

Eastern Internal Audit Services



SOUTH HOLLAND DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 5 January 2021 to 2 March 2021

Responsible Officer: Emma Hodds – Head of Internal Audit for South Holland DC

CONTENTS

<i>1. INTRODUCTION</i>	<i>2</i>
<i>2. FOLLOW UP PROCESS</i>	<i>2</i>
<i>3. STATUS OF RECOMMENDATIONS</i>	<i>2</i>
<i>APPENDIX 1 – SUMMARY POSITION All Internal Audit Recommendations</i>	<i>5</i>
<i>APPENDIX 2 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18</i>	<i>6</i>
<i>APPENDIX 3 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS - 2018/19</i>	<i>6</i>
<i>APPENDIX 4 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS - 2019/20</i>	<i>9</i>

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, 84 have been implemented by management, one urgent recommendation is outstanding.

3.3 The management responses in relation to the outstanding urgent recommendation can be seen at **Appendix 2** of the report.

2017/18	As at 05/01/21	As at 02/03/21	
Number raised	85	85	
Complete	82	84	99%
Outstanding	3	1	1%

3.4 In 2018/19 a total of 76 recommendations were raised by both internal audit providers. Of these 70 have been completed and six in total (five important and one needs attention) are overdue.

2018/19	As at 05/01/21	As at 02/03/21	
Number raised	76	76	
Complete	67	70	92%
Outstanding	9	6	8%

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 62 have been completed, 17 are outstanding (one urgent, 10 important and six needs attention). A total of five are not yet due.

2019/20	As at 05/01/21	As at 02/03/21	
Number raised	84	84	
Complete	49	62	74%
Outstanding	20	17	20%
Not yet due	15	5	6%

3.7 In 2020/21 a total of 16 recommendations have been agreed so far. Of these four have been completed, one needs attention recommendation is outstanding and 11 are not yet due.

Number raised	16	
Complete	4	25%
Outstanding	1	6%
Not yet due	11	69%

3.8 We are pleased to report that good progress has been made during this period in addressing historical outstanding recommendations. The internal audit team will continue to work with management to verify and close recommendations ahead of year end reporting. In addition, and at the request of the committee, Internal Audit has asked management provide commentary within Appendix 2 to show how current risks are being mitigated if recommendations remain open.

APPENDIX 1 – SUMMARY POSITION All Internal Audit Recommendations

			Completed bt 05/01/21 and 02/03/21			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								0			
SH1809	Asset Management	Limited				1						1			
PSPS	Accounts Payable	Reasonable		1								0			
2018/19 Internal Audit Reviews															
SH1915	Housing Needs	Reasonable		1			1	1				2			
PSPS	Housing Rents	Reasonable					1					1			
PSPS	Financial Services	Limited	2				3					3			
2019/20 Internal audit Reviews															
SH2002	Private Sector Housing	No assurance	1			1		3				4			
SH2003	Strategic Housing	Reasonable					1	1				2			
SH2008	Markets	Limited								2		2		1	
SH2009	Corporate Governance	Reasonable					1					1			
SH2010	Contracts and Procurement	Reasonable								1		1		2	
SH2015	Disaster Recovery	Reasonable		1	2					3	1	4			
SH2020	Car Parks	Reasonable								2	1	3			
PSPS	Accountancy Services	Reasonable										0		2	
PSPS	Housing Rents	Reasonable		1								0			
PSPS	HR & Payroll	Reasonable		3								0			
PSPS	Financial Services	Reasonable		3								0			
2020/21 Internal Audit Reviews															
SH2105	Income	Reasonable		3	1						1	1		2	2
SH2104	Accounts Receivable	Reasonable										0		3	2
SH2102	Corporate Governance	Substantial										0			2
TOTALS			3	14	3	2	7	5	0	8	3	25	0	10	6

APPENDIX 2 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
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	A review of all leases has been undertaken and we are on target for these lease renewals to be completed. There will be some amendments to previous terms agreed due to the Covid pandemic but it will enable us to get the completions. All new tenants are signed up on new leases and at market value. The renewals all including rental increases.

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	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	The Housing online process is now live which requires applicants to complete an online registration form and provide evidence of their circumstances. This is then uploaded to the Northgate system. Once complete, applications are peer reviewed by the Allocations and Lettings Officers, with more complex cases being referred to the Available Homes Team Leader for a decision. In all cases, the Housing Options Manager may peer review a decision once assessed if required. Applicants are notified of their banding by email once the assessment is complete. Internal Audit will schedule in a walkthrough review of the system to verify that this action is complete.
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 until further down the line.	Important	Outstanding	02/03/2020	01/04/2021	The implementation phase for U4BW is still underway. The interface has 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. Since the initial decision to proceed with U4BW there has been an SHDC business decision not to include a Northgate interface as part of the initial implementation system scope. Further work will be required to assess any potential benefit of an interface after the initial implementation phase has been completed and therefore an extension to the existing deadline is required.

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
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	<p>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.</p> <p>Since the original decision, it has been agreed to defer the implementation of No PO No Pay until after the initial implementation of the system. This is to allow time for new processes to be embedded into the flow of work post "go-live" and then review the end to purchasing process to incorporate No PO No Pay.</p> <p>A broader review of the exemptions will still be undertaken prior to this work to ensure that progress can continue ahead any fundamental change. Therefore an extension to existing deadline is required</p>
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	<p>Implementation of the new Finance system is now scheduled to go live April 2021 and verification will be undertaken then.</p> <p>Further time is required to evaluate the embedded payment terms and can be completed via a walkthrough of relevant aspects of the system itself, however an extension of the deadline will be required whilst this is facilitated.</p>
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	<p>Implementation of the new Finance system is now scheduled to go live April 2021 and verification will be undertaken then.</p> <p>Further time is required to evaluate the embedded payment terms and can be completed via a walkthrough of relevant aspects of the system itself, however an extension of the deadline will be required whilst this is facilitated.</p>

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	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	31/12/2019	31/03/2021	<p>Caravans site licenses 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.</p> <p>Risk Mitigation: There are currently 55 caravan sites across the district. 36 sites have received inspections and a programme approach is being undertaken to ensure the remaining 19 sites are inspected. Once a site is inspected a record is created within the Assure system and this also sets a reminder for when the site will next be due an inspection. The responsible Team Leader & Manager have oversight of the system to ensure</p>

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
							that tasks do not become continually delayed.
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	22/09/2021	<p>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 several months due to uncertainty in the housing market as a result of the pandemic, and a change to the directors on Welland Homes Board. Additionally, a recruitment process was prioritised following the decision of Council in September 2020 to add two additional Housing Development Project Manager posts to the establishment. The team has been fully staffed since February 2021 and this will provide capacity to focus on the preparation of the Development Strategy.</p> <p>Risk Mitigation</p> <p>In advance of the preparation of a Development Strategy, a number of activities have been undertaken which will play a part in the strategy.</p> <ul style="list-style-type: none"> • A service level agreement has been entered into between SHDC and Welland Homes providing clarity around the services which will be provided by officers to the company and the associated fees. • A Welland Homes Dividend and Charitable Donations Policy has been prepared and adopted to ensure that the company meets one of its principal objectives to generate General Fund income for the Council. • A long term strategy for the Welland Homes stock is being devised and will inform a refreshed Business Plan. • A proposed HRA Development Framework has been drafted and will be presented to Policy Development Panel for their consideration in due course. This will propose a refined governance process for certain projects which utilise the approved HRA Capital Programme Development budget. <p>It is proposed that a draft Development Strategy will be presented to Policy Development Panel</p>

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
							on 22 nd June and following feedback a proposed Development strategy will be presented to Cabinet and Council in September 2021.
SH2009 Markets	Environmental Services Manger	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)	Important	Outstanding	30/09/2020	30/09/2021	It is requested that this recommendation regarding procedures be extended to Q2. This is because, the strategic direction of the market is vital to getting appropriate procedures in place. Alongside this, we are working on an online book and pay system which is still being built and no charges are in place for traders currently. Therefore we are unable to put new procedures in place and request this extension whilst we assess the market future strategic direction alongside the TCIP.
SH2009 Markets	Environmental Services Manager	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 loss to the Council through irrecoverable debts.	Important	Outstanding	31/08/2020	30/09/2021	This recommendation has been taken forward as part of the book and pay system which is being built. This will require payment at the point of booking and the T&Cs will provide details of the exceptional circumstances where cancellation will be accepted and the credit process that will be available in these circumstances. I would suggest that the recommendation is extended in line with the other for end of Q2 whilst the build process is completed alongside decisions which are required from members about future charges.
SH2009 Corporate Governance	Executive Manager Governance	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	Important	Outstanding	01/06/2020	31/03/2021	There has been some progress with staff finalising and uploading their Information Asset Registers (IAR) to the shared portal, however seven Department's IARs have not been finalised/uploaded. There is a need for the Manager and the Data Champion for each department to understand that the responsibility

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
		and completeness.					for the risk of not capturing all of their processing accurately within these documents rests with them. The Data Champions will be contacted to remind them of the importance of keeping IARs up to date.
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	This will be progressed by South Holland District Council facilities team as they are responsible for the room mentioned within this finding. The card reader is operational, users are due to be set up.
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	30/07/2021	In light of the ongoing Covid restrictions, access to the site and the ability to make the necessary changes have been significantly impacted. It is requested that the completion date for this recommendation be revised to the end of the year.
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	This will be progressed by South Holland District Council as they are responsible for servicing the server room. A purchase order for the work has been raised. The team are now awaiting a date.
SH2020 Car Parks	Environmental Services Manager	The Council to undertake a formal review of its cash collection services in order to ensure compliance with Financial Procedure Rules in terms of demonstrating value for money and openness with competition. In doing so, to include any impact with cash holdings following the introduction in card payments.	Important	Outstanding	31/01/2021	30/09/2021	The review of this contract was delayed whilst we monitored for the impact of card payments and the potential for new paid for toilets in car park locations. We have recently added pay by app options to enable contactless payments during the pandemic. We agree that the contract needs to be reviewed given the impact that the pandemic has had on car park usage and cash payments in particular. Therefore we have engaged procurement to assist us with this. However we are requesting an extension to end of Q2 to enable a full review to take place with the help of the procurement team and using the data collected during the months of the pandemic to date, including lockdowns.
SH2020 Car Parks	Environmental Services Manager	Following the signing of the Deed of Variation (DoV) and Memorandums of Understanding (MoU) between LCC and SHDC for the commencement of enforcing off-street parking, the Council to monitor each arrangement prior to the due dates expiring in order to ensure correct procedure is followed for	Important	Outstanding	31/01/2021	Complete	The performance of the MOU's are monitored every month and LCC are working on the dates. Internal Audit have requested evidence ahead of sign off.

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
		continuation of the service, particularly taking in to account the two MoUs have differing expiry dates.					
SH2010 Procurement and Contract Management	Executive Manager Governance	Other than the annual running of the aggregated spend report, which is a detective control, a preventative control be introduced to proactively monitor aggregated spend in order to ensure adherence to Financial Procedure Rules, where formal tendering is required. This to include comparing data from the Council's finance systems and data in the Contracts Register on annual spend.	Important	Outstanding	01/02/2021	31/05/2021	<p>The Contracts and Procurement Officer stated that the team have discussed how this could be achieved, following the departure of the shared Contracts and Procurement Manager although it has not been possible due to the current workload. This would be one of the tasks for the new temporary interim senior Contracts & Procurement Manager role currently being recruited to although not expected to start until late March 2021 at the earliest.</p> <p>Risk Mitigation: As a now well established team that has been a department within the Council for a number of years now, we have worked with the majority of client departments at least once. Due to this, the majority of teams have a good understanding that aggregated spend (even if this is frequent, small value purchase orders) require to be tendered if they go over the necessary thresholds. This has been proven as the annual review of spend has brought up less "maverick" spend each year for the past few years. The Finance System has the capability already to pull through data and to review supplier spend that we do already use on occasion to review if a contractor is using their tendered prices etc. We also receive quarterly spend analysis from the Finance Team that we review and this analysis is much more up-to-date than the annual spend reports we receive as it is only looking 3 months behind. The team are meeting to discuss the Contracts Register on a fortnightly basis and in the interim, we can include within these discussions the scope to check any contracts that we deem necessary to ensure the spend is as per tendered rates etc.</p>