

Eastern Internal Audit Services



SOUTH HOLLAND DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 1 April 2019 to 4 November 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, 81 have been implemented by management, four are outstanding (one urgent and three important).

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	85	
Complete	81	95%
Outstanding	4	5%

3.4 In 2018/19 a total of 76 recommendations were raised by both internal audit providers. Of these 55 have been completed and 10 (two urgent, four important and four needs attention) are overdue. A total of 11 recommendations are not yet due.

Number raised	76	
Complete	55	72%
Outstanding	10	13%
Not yet due	11	15%

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

3.6 In 2019/20 a total of 38 recommendations have been raised so far. Of these eight have been completed and the remaining 30 are not yet due.

Number raised	38	
Complete	8	21%
Outstanding	0	0%
Not yet due	30	79%

APPENDIX 1 – SUMMARY POSITION All Internal Audit Recommendations

			Completed bt and 01/04/2019 & 04/11/2019			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			1	1					2			
SH1818	Planning & Planning Enforcement	Reasonable		1								0			
PSPS	Housing Benefits	Reasonable	1									0			
PSPS	Accounts Payable	Reasonable		1			1					1			
PSPS	Revenues	Limited	1									0			
PSPS	Accounts Receivable	No assurance	1									0			
2018/19 Internal Audit Reviews															
SH1906	Democratic Services	Reasonable		2	2							0			
SH1917	Cyber Security	Reasonable										0		5	
SH1919	Software Licencing	Reasonable		1								0			
SH1901	Procurement and Contract Management	Limited		3	1							0			1
SH1908	Corporate Governance	Reasonable		1	2							0			
SH1903	Compass Point (PSPS)	Reasonable		2								2			
SH1909	Payroll and HR	Reasonable		1						1	1	0			1
SH1907	Community Enforcement	Reasonable		3								0			
SH1915	Housing Needs	Reasonable		1						2	3	5			
SH1916	Service Desk	Substantial			1							0			
PSPS	Housing Rents	Reasonable										0	1	1	
PSPS	Financial Services	Limited	3	4					2	1		3	1	1	
2019/20 Internal audit Reviews															
SH2005	S106 Agreements	Reasonable													4
SH2003	Strategic Housing	Reasonable												1	1
SH2004	Environmental Protection	Reasonable													2
SH2006	Leisure	Reasonable												1	1
SH2002	Private Sector Housing	No assurance	4	2	2								12	4	4
TOTALS			11	22	8	1	3	0	2	4	4	14	14	13	14

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.	Important	Outstanding (With Agreed Extension)	31-Mar-18	31-Jan-20	Legal officers have prepared a contract, but it is still in draft form and has not been shared with Welland Homes board yet. The reason for the delay is that the contract has financial implications and accordingly must feed into the budget setting process. This extent of the services provided to the Council by Welland Homes and the appropriate cost is to be agreed by both parties and must feed into the 2020/21 budget setting process for both parties. Accordingly, in October 2019, a 'special' Welland Homes Board meeting has been convened to discuss the SLA and its implications on the 2020/21 budget. Following agreement by both parties, SHDC and Welland Homes will be in a position to enter into an SLA.
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.	Urgent	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	Housing Landlord	The Letting Policy be updated to reflect current practices, such as not obtaining deposits	Important	Outstanding (With Agreed Extension)	21-Jun-18	31-Mar-20	The Lettings Policy has been revised in consultation with NPS and agreed informally with the relevant Portfolio

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
	Services Manager	from tenants in the industrial units and how end of tenancy checks will take account of any damages incurred by the tenant.					Holder. Legal advice has been sought as a result amendment have been suggested to ensure that officers are given authority deemed appropriate. The extension is therefore requested to allow the policy with amendments to be appropriately approved.
Financial Audits PSPS							
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	Important	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.

APPENDIX 3 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2018/19

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
SH1903 CPBS (PSPS)	Head of Financial Services PSPS Steve Houchin	The Council to introduce a formal control process/framework for monitoring the performance of CPBS (known as Public Sector Partnership Services Limited (PSPS) from 01/04/19) and agree recovery action/service improvement plans where targets are not achieved. This to include for example, identifying key measures / milestones such as deadlines in budget setting timetables, quality of information provided, KPIs, against which mitigating actions are to be taken should issues arise	Important	Outstanding (extension agreed)	31/05/2019	31/12/2019	Regular meetings are held between the S151 officer and Deputy S151 officer and the PSPS's Chief Executive and Head of Financial Services. Issues around service delivery are discussed at this meeting. In addition, regular meetings are being held between SHDC's Deputy S151 officer and PSPS's Head of Financial Services and deputy Head of Financial Services and at this meeting delivery of reports, budget setting are discussed with any issues that are not resolved passed up to the above-mentioned meeting. An extension has been requested to formalise this approach.
SH1915 Housing Needs	Housing Landlord Services Manager	A procedure be developed and implemented to support the administration and control of homeless assistance grants.	Important	Outstanding (extension agreed)	30/09/2019	31/01/2020	An extension is requested to allow further time to understand the pressures on homelessness vs funds requested to support

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
							homelessness prevention. Considering is being given during budget setting to the funds spent vs the scope of assistance. An extension is requested for 3 months to allow a procedure to be developed in line with current pressures and the budget available.
SH1915 Housing Needs	Housing Landlord Services Manager	In order to comply with the requirements of the Council's Common Housing Allocations Policy (see recommendation 1), the following information needs to be clearly evident for each application: Audit trail demonstrating requisite reassessments have been applied as and when due; Confirmation that each application has been subject to peer review; Evidence supporting the assessment of the applicant's priority rating; and Evidence to confirm the applicant has been informed of the outcome of their housing allocation. Refer also to recommendation 1 bullet points 1 and 5.	Important	Outstanding (extension agreed)	31/08/2019	31/01/2020	An extension of this action is requested to enable improvements to be brought online from Northgate. The council will imminently be deploying an online housing application process which will include a number of stages approval for Officers. The application process will reflect the identified checks and balances. There has been a delay in bringing forward online applications due to a required system upgrade. The process which has been developed in test can now be built in a live environment. An extension for 3 months is requested to enable this process to be developed.
Financial Audits PSPS							

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
Financial Services Key Controls	Accounts Payable Supervisor	Regular reporting of retrospective purchase order analysis to Section 151 Officer be reinstated to enable clear corporate monitoring	Urgent	Outstanding (extension agreed)	30/06/2019	30/11/2019	Extension requested until November to allow for July, September and October to be provided to S151 which will provide for a full three months of data. August data was not provided due to a miscommunication.
Financial Services Key Controls	Head of Financial Services PSPS	Purchase Order exemption list be reviewed and updated where agreed	Important	Outstanding (extension agreed)	31/07/2019	31/03/2020	<p>On 14 Aug 2019 the FinVis20 Project Board who are overseeing the implementation of the new finance ledger system (which includes S151 representation) agreed to implement a 'No PO No Pay' policy alongside the implementation of the system.</p> <p>As part of the implementation a fundamental review of the existing PO Exemption list will be completed to determine which of the existing exemptions will remain with additional challenge to ensure that any exemptions are by exception only.</p>
Financial Services Key Controls	Head of Financial Services PSPS	<p>A review is currently underway of all fees and charges across the organisation. This is a combined approach with PSPS Finance. A schedule will be created and will be approved by Cabinet and Council in due course.</p> <p>As these fees and charges are rolled out across services, staff will be reminded to check the accuracy of calculations.</p>	Urgent	Outstanding (extension agreed)	31/10/2019	01/04/2020	Review of Fees and Charges has been undertaken as part of the 2020/21 budget setting process. A paper has been presented at SHDC Strategy Board it has been agreed that implementation of any changes will now take effect at the start of the next financial year rather than midway in 19/20.