

Eastern Internal Audit Services



SOUTH HOLLAND DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 30 September 2018 to 30 November 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 2017/18 a total of 85 recommendations have been raised by both internal audit providers. Of those, 63 have been implemented by management, 15 are outstanding (seven urgent, seven important and one needs attention). A total of seven recommendations (four urgent and three important) are not yet due.

- 3.3 The management responses in relation to the outstanding urgent and important outstanding recommendations can be seen at **Appendix 2** of the report.
- 3.4 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	63	74%
Outstanding	15	18%
Not yet due	7	8%

- 3.5 Update on progress with limited and no assurance conclusions
- 3.6 The internal audit review of Asset Management concluded with a limited assurance, two urgent recommendations have been addressed by management, however five recommendations including three of urgent priority remain overdue. Management comments in relation to these recommendations are provided at **Appendix two** of the report. These outstanding recommendations will also be considered during the quarter four review of Asset Management.
- 3.7 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 urgent recommendation is now overdue, the deadline has been further extended until 31 January 2019, details relating to progress has been provided by management and can be found in **Appendix two** of the report.
- 3.8 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 urgent recommendations are not yet due, and a revised deadline for the remaining urgent recommendation has been agreed of 31 March 2019. Further detail on this recommendation can be found at **Appendix two** of the report.
- 3.9 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. One urgent recommendation is not yet due, and two urgent recommendations are now overdue. Two important recommendations are now overdue and further extensions have been agreed. Further details can be found at appendix two of the report.

3.10 In 2018/19 a total of 22 recommendations, (13 important, nine needs attention) have been raised by both internal audit providers so far. Of these, all 22 are not yet due.

Number raised to date	22	
Complete	0	0%
Outstanding	0	0%
Not yet due	22	100%

APPENDIX 1 – SUMMARY POSITION All Internal Audit Recommendations

			Completed bt 30/09/2018 and 30/11/2018			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													
2017/18 Internal Audit Reviews															
SH1804	Welland Homes	Reasonable			1		2				2				
SH1809	Asset Management	Limited	1	1		3	1	1			5				
SH1818	Planning & Planning Enforcement	Reasonable					1				1				
SH1819	Change and Patch Management	Reasonable									0		2		
CPBS	Housing Benefits	Reasonable									0	1			
CPBS	Accounts Payable	Reasonable		1					1		1		1		
CPBS	Revenues	Limited				1					1				
CPBS	Payroll	Limited				1					1	2			
CPBS	Accounts Receivable	No assurance				1	2		1		4	1			
2018/19 Internal Audit Reviews															
SH1902	Environmental Services	Reasonable											1	4	
SH1905	Food Health and Safety	Reasonable											2	2	
SH1906	Democratic Services	Reasonable											4	3	
SH1917	Cyber Security	Reasonable											5		
SH1919	Software Licencing	Reasonable											1		
TOTALS			1	2	1	6	6	1	1	1	0	15	4	16	9

APPENDIX 2 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	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.	Medium	Outstanding (With Agreed Extension)	31-Mar-18	28 Feb 19	Policies are progressing and some have already been signed off by Board, the final element that is required is BCP and this links into the last recommendation (SLA).
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.	Medium	Outstanding (With Agreed Extension)	31-Mar-18	28 Feb 19	A contract, rather than an SLA, is being developed. The BCP as mentioned above will form part of the contract.
SH1809 Asset Management	Property Services 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.	High	Outstanding (With Agreed Extension)	21-Jun-18	31-Dec-18	Industrial units – 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. All other assets - 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
SH1809 Asset Management	Property Services 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	High	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.

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
SH1809 Asset Management	Technical Project Co-ordinator	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.	High	Outstanding (With Agreed Extension)	02-Oct-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	Housing Landlord Services 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.	Medium	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.
SH1818 Planning	Planning and Building Control Manager	Another officer be allocated to cover enforcement activity in the absence of the Senior Compliance Officer during busy periods or periods of absence.	Medium	Outstanding (With Agreed Extension)	31-Mar-18	29-Mar-19	This will come through the Planning & Building Control Review. The potential for a second full-time enforcement officer is being explored through the Planning and Building Control Service review.
CHRMAUD001a HR & Payroll	HR Service Manager	Establishment lists be produced and provided to managers to review and confirm that there are no inaccuracies.	High	Outstanding (With Agreed Extension)	30-Jun-17	31-Mar-19	Currently awaiting a response from consultants in respect of resolving issues with viewing the full establishment report within the system. Until a response is provided a basic establishment list is being produced and shared with managers. Finance also send salary details to managers monthly for review. Following a response from the consultants a meeting will be held with the Section 151 Officer to determine and agree the way forward.

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
CFINAUD001a Accounts Receivable	Head of Finance	Full review of both Council's Authorisation Matrix be undertaken to ensure that appropriate officers have their authorisation approved and documented. Staff be reminded to keep the matrix up to date with any changes (new starters/leavers)	High	Outstanding (With Agreed Extension)	28-Feb-18	31-Mar-19	A meeting is to be held between the Finance Manager and Deputy S151 Officer during January to agree financial limits to be included within the Matrix.
CR&BAUD001e 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.	High	Outstanding (With Agreed Extension)	28-Sep-18	31-Jan-19	This will be actioned once the Authorisation Matrix has been finalised and rolled out across the Council.
CR&BAUD001e Accounts Receivable	Head of Finance	Periodic review of billing codes be completed to ensure that correct VAT codes are assigned	Medium	Outstanding (With Agreed Extension)	28-Sep-18	28-Feb-19	This action relates to both ELDC and SHDC. The SHDC element has been completed but will remain open until the ELDC element has also concluded.
CR&BAUD001e Accounts Receivable	Head of Finance	Reintroduce the VAT E Learning. Monitor the completion of the E Learning by all relevant staff	Medium	Outstanding (With Agreed Extension)	28-Sep-18	31-Jan-19	VAT E Learning has been reviewed and updated. It is anticipated that this will be rolled out to staff during January 2019.
CFINAUD001d Accounts Payable Key Controls	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.	Medium	Outstanding (With Agreed Extension)	30-Sep-18	31-Jan-19	This will be actioned once the Authorisation Matrix has been finalised and rolled out across the Council.
CR&BAUD001f Revenues Key Controls	Head of Finance	Clear monitoring of the implementation of Paye.net be in place	High	Outstanding (With Agreed Extension)	30-Sep-18	31-Jan-19	Pay.net is in use for payments which have an identified reference. There are currently issues with miscellaneous income and payments taken by Customer Contact which are currently being investigated by ICT.