	10	0	AL	Client request to move to Q3 at the earliest. Handover to Assurance Lincolnshire not possible to be deferred.						
Follow Up of audit												
All previous audits		20	20	5	Both							
TOTAL		180	182	75								
Percentage of Plan	TIAA	81%	AL	21%	Combined 41%							

Assurance	Definition
Substantial	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	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	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	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.

The following changes have been made to the original plan

Audits			
Audit	Rationale	Change	Approval
Leisure	Client requested to move to Q3 but this can not be accommodated by Assurance Lincolnshire.	Deferred to 2023/24.	S151
ICT Disaster Recovery	Client requested to move to Q3 but this can not be accommodated by Assurance Lincolnshire.	Deferred to 2023/24.	S151

Appendix 4

Audit Recommendations - Status

Audit	Assurance	Completed btwn 01/04/22 to 31/10/22			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
2020/21 Internal Audit Reviews														
PSPS SH2104 Accounts Receivable	Reasonable						1				1			
SH2108 Asset	Reasonable		1			2					2			
2021/22 Internal Audit Reviews														
SH2212 Cyber Security	Reasonable		2	6						2	2		2	2
PSPS Payroll	Reasonable		1								0			
SH2201 Performance Management	Reasonable										0			1
Allocations, Homelessness and Housing Register	Reasonable						3				3			1
SH2211 Private Sector Housing	Limited		4	2	3	1					4			0
SH2202 Human Resources	Reasonable		1						2		2			2
SH2206 Health and Safety	Limited										0		1	
SH2208 Licencing	Substantial			1							0			1
Totals		0	9	9	3	6	1	0	2	2	14	0	3	7

Appendix 5

Audit Recommendations - Outstanding

2020/21

Audit	Priority	Recommendation	Owner	Original Due Date	Current Due Date	Times Revised	Resolution	Resolution Comments - Latest
SH2108 Asset Management	Important	Recommendation 3. A planned maintenance programme be developed and complied with, for the Council's operational assets and this be subject to regular review.	Strategic and Operational Property Manager	Aug-21	Dec-22	0	Not Actioned	
SH2108 Asset Management	Important	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.	Strategic and Operational Property Manager	Oct-21	Sep-22	2	Not Actioned	
PSPS SH2104 Accounts Receivable	Needs attention	To be Updated	Strategic Finance and Compliance Manager & Team Leader Revenues and Recovery	Sep-21	Jun-22	0	Not Actioned	

2021/22

Audit	Priority	Recommendation	Owner	Original Due Date	Current Due Date	Times Revised	Resolution	Resolution Comments - Latest
Cyber Security Maturity Assessment (SH2212)	Low	Log and monitoring analysis for incidents must take place, with identified issues escalated to technical staff. We have noted that there is further work required to complete the integration of NXLogs into the wider monitoring process.	Information Security Analyst, PSPSL	Sep-22	Mar-23	0	Underway	A extension to 31/03/23 was sought and agreed. Work is progressing on this.
Cyber Security Maturity Assessment (SH2212)	Low	Monitoring effectiveness must be reviewed on a regular basis to determine adequacy of monitoring controls. We have noted that there is work to improve compliance at level Four, which, by definition, means that level Five is fully compliant in its own right. However, a Partial compliance is being assigned due to the fact that level Four is also Partial.	Information Security Analyst, PSPSL	Sep-22	Mar-23	0	Underway	see above
SH2202 Human Resources	Important	Recommendation 1: To complete a reconciliation between establishment costs and assigned budgets. Establishment reports should be sent to senior managers to confirm that all employees have been verified and that HR/Payroll and Finance systems are aligned. For additional assurance a signature verification procedures for managers should be produced.	Deputy Head of HR and HR Manager – Operations	Oct-22	Oct-22	0	Not Actioned	Work has been completed within the system and audit on the HR and finance end, verified against the finance budget. Information will be shared with the managers November and in line with recommendation they will be asked to send acceptance.

Audit	Priority	Recommendation	Owner	Original Due Date	Current Due Date	Times Revised	Resolution	Resolution Comments - Latest
SH2202 Human Resources	Important	Recommendation 3: To undertake PDRs with evidence of outcomes retained accordingly.	Deputy Head of HR and HR Manager – Operations	Oct-22	Jun-23	0	Not Actioned	As interim for 22/23 - under the Workforce Development Plan - a multi-stage approach was developed across the partnership - introducing for this one year an end of year reflections (July) focused on wellbeing with Objective setting with electronic recording process, due to launch in September 22. Decision taken by client was to focus on end of year reflections first before Objective setting rolled out within system. Revise date to June 23.

Audit	Priority	Recommendation	Owner	Original Due Date	Current Due Date	Times Revised	Resolution	Resolution Comments - Latest
SH2210 Housing Needs, Allocations, Homelessness and Housing Register	Important	Recommendation 1: Full assessments of homelessness applications be completed as soon as possible after the application is received. Performance in this regard should be monitored to ensure that applications are assessed within a pre-determined timescale.	Homelessness Reduction and Private Sector Improvement Manager	Aug-22	Mar-23	1	Underway	Full assessments of homelessness applications are currently being allocated to caseworkers on a calendar rota. Current timescales for appointment availability mean that clients are waiting for around 21 days to be seen due to a staffing capacity. Once full recruitment of the team has been completed the timescales should be shortened and we will have all assessments completed within 10-14 days. Currently we are processing emergency homelessness applications within 24-48 hours of approach if it has been identified that they are eligible for emergency accommodation. Whilst the team continue to face a period of unprecedented demand we anticipate the team will be stabilised by March 2023.

Audit	Priority	Recommendation	Owner	Original Due Date	Current Due Date	Times Revised	Resolution	Resolution Comments - Latest
SH2210 Housing Needs, Allocations, Homelessness and Housing Register	Important	Recommendation 2: All decision letters be uploaded to the relevant case.	Homelessness Reduction and Private Sector Improvement Manager	Aug-22	Mar-23	1		Additional time has been added to appointments to ensure that caseworker can complete all actions following their full assessments on the same day. Cases are regularly reviewed at weekly team meetings to ensure that all documents are uploaded to the system. Due to new drives of recruitment and training needs we anticipate consistency in this area by March 2023.
SH2210 Housing Needs, Allocations, Homelessness and Housing Register	Important	Recommendation 3: Personal Housing Plans be created and regularly updated for all homelessness cases accepted by the Council	Homelessness Reduction and Private Sector Improvement Manager	Aug-22	Apr-23	1	Underway	Personal Housing Plans are being created and regularly updated by caseworkers with PHP reviews. Training continues to be given as we have now moved to a new case management system (Northgate) and there will shortly be a recruitment process which means that new staff will need to be trained. We aim to have this resolved by April 2023.

Audit	Priority	Recommendation	Owner	Original Due Date	Current Due Date	Times Revised	Resolution	Resolution Comments - Latest
SH2211 Private Sector Housing DFGs	Urgent	<p>Recommendation 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.</p>	Homelessness Reduction and Private Sector Improvement Manager	Jul-22	Jul-22	0	Underway	<p>There is currently no facility in Assure to produce an automated report described in the recommendation. It is still in the design and build stage with Northgate. However, there is currently a list of all licensed HMOs which is produced manually on an Excel spreadsheet and published on the website. All HMOs on Assure are manually reviewed using a diary system to ensure all scheduled inspections are taking place. This also allows for a manual audit trail. All scheduled inspections are taking place and are completed as part of BAU. All HMOs have had at least one inspection in the 5 year period required under regulations (approximately 10 are outstanding and are all booked for inspection over the next 2 months).</p>

Audit	Priority	Recommendation	Owner	Original Due Date	Current Due Date	Times Revised	Resolution	Resolution Comments - Latest
SH2211 Private Sector Housing DFGs	Urgent	Recommendation 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.	Homelessness Reduction and Private Sector Improvement Manager	Jul-22	Jul-22	0	Not Actioned	The report required to enable more of the process to be automated is still in the design and build stage with Northgate. However, enforcement action and audit trail for enforcement action is available manually. The team are able to utilise a diary system built in to Assure which flags outstanding tasks etc. All scheduled inspections are taking place.
SH2211 Private Sector Housing DFGs	Urgent	Recommendation 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.	Homelessness Reduction and Private Sector Improvement Manager	Jul-22	Jul-22	0	Not Actioned	The report required to enable more of the process to be automated is still in the design and build stage with Northgate. However, the team are able to utilise a diary system to ensure follow up on enforcement notices which have been issued.

Audit	Priority	Recommendation	Owner	Original Due Date	Current Due Date	Times Revised	Resolution	Resolution Comments - Latest
SH2211 Private Sector Housing DFGs	Important	Recommendation 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.	Homelessness Reduction and Private Sector Improvement Manager	Sep-22	Sep-22	0	Not Actioned	The team are currently working on updating the empty homes spreadsheet with recent data from Council Tax. A process has been designed in line with the strategy. This process will be implemented as soon as all records are up-to-date. The team have received supporting advice and resources through the new Alliance.