

# Eastern Internal Audit Services



## SOUTH HOLLAND DISTRICT COUNCIL

### Follow Up Report on Internal Audit Recommendations

Period Covered: 1 April to 31 October 2017

Responsible Officer: Emma Hodds – Head of Internal Audit for South Holland DC

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## 1. INTRODUCTION

- 1.1 This report is being 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 establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:
- The status of agreed actions.

## 2. STATUS OF AGREED ACTIONS

- 2.1 As a result of audit recommendations raised by TIAA Ltd, management agree action to ensure implementation within a specific timeframe and by a responsible officer.

The recommendations are subsequently uploaded on to the Council's performance management system – Covalent – with this alerting management to update progress in advance of the due date through email alerts. Management action to date is then input with internal audit then either verifying the evidence provided and closing the recommendation or agreeing to the extension date provided.

Escalation is also in place to deal with non-responses or recommendations which have been overdue for a long time through the Performance, Risk and Audit Board and through the Finance Board as required due to the statutory requirements of the Section 151 Officer to ensure that appropriate risk mitigation action is being taken. Ultimately further escalation is through the Executive Management Team and then the Committee.

- 2.2 **Appendix 1** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations, and reflects the year in which the audit was undertaken to enable the Committee to easily identify old outstanding recommendations. The table also identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time around.
- 2.3 The summary position according to recommendation priority is shown in the table below, with the previously reported position in the first table and the current position in the second table to enable comparison:

<b>Status of Recommendations as at 31 March 2017</b>					
	<b>P1</b>	<b>P2</b>	<b>P3</b>	<b>Total</b>	<b>%</b>
<b>Complete</b>	0	11	12	23	58%
<b>Outstanding</b>	2	13	3	17	42%

Status of Recommendations as at 31 October 2017					
	P1	P2	P3	Total	%
<b>Complete</b>	0	12	7	19	54%
<b>Outstanding</b>	2	12	2	16	46%

**Key:**

Priority 1 – Urgent: Fundamental control issue on which action to implement should be taken within 1 month.

Priority 2 – Important: Control issue on which action to implement should be taken within 3 months.

Priority 3 – Needs Attention: Control issue on which action to implement should be taken within 6 months.

- 2.4 In relation to the historic recommendations, i.e. those which were raised by Audit Lincolnshire, progress has been made with three being closed since the last report, and eight now outstanding (two urgent and six important).

The management responses in relation to these recommendations is reflected in **Appendix 2** of the report.

- 2.5 In 2016/17 internal audit has raised 48 recommendations, 40 of which have been implemented by management and eight of which are outstanding (six important and two needs attention). The management responses in relation to the six important outstanding recommendations can be seen at **Appendix 3** of the report.

Number raised	48	
Complete	40	83%
Outstanding	8	17%
Not yet due	0	%

- 2.6 In 2017/18 internal audit has raised 14 recommendations to date, two of which have been implemented by management, none of which are outstanding and 12 are not yet due.

Number raised to date	14	
Complete	2	14%
Outstanding	0	0%
Not yet due	12	86%

### Compass Point Business Services (CPBS) Audit Recommendations

- 2.7 As the Committee are aware East Lindsey District Council (ELDC) undertake the internal audit reviews of the CPBS key functions. Recommendations raised are then subsequently monitored by ELDC staff, with updates provided to the Head of Internal Audit for South Holland on a quarterly basis.
- 2.8 The current position with those audit recommendations that were raised by ELDC prior to the 2016/17 financial year is that there remains one outstanding, in the audit area of Starter & Leavers. The current management response in relation to this recommendation can be seen at **Appendix 4** to this report, confirming that both are partially implemented.
- 2.9 ELDC completed the CPBS audit reviews in quarter four of 2016/17 and raised 40 recommendations, the current position is as follows, with the management responses to the eleven outstanding recommendations also attached at **Appendix 4**:

Number raised to date	40	
Complete	26	65%
Outstanding	11	28%
Not yet due	3	7%

- 2.10 The recommendations will continue to be monitored by ELDC with updates provided to the Head of Internal Audit and then onto the Governance and Audit Committee twice yearly as part of these follow up reports. The Performance, Risk and Audit Board and also the Finance Board, when appropriate, will also closely monitor the progress made by CPBS on addressing the control weaknesses identified in these reviews.

**APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS**

			Completed bt 01/04/2017 and 31/10/2017			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
Audit Ref	Audit Area	Assurance Level													
<b>2014/15 Internal Audit Reviews</b>															
Audit Lincs	Property Services & Gas Servicing			1							0				
Audit Lincs	HMO Licensing			1		1	5				6				
<b>2015/16 Internal Audit Reviews</b>															
Audit Lincs	Housing Rents			1							0				
Audit Lincs	Income					1	1				2				
<b>2016/17 Internal Audit Reviews</b>															
SH1701	Corporate Health and Safety (J)	Reasonable		2							0				
SH1702	Branding	Reasonable			1						0				
SH1704	Strategic Housing	Reasonable							1		1				
SH1705	Ascoughfee Hall	Reasonable		1							0				
SH1706	Licensing and Business Support (J)	Reasonable			1					1	1				
SH1707	Corporate Governance (J)	Reasonable		3	1						0				
SH1712	Cyber Security	Limited		3	2		1	1			2				
SH1714	Housing Right To Buy	Reasonable							4		4				
<b>2017/18 Internal Audit Reviews</b>															
SH1803	Corporate Performance (J)	Substantial			2						0				
SH1804	Welland Homes	Reasonable									0		2	1	
SH1806	Electoral Services (J)	Reasonable									0			3	
SH1817	IT Project Delivery	Reasonable									0			1	
SH1818	Planning & Planning Enforcement	Reasonable									0		4	1	
<b>TOTALS</b>			<b>0</b>	<b>12</b>	<b>7</b>	<b>2</b>	<b>7</b>	<b>1</b>	<b>0</b>	<b>5</b>	<b>1</b>	<b>16</b>	<b>0</b>	<b>6</b>	<b>6</b>

## APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS - HISTORIC

Code & Title	Audit Reference	Audit Area	Main Contact	Recommendations	Priority	Status Description	Original Date Due for Completion	Revised Date Due for Completion	Latest Note
SAUDHSG002A HMO Licensing Policy	Audit Lincs	Housing	Housing Landlord Manager	Policy should be reviewed and if necessary updated.	Medium	Outstanding (With Agreed Extension)	31-Dec-15	31-Jan-18	Agreed with Landlord Services Manager to extend to 31 January 2018 at which point this will be completed.
SAUDHSG002B HMO High Priority Cases and Performance Data	Audit Lincs	Housing	Housing Landlord Manager	Consider prioritising high priority cases as they are received and acting on these first. Include outstanding referrals in performance data.	Medium	Outstanding (With Agreed Extension)	31-Dec-15	31-Dec-17	80% complete and will finish by 31 December 2017
SAUDHSG002C HMO non licensable properties	Audit Lincs	Housing	Housing Landlord Manager	As part of any policy review, the Council may wish to consider its approach to the review of non licensable HMO properties including pro-active as well as re-active options. It would be beneficial to try and update the previous exercise to try and assess the current scale of non-licensable HMO's within the District.	Medium	Outstanding (With Agreed Extension)	31-Dec-15	31-Mar-18	Some work underway, however more work needed therefore date of the end of March 2018 is more practical
SAUDHSG002D HMO Legal Enforcement	Audit Lincs	Housing	Housing Landlord Manager	.Review the approach to formal enforcement / legal action. Ensure that the Strategic Housing Manager is made formally aware of cases where there are ongoing issues of non-compliance. Consider the approach to enforcement action within any revised policy. Ensure that officers are fully trained to manage any formal enforcement action if this need to be taken at short notice. Consider enforcement action being taken by other authorities and its effectiveness and resourcing implications.	High	Outstanding (With Agreed Extension)	31-Dec-15	31-Jan-18	Work in progress - on track for end of January 2018

Code & Title	Audit Reference	Audit Area	Main Contact	Recommendations	Priority	Status Description	Original Date Due for Completion	Revised Date Due for Completion	Latest Note
SAUDHSG002E HMO Procedures	Audit Lincs	Housing	Housing Landlord Manager	Review, update and consider extending HMO procedures.	Medium	Outstanding (With Agreed Extension)	31-Dec-15	31-Mar-18	The team is currently being established and training needs assessed, two new officers have also been recruited. Procedures will be updated as part of the team settling into their new roles.
SAUDHSG002G HMO Website	Audit Lincs	Housing	Housing Landlord Manager	Review and update the HMO / private sector housing website; in particular ensure that the application form is changed as soon as possible	Medium	Outstanding (With Agreed Extension)	31-Dec-15	31-Mar-18	Revised date of 31 March 2018 agreed, however will be revisited to address progress in December 2017.
SAUDHSG004A Car Park Income Unders and Overs	Income	Car Parks	Communities Manager	The level of unders and overs from car park income should be monitored to ensure they are not excessive. Periodic spot checks should be carried out on income received for each car park back to ticket machines totals.	High	Outstanding (With Agreed Extension)	31-Jan-17	31-Mar-18	Report to be tabled at Strategic Moving Forward by January 2018 in order for car park card payment equipment to be fitted by March 2018.
SAUDHSG004B Car Park Income Coding	Income	Car Parks	Communities Manager	Car park income project codes should be checked to identify any income miscoded and the coding should be corrected.	Medium	Outstanding (With Agreed Extension)	31-Mar-17	31-Mar-18	Report to be tabled at Strategic Moving Forward by January 2018 in order for car park card payment equipment to be fitted by March 2018. Card payments at source will provide better car park coding

### APPENDIX 3 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2016/17

Code & Title	Audit Reference	Audit Area	Main Contact	Recommendations	Priority	Status Description	Original Date Due for Completion	Revised Date Due for Completion	Latest Note
SAUDSHO001A Upon adoption of the Local Plan, the Council to produce / adopt a new affordable housing policy document for governing its affordable housing schemes.	SH1704	Strategic Housing	Strategic Housing Manager	Upon adoption of the Local Plan, the Council to produce / adopt a new affordable housing policy document for governing its affordable housing schemes.	Medium	Outstanding (With Agreed Extension)	30-Sep-17	31-Mar-18	This action is an activity that will be completed post the adoption of the Local Plan. Due to the sequencing of how we would adopt such a policy (i.e. local plan first, then what is effectively additional policy to expand on the wording within the LP), I think a reasonable timescale for this action is January 2019.  Deadline would be set as March 2018 for further update, even though it is not expected that the recommendation will be complete at that time.
SAUDICT001F Whilst there are policy restrictions on the use of external devices such as USB memory sticks, there is no physical ability to enforce the policy restrictions	SH1712	ICT	IT Manager	CPBS management to work with South Holland District Council management to implement relevant device control systems	Medium	Outstanding (With Agreed Extension)	28-Apr-17	31-Mar-18	There is currently a written policy in place for external devices but no technical hard and fast solution that prevents use (there is a business requirement for some departments such as planning and housing to use external devices for taking photos etc. which are then connected to desktops and uploaded).  A recommendation is going to the ICT Governance Board for approval on the 11.09.17 that a council wide group policy rule be deployed before 31.12.17 allowing 'read only' from external devices. If an individual wishes to download or write to an external device their line manager will need to approve and the individual/device will be formally whitelisted. A clear and structured plan will need to be communicated at both councils leading up to rule deployment.



Code & Title	Audit Reference	Audit Area	Main Contact	Recommendations	Priority	Status Description	Original Date Due for Completion	Revised Date Due for Completion	Latest Note
SAUDHSG007A Formal guidance be produced on the Council's own roles and responsibilities	SH1714	Housing	Housing Landlord Manager	Formal guidance be produced on the Council's own roles and responsibilities, from initial notification of a RTB application through to final outcome, including liaison with Legal Services Lincolnshire. Procedures to also include responding to and actions to be taken, when the RTB conditions are activated in the event of a RTB being resold.	Medium	Outstanding (With Agreed Extension)	30-Sep-17	31-Mar-18	This needs to be a joint process between asset team and legal. Given the legal element of RTB processing has now been brought back in house this will be revisited along with a number of other procedures
SAUDHSG007B The Council to agree a management structure for oversight and coordination of the RTB process	SH1714	Housing	Housing Landlord Manager	The Council to agree a management structure for oversight and coordination of the RTB process, including the processes and controls for recording receipt of RTB conditions where they are invoked over the resale of a property sold previously under the RTB legislation.	Medium	Outstanding (With Agreed Extension)	30-Sep-17	31-Mar-18	This needs a joint process with Legal and the Asset Team, who will manage right to buy. Following the restructure of Property Services and the departure of the member of staff responsible for RTBs this will be reassigned
SAUDHSG007C The Council to document the reasons why it has decided either to buy or not to buy back	SH1714	Housing	Housing Landlord Manager	The Council to document the reasons why it has decided either to buy or not to buy back a property previously sold through the RTB scheme, in accordance with the 10 year option clause, along with the committee / delegated member, making that decision. Each supporting record to have its own unique reference identification.	Medium	Outstanding (With Agreed Extension)	30-Sep-17	31-Mar-18	
SAUDHSG007D The Council to market test its valuation arrangements	SH1714	Housing	Housing Landlord Manager	The Council to market test its valuation arrangements for valuing properties subject to a RTB application.	Medium	Outstanding (With Agreed Extension)	30-Jun-17	31-Dec-17	Work in progress and will be completed by the end of December 2017 This task is currently being undertaken through Property Services seeking valuation costs through local estate agents and valuers

## APPENDIX 4 – CPBS OUTSTANDING AUDIT RECOMMENDATIONS

Audit	Agreed Action	Priority	Responsible Officer	Due Date	Comment
<b>Starters and Leavers</b>	CPBS to agree an action plan with client authorities to ensure that IT assets are accurately recorded within an inventory system.	Medium	IT Manager	<b>December 2016</b>	<p><b>Outstanding</b></p> <p>The asset register has been updated and a new starters and leavers process has been employed to ensure a standard process is in place irrespective of starter status. Decision has been taken to procure a replacement service desk and currently awaiting this to be fully embedded.</p> <p>Revised date 31 December 2017</p>
<b>HR &amp; Payroll</b>	3. Business Objects (Reporting tool) training has now been undertaken and the draft establishment build has been developed. Time has been scheduled to undertake a data cleanse exercise. Once complete Establishments will be produced and shared with Managers as appropriate on a monthly cycle.	Medium	<p>HR Service Manager (Manby)</p> <p>HR Service Manager (Spalding)</p>	<b>June 2017</b>	<p><b>Outstanding</b></p> <p>Majority of the data cleansing exercise has been completed. Key findings indicate that although all relevant data is held within the ITrent system; the establishment template requires data to be held in specific fields within the system and it is these updates which continue to be applied to allow for a complete and accurate establishment list to be developed. Although the establishment</p>

					is yet to be finalised, the iTrent system allows Service Managers to run detailed reports at any point in time including Absence and Staffing.
	4. Documented procedure notes will be developed as part of the post system implementation process review. This will be undertaken as a managed project with timescale to be determined.	Medium	HR Service Manager (Manby)  HR Service Manager (Spalding)  Payroll Officer	Project Plan produced <b>June 2017</b>  Full Payroll Review <b>March 2018.</b>	<b>Outstanding</b> Revised date 31 December 2017 and 31 March 2018
	5. In the longer term, the abilities of the iTrent system will be explored to maintain this electronically to assist the Team Leaders and HR oversight of the process.	Medium	HR Service Manager (Manby)  HR Service Manager (Spalding)	<b>June 2017</b>  <b>July 2017</b>	<b>Outstanding</b> Revised date 31 December 2017
<b>Accounts Receivable Key Controls Testing</b>	1. Full review of the Authorisation Matrix will be undertaken and staff will be reminded to ensure their entry is kept up to date.  Reminder email will be issued to all staff on behalf of the Section 151 Officer to reinforce that documented authorisation is to be retained for all credit notes raised and that separation of duties should be in place.	High	Finance Manager Treasury  Head of Service, Revenues and Benefits	<b>October 2017</b>  <b>June 2017</b>	<b>Outstanding</b> Following the recent service restructure at ELDC the authorisation matrix will now be reviewed to ensure that it reflects the structural and management changes that have taken place and that it contains appropriate information. This work will be completed in the next month. Revised date 31 November 2017





	<p>implementation of a card surcharge until this date the manual reconciliation is continuing to take place to ensure VAT is accounted for correctly. A quarterly report is being run to review and identify which transactions should be vatable. IT hope to get the surcharge issue sorted by September 2017 so IT will approach Ocella to quote for both requirements.</p> <p>Arrangements have now been put in place in which a template has been created on Sharepoint for any new income streams or fees and charges to notify Finance so VAT treatment can be assessed and the necessary arrangements in respect to any additional feeder systems.</p> <p>All current Fees and charges have been reviewed to ensure VAT is being treated correctly.</p>				<p>be implemented before progressing with this, but as the law has now changed on this restricting where it may be used, Phil Adams has agreed to review.</p>
	<p>3. The quotation spreadsheet will be changed so that the hourly rate cell is password protected and therefore cannot be changed accidently and subsequently inaccurate quotations provided.</p>	Medium	Building Consultancy Manager	June 2017	Outstanding
<b>Housing Rents</b>	<p>4. Access to the Northgate system will be reviewed monthly.</p> <p>ITrent starter/leaver/changes notifications will be requested.</p>	Medium	Housing Business Support Officer (System Administrator)	June 2017	Outstanding