

Eastern Internal Audit Services



SOUTH HOLLAND DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 21 July 2020 to 11 November 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 (formally East Lindsay 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, 82 have been implemented by management, three are outstanding (one urgent and two 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	82	96%
Outstanding	3	4%

3.4 In 2018/19 a total of 76 recommendations were raised by both internal audit providers. Of these 67 have been completed and 9 (two urgent, six important and one needs attention) are overdue.

Number raised	76	
Complete	67	88%
Outstanding	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 77 recommendations were agreed. Of these 44 have been completed, 12 are outstanding (four urgent, four important and four needs attention). A total of 21 are not yet due.

Number raised	77	
Complete	44	57%
Outstanding	12	16%
Not yet due	21	27%

APPENDIX 1 – SUMMARY POSITION All Internal Audit Recommendations

			Completed bt 21/07/2020 and 11 November 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						1			
PSPS	Accounts Payable	Reasonable					1					1			
2018/19 Internal Audit Reviews															
SH1915	Housing Needs	Reasonable		1	2		2	1				3			
PSPS	Housing Rents	Reasonable					1					1			
PSPS	Financial Services	Limited		1	2	2	3					5			
2019/20 Internal audit Reviews															
SH2002	Private Sector Housing	No assurance	2	3	1	4		3				7			
SH2003	Strategic Housing	Reasonable								1	1	2			
SH2006	Leisure	Reasonable			1		1					1			
SH2008	Markets	Limited										0	3		
SH2009	Corporate Governance	Reasonable		1						1		1			
SH2010	Contracts and Procurement	Reasonable										0	5	2	
SH2012	Housing Repairs and Maintenance	Reasonable		1								0			
SH2020	Environmental Services	Reasonable										0	2	1	
PSPS	Accountancy Services	Reasonable		2								0	2		
PSPS	Revenues	Substantial										0			
PSPS	Housing Rents	Reasonable	1	3						1		1			
PSPS	HR & Payroll	Reasonable										0	3		
PSPS	Financial Services	Reasonable										0	3		
PSPS	Benefits	Substantial										0			
TOTALS			3	15	6	7	9	4	0	3	1	24	0	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	31/03/2018	30/12/2020	The draft SLA is in the process of being reviewed and the team is providing clarification on a number of matters. Accordingly, it has not been formally approved yet. To add to the ongoing complication of this matter, some of the Welland Homes directors and shareholder representative are expected to change at the forthcoming Council meeting on 25th November. However, the first meeting of the new Board will be meeting on 8th December and I am hopeful that the contract can be presented to that meeting for final consideration and sign off
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	21/06/2018	30/04/2021	<p>Over the Summer of 2020 both PDP and PMP received reports from officers on the council's 5 industrial estates and these were well received. The reports covered a range of matters including tenant payment performance during Covid, measures taken to improve the condition of the estates through proactive maintenance and new leases terms, the use of letting agents and external estates advisors and in addition a replacement lettings policy which was ultimately approved by Cabinet at its meeting on 27th October. 2020. This policy replaces the previous policy adopted in 2005 which no longer reflected modern commercial practice.</p> <p>A programme of lease renewals is now being worked on such that all 49 of the 50 units currently let will be on new leases reflecting the new policy at the earliest opportunity.</p> <p>The replacement policy covers matters such as yielding up and dilapidations at the end of leases, the levying of service charge, flexible lease and rental terms, tenants not having the automatic right to renew and other matters picked out as areas for specific consideration in the 2017 Audit. As at 16th November there are 6 tenants on the new more modern form of agreement with new lease grants pending for the balancing 43 tenancies.</p>
Financial Audits PSPS							

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
PFINAUD001d / PFINACT008 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	31/03/2019	30/04/2021	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 April 2021, to include in user guidance the need to observe a segregation of duties in addition to the control enforced by the new system. Further revised date provided.

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	The Council's Common Housing Allocations Policy be revised to include the following information: <input type="checkbox"/> Distinct and specific criteria for the housing allocation priorities; <input type="checkbox"/> Stated key stages when an applicant's needs/priorities are to be reassessed, i.e. the point of initial application; following any change of circumstance notified to the Council by the applicant; at the point of an offer of accommodation and at the point of letting. <input type="checkbox"/> Specify that each reassessment process be clearly documented in the applicant's file; <input type="checkbox"/> Clearly state what constitutes the start of a housing application/allocation process.	Important	Outstanding	30/09/2019	30/04/2021	Draft prepared for PDP on 4 November, however following circulation for approval, EMT suggested an all member briefing was completed (prior to taking to PDP). Now aiming for implementation of policy by April 2021 due to change in approval process and potential further delays to meetings due to Covid. Copy of draft policy approved by PFH and shared with Audit.
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	30/04/2021	Draft prepared for PDP on 4 November, however following circulation for approval, EMT suggested an all member briefing was completed (prior to taking to PDP). Now aiming for implementation of policy by April 2021 due to change in approval process and potential further delays to meetings due to Covid. Copy of draft policy approved by PFH and shared with Audit.
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	01/04/2021	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 April 2021. A further extension is required.
PFINACT080S / PFINACT052E / PFINACT054E 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	01/04/2021	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 / PFINACT057E 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	01/04/2021	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 / PFINACT053E Financial Services Key Controls	Head of Financial Services PSPS	Purchase Order exemption list be reviewed and updated where agreed	Important	Outstanding	31/07/2019	01/04/2021	Reports are regularly reported to the S151 officers. The implementation of the new system is expected in April 2021. 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. A further extension is required.

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
PFINACT084S / PFINACT064E 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	01/01/2021	Implementation of the new Finance system is now scheduled to go live April 2021 and verification will be undertaken then. A further extension is required.
PFINACT086S / PFINACT066E 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	01/01/2021	Implementation of the new Finance system is now scheduled to go live April 2021. New processes will be implemented then. A further extension is required.

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	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	30/11/2020	This recommendation was erroneously showing as closed in the Internal Audit section of Pentana so has been reopened and the status changed to outstanding - extension agreed until 30/11/20.
SH2002 Private Sector Housing	Housing Landlord Services Manager	PSH and Finance undertake a reconciliation between their respective Decent Homes Assistant Loan records covering the previous two years, plus current. Thereafter, PSH and Finance to confirm the accuracy of the quarterly updates in addition to Finance being copied in to the notification for new / repaid loans in order to update their records.	Urgent	Outstanding	31/03/2020	30/11/2020	This recommendation was erroneously showing as closed in the Internal Audit section of Pentana so has been reopened and the status changed to outstanding - extension agreed until 30/11/20.
SH2002 Private Sector Housing	Housing Landlord Services Manager	PSH to ensure all empty property checks, as per the quarterly CT records, are kept up to date.	Urgent	Outstanding	31/03/2020	31/03/2021	Empty Homes process has now been established in Assure..... Once information is received from Council Tax this will be processed into the Assure System and allocated to a Private Sector Housing Officer. During the Pandemic all non essential visits have been suspended.
SH2002 Private Sector Housing	Housing Landlord Services Manager	All licenced caravan sites due / overdue for inspection are 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.	Urgent	Outstanding			This recommendation was erroneously showing as closed in the Internal Audit section of Pentana so has been reopened and the status changed to outstanding - extension agreed until 30/11/20.
SH2003 Strategic Housing	Shared Strategic Housing Manager	A development strategy be produced to define the work of the Strategic Housing team, in terms of the different development routes available, objectives for of delivering new housing, the considerations in choosing a particular development route and the approval process to be followed.	Important	Outstanding	31/07/2020	31/03/2021	Capacity to deliver this project was impacted by the response to the pandemic with relevant officers redeployed and a focus in other areas. All new business housing activity paused for around 6 months between April and September due to the uncertainty in the housing market. During this period we noted that development companies were closing sites and furloughing staff and property valuations were increasingly unreliable. However, as the country and district recovered from the initial impact of the pandemic the housing market has recovered and

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
							development activity has resumed. Therefore, the Strategic Housing team is now fully focused on delivering a programme of new housing to meet the targets for the HRA in 2020/21.
SH2006 Leisure	Strategic Housing Manager	A development strategy be produced to define the work of the Strategic Housing team, in terms of the different development routes available, objectives for of delivering new housing, the considerations in choosing a particular development route and the approval process to be followed.	Important	Outstanding	08/11/2019		Awaiting evidence to close recommendation.
SH2009 Corporate Governance	Information Governance Officer	All service areas at both Councils, along with their Data Protection Champions, to provide the Information Governance Officer with their completed Information Asset Registers, forthwith and in doing so, confirming their accuracy and completeness.	Important	Outstanding	01/06/2020	31/12/2020	This has been reviewed by IGO and DPO. Staff are still working in a Covid environment and, as a result, whilst we acknowledge the importance of this recommendation, we need to review the timeline for completion. This is not an issue for the Data Protection team, but for all services. DPO has recommended that Data Champions/Managers be notified that this piece of work remains outstanding and will be asked to progress this, if they are able to do so at this time (we need to appreciate the pressure many continue to work under at this time). We are seeking an extension for this until the end of 2020, at which time we will review the position again, subject to the Covid related situation.
Financial Audits PSPS							
PFINAUD001 uS Housing Rents	Steven Houchin, Ellie Stacey	NPBC Tenants Rent Account Reconciliations require greater focus.	Important	Outstanding	30/09/2020	31/12/2020	The HRA Accountant will review monthly going forward. Variances are regularly being escalated with Housing for explanations. Agreed extension to end Dec to embed this process.