

# Eastern Internal Audit Services



## SOUTH HOLLAND DISTRICT COUNCIL

### Follow Up Report on Internal Audit Recommendations

Period Covered: 31 March 2018 to 30 September 2018

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. FOLLOW UP PROCESS

### Eastern Internal Audit Services Recommendations

- 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.
- 2.2 EIAS recommendations are subsequently uploaded on to the Council's performance management system – Pentana – 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.
- 2.3 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.

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

- 2.4 East Lindsey District Council (ELDC) undertake the internal audit reviews of the Compass Point Business Services 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. These recommendations are now also recorded on Pentana, which enables greater oversight by both CPBS and South Holland management.

## 3. STATUS OF RECOMMENDATIONS

- 3.1 **Appendix 1** to this report shows the details of the progress made to date in relation to the implementation of all agreed internal audit 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.
- 3.2 In relation to the historic recommendations, i.e. those which were raised by Audit Lincolnshire, progress has been made with no recommendations now outstanding.

3.3 In 2016/17 a total of 88 recommendations were raised by both internal audit providers. Of these 86 have been implemented by management. No recommendations now remain outstanding, and five have been superseded.

Number raised	88	
Complete	83	94%
Superseded	5	6%

3.4 Details of the three recommendations that have been superseded since the last follow up report are as follows:

- HR & Payroll Key Controls – to ensure the establishment list is validated. This recommendation has been again raised with in the 2017/18 HR and Payroll audit report and will be completed by March 2019.
- Accounts Receivable – to ensure the authorisation matrix is updated. This recommendation has been raised within the 2017/18 accounts receivable report and is due for 31 January 2018.
- Income – to develop a permanent fix to VAT issue for building control website. This has been raised in the 2017/18 Accounts Receivable audit report and is due to be completed by December 2018.

3.5 In 2017/18 a total of 85 recommendations have been raised by both internal audit providers. Of those, 60 have been implemented by management, 17 are outstanding (seven priority one, nine priority two and one priority three) and eight are not yet due.

3.6 The management responses in relation to the priority one and priority two outstanding recommendations can be seen at **Appendix 3** of the report.

3.7 In addition, 22 advisory points were raised for CPBS audits and whilst these are not formal recommendations to be followed up, it is expected that these will be addressed in due course and progress will be reviewed.

Number raised to date	85	
Complete	60	71%
Outstanding	17	20%
Not yet due	8	9%

3.8 Update on progress with limited and no assurance conclusions

- 3.8.1 The internal audit review of Section 106 Agreements concluded with a limited assurance, since the end of the financial year 2017/18 all six recommendations raised are now confirmed as complete.
- 3.8.2 The internal audit review of Asset Management concluded with a limited assurance, a priority one recommendation has been addressed by management, however the remaining seven recommendations are all now overdue, with management comment provided at appendix two of the report.

The Place Manager has also confirmed; As a consequence of the 2017 Place Directorate Review, a new Asset Team was formed, positioned in with the Housing and Property function. This new team brought together a range of operational skills to refresh the activities of what had previously been light touch asset management of those held in the general fund.

Utilising the 2017 Asset Management Audit, the priority of the newly formed team initially has been to gain an understanding of the assets owned by the Council and to work on a risk based action plan; tackling compliance issues, expired leases and pulling the service into line with contemporary asset and facility management practice. Whilst the extent of the maintenance backlog is still not fully understood, the team are currently securing building condition surveys as appropriate to enable a robust programme of maintenance to be put forward.

Reflecting on the progress of the team over the last 12 months concludes that a renewed refocus is required to ensure the pace of action is accelerated and effective. Team resources are currently under review and will be flexed accordingly to ensure the outstanding audit recommendations are complete.

- 3.8.3 The internal audit review of the Revenues Service concluded with a limited assurance and a total of five recommendations were raised. Four of which are now complete, and one priority one recommendation is now overdue, with a new deadline of 31 October 2018, further detail can be found in appendix two of the report.
- 3.8.4 The internal audit review of the Payroll service concluded in a limited assurance and a total of seven recommendations were raised. Four of which are now complete, two priority one recommendations are not yet due as at the time of writing this report, and a new deadline for the remaining priority one recommendation has been agreed of 30 November 2018. Further detail on this recommendation can be found at appendix two of the report.
- 3.8.5 The internal audit review of the Accounts Receivable service concluded with no assurance and a total of 10 recommendations were raised, with five of these now confirmed as complete. Two priority one recommendations are not yet due, with one urgent recommendation now overdue, with a revised deadline of January 2019. The remaining two priority two recommendations are overdue and extensions have been agreed for 31 October 2018. Further detail on these overdue recommendations can be found at appendix two of the report.

## APPENDIX 1 – SUMMARY POSITION All Internal Audit Recommendations

			Completed bt 01/11/2017 and 31/03/2018			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	HMO Licensing			1								0			
<b>2016/17 Internal Audit Reviews</b>															
SH1712	Cyber Security	Limited		1								0			
CPBS	Payroll	Reasonable		2								0			
CPBS	Accounts Receivable	Reasonable	1									0			
CPBS	Revenues	Reasonable		1								0			
CPBS	Income	Reasonable		1								0			
<b>2017/18 Internal Audit Reviews</b>															
SH1804	Welland Homes	Reasonable			1		2					2			
SH1805	Environmental Protection (J)	Limited		3	5							0			
SH1807	Section 106 Agreements	Limited	2	2	2							0			
SH1809	Asset Management	Limited	1						4	2	1	7			
SH1813	Corporate Governance (J)	Reasonable			1							0			
SH1814	Risk Management (J)	Substantial			1							0			
SH1818	Planning & Planning Enforcement	Reasonable		3	1		1					1			
SH1819	Change and Patch Management	Reasonable			3							0		2	
CPBS	Accountancy Services	Reasonable		2								0			
CPBS	Housing Benefits	Reasonable		1								0	1		
CPBS	Income	Reasonable		1								0			
CPBS	Accounts Payable	Reasonable								2		2		1	
CPBS	Revenues	Limited	1	3				1				1			
CPBS	Payroll	Limited		4				1				1	2		
CPBS	Accounts Receivable	No assurance		5				1	2			3	2		
<b>2018/19 Internal Audit Reviews</b>															
SH1902	Environmental Services	Reasonable										0		1	4
<b>TOTALS</b>			5	30	14	0	3	0	7	6	1	17	5	4	4

## APPENDIX 2 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18

Audit Reference	Main Contact	Recommendations	Priority	Status Description	Original Date Due for Completion	Revised Date Due for Completion	Latest Note
SH1804 Welland Homes	Strategic Housing Manager	The company formally adopt key policies such as business continuity and disaster recovery and data protection, which are aligned with the Council's own policies.	Priority Two	Outstanding (With Agreed Extension)	31-Mar-18	08-Oct-18	Delayed whilst work has been taking place around updates to council policies and work to prepare a business continuity plan for Welland Homes. Policies for will be presented to the Welland Homes Board on October 2nd for adoption.
SH1804 Welland Homes	Strategic Housing Manager	To devise a service level agreement to formally record the services provided by the Council to Welland Homes, and to the terms on which those services are provided, including service charges.	Priority Two	Outstanding (With Agreed Extension)	31-Mar-18	08-Oct-18	Draft SLA currently being prepared. Will be presented at the next Welland Homes Board Meeting on Oct 2nd 2018
SH1809 Asset Management	Property Asset Manager	The Asset Management Strategy be reviewed and updated to; - remove operational detail, - take account of the recent Place review, and - the inclusion of operational and non-operational assets. Details such as asset numbers and value be removed from the strategy and included in a policy and procedure document, which can be updated on a more regular basis.	Priority One	Outstanding (With Agreed Extension)	21-Jun-18	31-Jan-19	The Policy has been up dated in line with the audit recommendations and will go to PDP for approval.  A further policy review is recommended to align the policy with the development of a new fully integrated strategy being developed in conjunction with the Delivery Team in 2019/20.
SH1809 Asset Management	Property Asset Manager	A programmed review of all leases is to be undertaken, this will include; Lease agreements be entered into for existing tenants, Lease agreements be entered into for new tenants and a review of rent increments given to long term tenants on or before the expiration of their current lease period.	Priority One	Outstanding (With Agreed Extension)	21-Jun-18	31-Dec-18	<b>Industrial units</b> – The Assets function within Property Services are working in collaboration with the Delivery Team to make recommendations to change the management strategy of the industrial units. Recommendations will include, revising the lettings policy, introducing lettable standards and Void/end of tenancy inspections, arrears management and change over of Terms of Tenancy. A timeline and tasks are being established.  <b>All other assets</b> - Phase 1 is to review the high profile assets (currently 7 renewals). A review of all of the core leases will be complete by the end of December 2018

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SH1809 Asset Management	Property Asset Manager	Recommendation 3: End of tenancy inspections be undertaken, with a checklist completed to record any repair works on the property, along with costs being recovered from tenants where applicable	Priority One	Outstanding (With Agreed Extension)	01-Apr-18	31-Jan-19	A proposal to introduce end of tenancy inspections has been completed and has been incorporated into a revised Lettings Policy which will go to PDP for approval. More robust procedures are in place in the interim period.
SH1809 Asset Management	Property Asset Manager	Rent free periods granted to tenants be documented with details of justification, approval, and duration of the rent free period and retained on file. This is then to be appropriately reviewed and actioned once the rent free period has concluded.	Priority One	Outstanding (With Agreed Extension)	01-May-18	31-Dec-18	This is recorded but the very principle of granting the rent free period as compensation of letting a unit not to the required standard is currently under review by Assets and the Delivery team. One of the key changes that is being proposed is to move away from offering a 'rent free period' and move towards adopting a lettable standard. This option will be included in the overall proposal on the management of industrial units as detailed in action number 2. In the interim period the Council are not looking to offer rent free periods.
SH1809 Asset Management	Property Asset Manager	The Corporate Land and Property Policy be updated to reflect current process and the recent Place Review. This to include version control information, stating when the document is next due for review.	Priority Two	Outstanding (With Agreed Extension)	21-Jun-18	31-Jan-19	Review of document has been completed and will be circulated for initial comment by officers 5th October 2018. This will then go to PDP for review and approval.
SH1809 Asset Management	Property Asset Manager	The Letting Policy be updated to reflect current practices, such as not obtaining deposits from tenants in the industrial units and how end of tenancy checks will take account of any damages incurred by the tenant.	Priority Two	Outstanding (With Agreed Extension)	21-Jun-18	31-Jan-19	A revised Lettings Policy will go to PDP, this is currently being revised in collaboration with the Delivery Team. Discussion points will be considered at the next scheduled meeting on the 31/10/2018 as part of a wider review on the management of the industrial units.

Audit Reference	Main Contact	Recommendations	Priority	Status Description	Original Date Due for Completion	Revised Date Due for Completion	Latest Note
SH1818 Planning and Planning Enforcement	Principal Planning Officer	Another officer be allocated to cover enforcement activity in the absence of the Senior Compliance Officer during busy periods or periods of absence.	Priority Two	Outstanding (With Agreed Extension)	31-Mar-18	29-Mar-19	The potential for a second full-time enforcement officer is being explored through the Planning and Building Control Service review. A draft proposal is with CMT for comment. This will come through the Planning & Building Control Review. An extension of time will be therefore required.
Accounts Payable Key Controls	Head of Finance	Investigate the possibility of restricting the ability to approve supplier set ups to nominated staff	Priority Two	Outstanding (With Agreed Extension)	30-Jun-18	30-Nov-18	This is still in progress with ICT, along with a few other small amendments required to this form on the self serve portals.
Accounts Payable Key Controls	Head of Finance	Investigate the options for restricting visibility of bank account details within the new supplier set ups sharepoint page. Restrict the supplier set ups page so that officers can only access their organisation	Priority Two	Outstanding (With Agreed Extension)	30-Jun-18	31-Oct-18	This is still in progress with IT - changes regarding visibility of bank account details to be amended today. Discussion regarding ELDC and MMLT access to both lists to be continued.
Revenues Key Controls	Head of Finance	Clear monitoring of the implementation of Paye.net be in place	Priority One	Outstanding (With agreed extension)	30-Sep-18	31-Oct-18	Two finance staff are now able to implement refunds via Paye.net. and this is working well.  Other officers are being set up by finance on paye.net for other activities. (e.g. payments by card)
HR & Payroll	HR Service Manager	Establishment lists be produced and provided to managers to review and confirm that there are no inaccuracies.	Priority One	Outstanding (With Agreed Extension)	30-Jun-17	31-Mar-19	The meeting with Finance/HR was postponed - awaiting Finance to commit what their requirements of the Business Objects report is to be before progressing.
Accounts Receivable	Head of Finance	On roll out of the new Authorisation Matrix managers are to ensure that the entries for their service area are reviewed and updated.	Priority One	Outstanding (With Agreed Extension)	28-Sep-18	31-Jan-19	There has been a delay with the update of the authorisation matrices - earlier statutory deadlines for the year end closedown meant that this work had to be started later, and then various changes to the organisation structures have meant that this review has been more complex to administer. Work is ongoing with both clients.

Audit Reference	Main Contact	Recommendations	Priority	Status Description	Original Date Due for Completion	Revised Date Due for Completion	Latest Note
Accounts Receivable	Head of Finance	Periodic review of billing codes be completed to ensure that correct VAT codes are assigned	Priority Two	Outstanding (With Agreed Extension)	28-Sep-18	31-Oct-18	This has been included in the workplan for October 2018
Accounts Receivable	Head of Finance	South Holland to consider the inclusion of the Aged Debt Analysis within the Quarterly Performance reports. Reintroduce the VAT E Learning. Monitor the completion of the E Learning by all relevant staff	Priority Two	Outstanding (With Agreed Extension)	28-Sep-18	31-Oct-18	To be included in the October work programme.