

Eastern Internal Audit Services



SOUTH HOLLAND DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 2 March 2020 to 31 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 Audit Lincolnshire (formerly East Lindsey District Council) undertake the internal audit reviews of the Public Sector Partnership Services key finance functions. Recommendations raised are then subsequently monitored by Audit Lincolnshire, 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 62 have been completed and 14 (two urgent, seven important and five needs attention) are overdue.

Number raised	76	
Complete	62	82%
Outstanding	14	18%

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 71 recommendations have been agreed so far. Of these 39 have been completed, 9 are outstanding (two urgent, three important and four needs attention). A total of 23 are not yet due.

Number raised	71	
Complete	39	55%
Outstanding	9	13%
Not yet due	23	32%

APPENDIX 1 – SUMMARY POSITION All Internal Audit Recommendations

			Completed bt 02/03/2020 to 31/03/2020			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													
2017/18 Internal Audit Reviews															
SH1804	Welland Homes	Reasonable					1					1			
SH1809	Asset Management	Limited				1	1					2			
PSPS	Accounts Payable	Reasonable					1					1			
2018/19 Internal Audit Reviews															
SH1917	Cyber Security	Reasonable		5								0			
SH1901	Procurement and Contract Management	Limited			1							0			
SH1909	Payroll and HR	Reasonable			1							0			
SH1915	Housing Needs	Reasonable					2	3				5			
PSPS	Housing Rents	Reasonable	1							1		1			
PSPS	Financial Services	Limited					1		2	3	2	8			
2019/20 Internal audit Reviews															
SH2005	S106 Agreements	Reasonable			4							0			
SH2003	Strategic Housing	Reasonable										0		1	1
SH2004	Environmental Protection	Reasonable			2							0			
SH2006	Leisure	Reasonable		1	1							0			
SH2002	Private Sector Housing	No assurance	3					3	2	3	1	9			
SH2008	Markets	Limited		2								0		1	1
SH2009	Corporate Governance	Reasonable										0		2	
SH2012	Housing Repairs and Maintenance	Reasonable										0		1	
SH2020	Car Parks	Limited		3								0		1	1
PSPS	Accountancy Services	Reasonable										0		4	
PSPS	Revenues	Substantial		1								0			
PSPS	Housing Rents	Reasonable										0	1	4	
PSPS	HR & Payroll	Reasonable										0		3	
PSPS	Financial Services	Reasonable										0	1	1	
PSPS	Benefits	Substantial		1								0			
TOTALS			4	13	9	1	6	6	4	7	3	27	2	18	3

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 – Matthew Hogan	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	30/10/2020	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. In the meantime, a draft SLA document has been prepared by the Welland Homes project team. The next stage is for Finance Officers to propose a charging schedule to be included in the document. Thereafter the document will be considered by EMT and the Welland Homes board.
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	30/09/2020	This work was originally set to be complete by the proposed date. However, the outstanding leases have currently been placed on hold due to the Covid19 situation. A report has been drafted for the consideration of Gold command as increased rents could impact on local businesses. It is difficult to place a revised timescale on this action due to the unknown entity brought about by Covid19.
SH1809 Asset Management	Housing Landlord Services Manager – Jason King	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	30/09/2020	The policy was listed for approval at the revised Democratic meetings due to take place in March and April. Due to the on-going situation with Covid19 meetings have been cancelled and therefore the policy has not been approved. The Policy will be on the agenda for revised digital meetings in due course. An extension is therefore requested to allow sufficient time for the policy to be considered.
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	31-Mar-19	30/10/2020	The New Finance System is still in the implementation phase. Testing and build has accommodated the need for a segregation of duties. The authorisation matrix for SHDC has been updated in Q4 of 19/20. It is suggested that the implementation of this control is revised to Oct 2020, to include in user guidance the need to

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
							observe a segregation of duties in addition to the control enforced by the new 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	30/09/2020	The policy was listed for approval at the revised Democratic meetings due to take place in March and April. Due to the on-going situation with Covid19 meetings have been cancelled and therefore the policy has not been approved. The Policy will be on the agenda for revised digital meetings in due course. An extension is therefore requested to allow sufficient time for the policy to be considered.
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	31/08/2019	31/07/2020	Progress has been temporarily stalled due to a system issue which is present in both the test and live environment. A Northgate consultancy day has been secured for the 3 June 2020 to help resolve this issue. Due to the current demand for Northgate services there have been some additional delay with getting this issue resolved. A further revised date is suggested to allow for any further issues which may arise.
Financial Audits PSPS							

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
PFINACT037S Housing Rents	Head of Financial Services PSPS	Integration of the Northgate system has been included within the implementation plan for consideration in the new system. Tenders are being evaluated in May 2019 however confirmation as to whether this functionality is possible may not be determined	Important	Outstanding	02/03/2020	30/10/2020	The implementation phase for U4BW is still underway. The interface have been reviewed to optimise the exchange of data via interface. Reconciliation controls will be built and introduced as part of the transition to go live. Expected to be October 2020.
PFINACT080S Financial Services Key Controls	Head of Financial Services PSPS	Evaluation of limits and restrictions functionality to the extent required in the specification as part of procurement, and then implementation of new Finance system	Urgent	Outstanding	01/04/2020	30/10/2020	The development and implementation of the new finance system U4BW will establish a set of limits around authorisation approval levels and assign specific approval rights across the system as set out in the Procure to Pay Workbook which has been uploaded for information. The workbook has been viewed and assessed by IA colleagues as satisfying those requirements. However formal sign off will only be completed following the successful System Testing.
PFINACT082S Financial Services Key Controls	Head of Financial Services PSPS	Evaluation of segregation of roles functionality to the extent required in the specification as part of procurement process	Urgent	Outstanding	01/04/2020	30/10/2020	The development and implementation of the new finance system U4BW will establish a set of limits around authorisation approval levels and assign specific approval rights across the system as set out in the Sales to Cash Workbook which has been uploaded for information. The workbook has been viewed and assessed by IA colleagues as satisfying those requirements. However formal sign off will only be completed following the successful System Testing.
PFINACT077S Financial Services Key Controls	Head of Financial Services PSPS	Purchase Order exemption list be reviewed and updated where agreed	Important	Outstanding	31/07/2019	30/10/2020	Reports are regularly reported to the S151 officers. The implementation of the new system is expected in Oct 2020. It has been agreed to follow a principal of no po, no pay and this will be incorporated into user guidance as part of transition to Go Live.

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
PFINACT084S Financial Services Key Controls	Head of Financial Services PSPS	Evaluation of embedded payment terms functionality to the extent required in the specification as part of procurement, and then implementation of new Finance system.	Important	Outstanding	01/04/2020	30/10/2020	Implementation of the new Finance system is now scheduled to go live Mid October 2020 and verification will be undertaken then.
PFINACT086S Financial Services Key Controls	Head of Financial Services PSPS	New processes to be defined on implementation of new Finance system for AR reconciliations.	Important	Outstanding	01/04/2020	30/10/2020	Implementation of the new Finance system is now scheduled to go live Mid October 2020. New processes will be implemented then.
PFINACT087S Financial Services Key Controls	Head of Financial Services	Training will be incorporated into the budget planning timetable for 2020/21 and delivered in Q2 of 2019/20.	Important	Outstanding	31/03/2020	31/10/2020	The Budget Profiling by Budget Managers at SHDC will be completed when budgets are finalised and agreed prior to loading budget onto ledger system.

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	Recommendation 1. The Council develops an overarching Empty Homes Strategy that includes links to the Private Sector Housing Enforcement Policy.	Urgent	Outstanding	30/03/2020	30/09/2020	The strategy was listed for approval at the revised Democratic meetings due to take place in March and April. Due to the on-going situation with Covid19 meetings have been cancelled and therefore the policy has not been approved. The Policy will be on the agenda for revised digital meetings in due course. An extension is therefore requested to allow sufficient time for the policy to be considered.
SH2002 Private Sector Housing	Housing Landlord Services Manager	Recommendation 5. Complete review of all the PSH budgets be undertaken to ensure a baseline is agreed. Thereafter, monthly or quarterly reconciliations to be completed between PSH records and those within the finance system for all DFG activity; both Private and Public, which is supported by extracts from the supporting spreadsheets (Northgate Assure when available) and prints from the finance system and with evidence that any discrepancies have been investigated and explained. The reconciliation to be subject to independent review with the signature and date of the preparer and reviewer evident.	Urgent	Outstanding	30/03/2020	30/09/2020	The year-end position for 18/19 has now been agreed with relevant accruals. The budgets for 19/20 are now being managed and have essentially reset the position for the current financial year. Due to the current situation with Covid19, Private Sector Housing activity has been limited with little or no DFG activity taking place. Work with the Assure system is progressing to ensure that the team is well placed to take this way forward. Once work in this area progresses again relevant sign offs can be evidenced.
SH2002	Housing Landlord	Recommendation 21	Important	Outstanding	31/03/2020	30/09/2020	The policy was listed for approval at the revised

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
Private Sector Housing	Services Manager	All Decent Homes Grants / Loans to be approved by a senior member of staff rather than a peer. Where discretion is used, i.e. where a grant is issued instead of a loan where the payment is £1,000 and above, this reason should be formally documented for the approving officer to consider. Such requirements should also be referred to in written guidance.					Democratic meetings due to take place in March and April. Due to the on-going situation with Covid19 meetings have been cancelled and therefore the policy has not been approved. The Policy will be on the agenda for revised digital meetings in due course. An extension is therefore requested to allow sufficient time for the policy to be considered.
SH2002 Private Sector Housing	Housing Landlord Services Manager	Recommendation 22 The Council to undertake annual checks of householders insurance for those in receipt of a Decent Homes Assistant Loan and that this requirement be referred to in the written procedure for administering Decent Homes Assistant Loans.	Important	Outstanding	30/03/2020	30/09/2020	The policy was listed for approval at the revised Democratic meetings due to take place in March and April. Due to the on-going situation with Covid19 meetings have been cancelled and therefore the policy has not been approved. The Policy will be on the agenda for revised digital meetings in due course. An extension is therefore requested to allow sufficient time for the policy to be considered.
SH2002 Private Sector Housing	Housing Landlord Services Manager	Recommendation 17 The Community Housing Renewal Policy be reviewed and updated where applicable. The Decent Homes Assistance Loans Procedure be reviewed and updated and to include procedures for assessing and processing Decent Homes Assistance Grants, including delegated levels for discretion to be applied between awarding a grant in excess of £999, where it would ordinarily qualify for a loan.	Important	Outstanding	30/03/2020	30/09/2020	The policy was listed for approval at the revised Democratic meetings due to take place in March and April. Due to the on-going situation with Covid19 meetings have been cancelled and therefore the policy has not been approved. The Policy will be on the agenda for revised digital meetings in due course. An extension is therefore requested to allow sufficient time for the policy to be considered.