

# Eastern Internal Audit Services



## SOUTH HOLLAND DISTRICT COUNCIL

### Follow Up Report on Internal Audit Recommendations

Period Covered: 6 January 2020 to 2 March 2020

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 58 have been completed and 9 (one urgent, three important and five needs attention) are overdue. A total of nine recommendations are not yet due.

Number raised	76	
Complete	58	76%
Outstanding	9	12%
Not yet due	9	12%

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 46 recommendations have been raised so far. Of these 19 have been completed, seven are outstanding (two urgent, and five needs attention). A total of 20 are not yet due.

Number raised	46	
Complete	19	42%
Outstanding	7	15%
Not yet due	20	43%

## APPENDIX 1 – SUMMARY POSITION All Internal Audit Recommendations

			Completed bt 06/01/2020 and 02/03/2020			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>2017/18 Internal Audit Reviews</b>															
SH1804	Welland Homes	Reasonable					1					1			
SH1809	Asset Management	Limited				1	1					2			
PSPS	Accounts Payable	Reasonable					1					1			
<b>2018/19 Internal Audit Reviews</b>															
SH1917	Cyber Security	Reasonable										0		5	
SH1901	Procurement and Contract Management	Limited								1		1			
SH1903	Compass Point (PSPS)	Reasonable		1	1							0			
SH1909	Payroll and HR	Reasonable								1		1			
SH1915	Housing Needs	Reasonable					2	3				5			
PSPS	Housing Rents	Reasonable										0	1	1	
PSPS	Financial Services	Limited				1	1					2	1	1	
<b>2019/20 Internal audit Reviews</b>															
SH2005	S106 Agreements	Reasonable								1		1			3
SH2003	Strategic Housing	Reasonable										0		1	1
SH2004	Environmental Protection	Reasonable										0			2
SH2006	Leisure	Reasonable								1		1		1	
SH2002	Private Sector Housing	No assurance							2		3	5	4	3	1
SH2008	Markets	Limited												3	1
SH2007	Corporate Plan, Performance Metrics	Reasonable		4								0			
<b>TOTALS</b>			<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>7</b>	<b>20</b>	<b>6</b>	<b>15</b>	<b>8</b>

## 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	31-Mar-18	30-Apr-20	At Council in December 2019, it was agreed that a Development Strategy be prepared which will identify the drivers for new housing delivery, including how we provide services to Welland Homes. Officers are considering the route for the formation of the Development Strategy which is likely to require some external resource. However, this will be a priority project for the coming months.
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	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 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.	Important	Outstanding	21-Jun-18	31-Mar-20	The Lettings Policy has been revised in consultation with NPS and agreed informally with the relevant Portfolio 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.
<b>Financial Audits PSPS</b>							

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
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	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
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	30/09/2019	30/04/2020	A Housing Assistance Policy has now been drafted to cover all payments to customers and how decisions will be made. The timeline for decision making has been revised due to a change in democratic meeting dates. The policy will now be considered by the Policy Development Panel at the end of March 2020 with the policy being taken to Cabinet at the end of April 2020, Cabinet is the decision maker. A revised completion date is requested to allow time for the policy to formally be adopted by the Council.
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;	Important	Outstanding	31/08/2019	30/04/2020	A further 3 month extension is requested due to delays with rolling out system upgrades in Northgate. The original commission of online applications developed interdependencies with the wider upgrade of Northgate due to the time elapsed in waiting for system updates to be released. In turn this developed interdependencies with server upgrades. These issues have since been resolved and the system can now be developed in live and rolled out to

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
		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.					customers. At this point, testing is still required and therefore some time is requested to resolve any issues which may arise during testing.
<b>Financial Audits PSPS</b>							
Financial Services Key Controls	Head of Financial Services PSPS	Purchase Order exemption list be reviewed and updated where agreed	Important	Outstanding	31/07/2019	31/03/2020	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.  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.
Financial Services Key Controls	Head of Financial Services PSPS	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. As these fees and charges are rolled out across services, staff will be reminded to check the accuracy of calculations.	Urgent	Outstanding	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.

#### APPENDIX 4 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2019/20

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
SH2002 Private Sector Housing	Housing Landlord Services Manager	<b>Recommendation 9.</b> The Council needs to compile and maintain accurate records of all enforcement action due / taken, with progress reported to senior management at regular intervals which is then used to populate the Northgate system.	Urgent	Outstanding	31/12/2019	31/05/2020	Enforcement action is being monitored with Officers in Team Meetings and 1:1's. Due to a period of absence for the Housing Options Manager interim reporting arrangements were in place for the Private Sector Housing Team. Therefore, actions were monitored on a case by case basis rather than an overview arrangement. A spreadsheet has now been established by the Housing Options Manager to oversee enforcement activity as the team currently have cases at tribunal and others on notice. This work will progress in to Assure once the system is further developed. If progression into Northgate is required to consider the action complete, then a revised deadline of the 30/05/2020 is suggested to allow further system development.
SH2002 Private Sector Housing	Housing Landlord Services Manager	<b>Recommendation 13.</b> All licenced caravan sites due / overdue for inspection are	Urgent	Outstanding	31/12/2019	31/03/2020	The Private Sector Housing Team have established a list of required

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
		subject to the requisite checks forthwith with six monthly reports submitted to management confirming that all schedule inspections have been completed in accordance with the due dates, having been agreed through the risk assessment process.					<p>inspections. Further time is required to produce a program of inspections.</p> <p>Inspections have not been carried out to date as allocation of resources has been prioritized for HMD licensing and development work to bring Assure online.</p>