

Eastern Internal Audit Services



SOUTH HOLLAND DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 11 November 2020 to 5 January 2021

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 Ordinarily, 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 84 recommendations were agreed. Of these 49 have been completed, 20 are outstanding (four urgent, nine important and seven needs attention). A total of 15 are not yet due.

Number raised	84	
Complete	49	58%
Outstanding	20	24%
Not yet due	15	18%

APPENDIX 1 – SUMMARY POSITION All Internal Audit Recommendations

			Completed by 11/11/2020 and 05/01/21			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			
PSPS	Accounts Payable	Reasonable					1					1			
2018/19 Internal Audit Reviews															
SH1915	Housing Needs	Reasonable					2	1				3			
PSPS	Housing Rents	Reasonable					1					1			
PSPS	Financial Services	Limited				2	3					5			
2019/20 Internal audit Reviews															
SH2002	Private Sector Housing	No assurance				4		3				7			
SH2003	Strategic Housing	Reasonable					1	1				2			
SH2006	Leisure	Reasonable		1								0			
SH2008	Markets	Limited								2		2		1	
SH2009	Corporate Governance	Reasonable					1					1			
SH2010	Contracts and Procurement	Reasonable		1	2							0		3	
SH2015	Disaster Recovery	Reasonable								4	3	7			
SH2020	Environmental Services	Reasonable										0		2	1
PSPS	Accountancy Services	Reasonable										0		2	
PSPS	Housing Rents	Reasonable								1		1			
PSPS	HR & Payroll	Reasonable										0		3	
PSPS	Financial Services	Reasonable										0		3	
TOTALS			0	2	2	7	10	5	0	7	3	32	0	14	1

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	28/02/2021	A draft copy of the SLA was presented to the Welland Homes Board in August 2020 and was broadly agreed. However, as there was due to be a change of WH board directors it was agreed that the new directors would sign off the final version. The new directors were appointed in December 2020 and the final draft SLA is due to be presented to the next Welland Homes board meeting on 26th January.
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	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. A further update is required.
Financial Audits PSPS							
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	<p>The Council's Common Housing Allocations Policy be revised to include the following information:</p> <ul style="list-style-type: none"> <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	<p>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:</p> <p>Audit trail demonstrating requisite reassessments have been applied as and when due;</p> <p>Confirmation that each application has been subject to peer review;</p> <p>Evidence supporting the assessment of the applicant's priority rating; and</p> <p>Evidence to confirm the applicant has been informed of the outcome of their housing allocation.</p> <p>Refer also to recommendation 1 bullet points 1 and 5.</p>	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.

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
Financial Audits PSPS							
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	01/04/2021	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	01/04/2021	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	Update provided, however further information has been requested prior to the recommendation being updated.
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		31/03/2021	Caravans site licences are currently being migrated to assure. At this moment in time, whilst we are still in the "build" stage of assure we are extremely limited as to what reports can be run, at the moment there are only 2 financial ones available. Inspections were started after the last lockdown, however the further lockdown put a stop to this. As people should be in their main residence most sites will be closed at this time and many will not re-open until the spring when hopefully inspections can be reconvened.
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

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
							the housing market has recovered and 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.
SH2009 Markets	Senior Business Intelligence Officer	Recommendation 2 - Written procedures to be produced detailing cash collection and banking arrangements (including recommendations made in this audit report). Procedures to also clearly define the roles and responsibilities of PSPS and the Council's Markets, Bus Station and Car Parks Inspector and Business Support, in the raising of invoices, chasing non-payers (permanent stall holders) and ensuring all income (cash) is correctly accounted for. (Refer also to recommendation 5 for refunds and waivers) Rationale and risk: Producing written procedures will help ensure all parties are aware of the correct processes to be followed. This will reduce the risk of inconsistent practices developing and or key aspects of income administration being overlooked resulting in financial losses through fraud / misappropriation or irrecoverable debts.	Important	Outstanding		31/03/2021	Things have changed in respect to this recommendation, much for the better I think. The written procedures will now obviously need to include the 'book and pay' process that is currently being developed. My expectation is we will use March 2021 to thoroughly test the 'book and pay' system so I would therefore suggest an initial completion date for the procedures of Friday 26th February 2021.
SH2009 Markets	Senior Business Intelligence Officer	Recommendation 5 - The Council to request payment in advance of trading for all stall holders with evidence provided to the Markets, Bus Station and Car Parks Inspector, to this effect. A documented process be put in place to offer a refund or waiver for payments received but where trading had not been possible e.g. through inclement weather or other justifiable cause. Rationale and risk: Requesting payment in advance will ensure income due to the Council is received thereby reducing the risk of debt recovery being required and or financial	Important	Outstanding		30/04/2021	A market pitch booking system has been introduced and is in operation. Irrespective of pitches being free of charge traders can only stand on markets if they have pre-booked their space via the booking system. A more comprehensive version of this system is under development and set to come into operation on April 1st 2021 when pitch charges are set to be re-introduced.

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
		loss to the Council through irrecoverable debts.					
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	31/03/2021	There has been some progress with staff finalising and uploading their Information Asset Registers to the shared portal, however several remain outstanding. As the ongoing pandemic has caused such an increased workload for staff I was asked not to chase them to avoid adding further pressure. I have given a couple of gentle nudges and even recently asked staff to pass to me to see if I can offer help. This has resulted in a few more being finalised, however, unfortunately I do not have sufficient knowledge of each department to be in a position to confirm they have included all of their processing. It has however again acted as a further gentle prompt.
SH2015 Disaster Recovery	Shared ICT Manager	Recommendation 1: The Council to work with PSPSL to implement a process whereby periodic access to the Breckland infrastructure can be provisioned to allow testing of the ability to recreate South Holland systems from the replicas hosted on the Breckland infrastructure to take place.	Important	Outstanding	31/12/2020	31/03/2021	In discussion with management
SH2015 Disaster Recovery	Shared ICT Manager	Recommendation 2: The Council to work with PSPSL to ensure that the magnetic lock is activated and restricted to PSPSL IT staff only.	Important	Outstanding	31/12/2020	31/03/2021	In discussion with management
SH2015 Disaster Recovery	Shared ICT Manager	Recommendation 3: The Council to work with PSPSL to identify potential opportunities for the relocation of the network cabinet that is located within the cleaner's store room.	Important	Outstanding	31/12/2020	31/03/2021	In discussion with management
SH2015 Disaster Recovery	Shared ICT Manager	Recommendation 4: The Council to work with PSPSL to ensure that the built-in fire suppressant system that protects the server room at the Council's Priory Road site is being /adequately serviced.	Important	Outstanding	31/12/2020	31/03/2021	In discussion with management
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.

