

Eastern Internal Audit Services



SOUTH HOLLAND DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 30 November 2018 to 28 February 2019

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 were raised by both internal audit providers.

Of those, 68 have been implemented by management, 14 are outstanding (nine urgent and five important). A total of three recommendations (two urgent and one 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	68	80%
Outstanding	14	16%
Not yet due	3	4%

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, four recommendations including three of urgent priority remain overdue. Management comments in relation to these recommendations are provided at **Appendix 2** 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 29 March 2019, details relating to progress has been provided by management and can be found in **Appendix 2** 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 now overdue with a revised deadline of 31 March 2019. Both of these recommendations relate to producing an establishment list and consideration should therefore be made to consolidating two recommendations into one. One urgent recommendation is not yet due. Further detail on these recommendations can be found at **Appendix 2** 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 six of these now confirmed as complete. One urgent recommendation is not yet due, and two urgent recommendations continue to be overdue. One important recommendation remains overdue and further extensions have been agreed. Further details can be found at **Appendix 2** of the report.

3.10 In 2018/19 a total of 39 recommendations have been raised so far. Of these 11 have been completed and two (one important and one needs attention) are overdue. A total of 26 recommendations are not yet due.

Number raised to date	39	
Complete	11	28%
Outstanding	2	5%
Not yet due	26	67%

3.11 The management responses in relation to the outstanding important recommendations can be seen at **Appendix 3** of the report.

APPENDIX 1 – SUMMARY POSITION All Internal Audit Recommendations

			Completed bt and 30/11/2018 & 28/02//2019			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			1					1			
SH1809	Asset Management	Limited			1	3	1					4			
SH1818	Planning & Planning Enforcement	Reasonable					1					1			
SH1819	Change and Patch Management	Reasonable		2								0			
CPBS	Housing Benefits	Reasonable							1			1			
CPBS	Accounts Payable	Reasonable					1					1	1		
CPBS	Revenues	Limited				1						1			
CPBS	Payroll	Limited				1			1			2	1		
CPBS	Accounts Receivable	No assurance		1		2	1					3	1		
2018/19 Internal Audit Reviews															
SH1902	Environmental Services	Reasonable		1	3							0			1
SH1905	Food Health and Safety	Reasonable		1								0		1	2
SH1906	Democratic Services	Reasonable		1	1							0		3	2
SH1917	Cyber Security	Reasonable										0		5	
SH1919	Software Licencing	Reasonable										0		1	
SH1901	Procurement and Contract Management	Limited		4						1	1	2		4	2
SH1908	Corporate Governance	Reasonable										0		2	2
SH1912	Building Control	Substantial										0			1
TOTALS			0	11	5	7	5	0	2	1	1	16	2	17	10

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	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	30-Apr-19	We have a draft agreement ready but it needs Council approval before we can obtain Welland Homes approval, which is going to cause some delay.
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	29-Mar-19	A framework agreement is in the process of being signed to enable additional resource with the necessary skills to complete this piece of work. It is intended that resource will start by the end of February, with traction against actions visible in March and then first quarter.
SH1809 Asset Management	Property Services Manager	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	29-Mar-19	A framework agreement is in the process of being signed to enable additional resource with the necessary skills to complete this piece of work. It is intended that resource will start by the end of February, with traction against actions visible in March and then first quarter.
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	29-Mar-19	A framework agreement is in the process of being signed to enable additional resource with the necessary skills to complete this piece of work. It is intended that resource will start by the end of February, with traction against actions visible in March and then first quarter.
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	29-Mar-19	A framework agreement is in the process of being signed to enable additional resource with the necessary skills to complete this piece of work. It is intended that resource will start by the end of February, with traction against actions visible in March and then first quarter.

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
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.
Financial Audits CPBS							
CR&BACT012 Housing Benefits Key Controls	Head of Finance	Consider alternative document management system options	High	Outstanding (With Agreed Extension)	31-Dec-19	31-Mar-19	Preparation of procurement specification and documentation underway, supported by Lincs Procurement. We anticipate that this will be out to tender in February and then in a position to close this action as complete.
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	29-Mar-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	Ability to refund back to original card payment methods is yet to be implemented. Clear monitoring of the implementation of Paye.net be in place.	High	Outstanding (With Agreed Extension)	30-Sep-18	28-Feb-19	The correct information is not printing on the receipt, Capita have agreed to send a test to IT, this is not going to take long once it is received.
CHRNAUD001a 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	Response from consultants is still pending 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
CMRMAUD001b 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)	31-Dec-18	31-Mar-19	Continue to await a response from the Consultant. Once received a discussion will be arranged with S151 to discuss options.
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	Limits have been agreed with the Deputy Section 151 Officer and the Finance team are now in the process of updating each entry to reflect these limits.
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-Mar-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	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-Mar-19	VAT E Learning has been rolled out as part of the portal relaunch. The completion of the E Learning will be raised by Finance Business Partners at their monthly meetings with managers

APPENDIX 3 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2018/19

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
SH1901	Procurement and Contract Management	Production of a Procurement Strategy	Medium	Outstanding (Extension Agreed)	31-Jan-19	31 May 2019	Our procurements are going to be undertaken in line with the National Procurement Strategy. This is yet to be implemented.