

Eastern Internal Audit Services



SOUTH HOLLAND DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 28 February 2019 to 31 March 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.

Public Sector Partnership Services (PSPS) Audit Recommendations

- 2.4 East Lindsey District Council (ELDC) undertake the internal audit reviews of the Public Sector Partnership Services key finance functions. Recommendations raised are then subsequently monitored by East Lindsey District Council staff, with updates provided to the Head of Internal Audit for South Holland on a quarterly basis. These recommendations are recorded on Pentana, which enables greater oversight by both PSPS 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 outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding during this period.

3.2 In 2017/18 a total of 85 recommendations were raised by both internal audit providers.

Of those, 75 have been implemented by management, 10 are outstanding (five urgent and five important). It is encouraging to note that six high priority recommendations one important have been completed in this period representing good progress in closing down historical recommendations.

3.3 The management responses in relation to the outstanding urgent and important outstanding recommendations can be seen at **Appendix 2** of the report.

Number raised to date	85	
Complete	75	90%
Outstanding	10	10%

3.10 In 2018/19 a total of 76 recommendations have been raised so far. Of these 28 have been completed and four (three important and one needs attention) are overdue. A total of 44 recommendations are not yet due.

Number raised to date	76	
Complete	28	37%
Outstanding	4	5%
Not yet due	44	58%

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 28/02//2019 & 31/03/2019			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				
SH1809	Asset Management	Limited	1			2	1					3				
SH1818	Planning & Planning Enforcement	Reasonable					1					1				
CPBS	Housing Benefits	Reasonable				1						1				
CPBS	Accounts Payable	Reasonable					2					2				
CPBS	Revenues	Limited				1						1				
CPBS	Payroll	Limited	3									0				
CPBS	Accounts Receivable	No assurance	2	1		1						1				
2018/19 Internal Audit Reviews																
SH1902	Environmental Services	Reasonable			1							0				
SH1905	Food Health and Safety	Reasonable		1	2							0				
SH1906	Democratic Services	Reasonable		1								0		2	2	
SH1917	Cyber Security	Reasonable										0		5		
SH1919	Software Licencing	Reasonable										0		1		
SH1901	Procurement and Contract Management	Limited		2	1					3	1	4				1
SH1908	Corporate Governance	Reasonable		1								0		1	2	
SH1912	Building Control	Substantial			1							0				
SH1903	Compass Point	Reasonable										0		3	1	
SH1909	Payroll and HR	Reasonable		3	2							0		1	1	
SH1907	Community Enforcement	Reasonable										0		3		
SH1915	Housing Needs	Reasonable										0		3	3	
SH1916	Service Desk	Substantial										0			1	
CPBS	Accountancy Services	Reasonable		2								0				
CPBS	Housing Rents	Reasonable										0	1	1		
CPBS	Financial Services	Limited										0	6	6		
TOTALS			6	11	7	5	5	0	0	3	1	14	7	26	11	

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-Jun-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 delays'. This action has been delayed whilst work has taken place concerning another key Welland Homes project. Officers are now preparing an SLA for consideration at the next Welland Homes Board meeting. Subject to agreement this should be in place by end of June.
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-Mar-20	All leases to be reviewed by legal services by 31st October 2019 and a plan to prioritise leases needing to bring to an end, those needing extending and a steer on what levels of income the Council wishes to attain. Negotiations will then take place with the lessees and a statutory process started to achieve the aims. To set a revised indicative date for completion of 31st March 2020. Subject to further review by NPS.
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	31-Oct-19	To set a revised deadline for completion of 31st October 2019. Subject to further review by NPS.
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-Oct-19	Lettings Policy to be updated to reflect current processes. To set a revised indicative deadline for completion of 31st October 2019. Subject to further review by NPS.

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	30-Jun-19	Agree to extend to allow time for a successful candidate to be appointed and commence in post.
Financial Audits PSPS							
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	30-Jun-19	PSPS Managers are still in the process of reviewing their staff entries to ensure that these are up to date. Requisitioners are also in the process of being reviewed and once complete the authorisation matrix will be rolled out at South Holland.
PFINAUD001d Accounts Payable Key Controls	Head of Finance	Staff be reminded to ensure their entry on the matrix remains up to date. Annual review of the matrix entries be undertaken	Medium	Outstanding (With Agreed Extension)	31-Mar-19	31-Mar-20	The new Finance system project implementation will commence shortly and the matrix of authorisations will be included as part of that, so there will be no need for a separate system.
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	30-Jun-19	PSPS Managers are still in the process of reviewing their staff entries to ensure that these are up to date. Requisitioners are also in the process of being reviewed and once complete the authorisation matrix will be rolled out at South Holland.
PR&BAUD001d Housing Benefits Key Controls	Head of Finance	Consider alternative document management system options	High	Outstanding (With Agreed Extension)	31-Dec-18	31-Mar-19	This has progressed from 'consideration' to actual work on developing procurement of a new system. Restricted Tender process to begin imminently. Replacement expected in 2019/20.
PR&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-May-19	This has been rolled out to all necessary SHDC departments, with the exception of a few users in Planning which are still in progress. PSPS Customer Contact staff will then be done,

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	30-Jun-19	We already have a procurement strategy, which requires updating with SHDC branding then uploading to the team's website. Suggested implementation date - end of June 2019
SH1901	Procurement and Contract Management	Provide clarity in contract procedure rules around officer authorisation	Medium	Outstanding (Extension Agreed)	28-Feb-19	31-Aug-19	Some minor adjustments have been made on requirements to publish officer decisions for minor and administrative contracts - these were approved at full council towards the end of 2018. The team are working with legal and democratic services and have drafted guides to delegations & authorisation in contract award. This will be built on in the regular constitution training delivered by all three teams.
SH1901	Procurement and Contract Management	Review and update current contract template	Medium	Outstanding (Extension Agreed)	28-Feb-19	28-Jun-19	We will source & develop standard clauses with Legal. Suggested revised date - end of June 2019.

