

# Eastern Internal Audit Services



## SOUTH HOLLAND DISTRICT COUNCIL

### Follow Up Report on Internal Audit Recommendations

Period Covered: 2 March 2021 to 31 March 2021

Responsible Officer: Faye Haywood, Internal Audit Manager

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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, 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.

Number raised	85	
Complete	84	99%
Outstanding	1	1%

3.5 In 2019/20 a total of 84 recommendations were agreed. Of these 70 have been completed, 12 are outstanding (one urgent, 8 important and three needs attention). A total of two are not yet due. Outstanding urgent and important recommendations can be seen at **Appendix 3** of the report.

Number raised	84	
Complete	70	84%
Outstanding	12	14%
Not yet due	2	2%

3.7 In 2020/21 a total of 20 recommendations have been agreed so far. Of these ten have been completed, two needs attention recommendations are outstanding and eight are not yet due.

Number raised	20	
Complete	10	50%
Outstanding	2	10%
Not yet due	8	40%

3.8 We are pleased to report that good progress continues to be made in addressing historical outstanding recommendations. The internal audit team will continue to work with management to verify and close recommendations. In addition, and at the request of the committee, Internal Audit continues to request management provide commentary within Appendix 2 to show how current risks are being mitigated if recommendations remain open where appropriate.

**APPENDIX 1 – SUMMARY POSITION ALL INTERNAL AUDIT RECOMMENDATIONS**

			Completed bt 02/03/21 and 31/03/21			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													
<b>2017/18 Internal Audit Reviews</b>															
SH1809	Asset Management	Limited				1					1				
<b>2018/19 Internal Audit Reviews</b>															
SH1915	Housing Needs	Reasonable		1	1						0				
PSPS	Housing Rents	Reasonable		1							0				
PSPS	Financial Services	Limited		3							0				
<b>2019/20 Internal audit Reviews</b>															
SH2002	Private Sector Housing	No assurance				1					1				
SH2003	Strategic Housing	Reasonable					1	1			2				
SH2008	Markets	Limited					2		1		3				
SH2009	Corporate Governance	Reasonable		1							0				
SH2010	Contracts and Procurement	Reasonable					1				1		1	1	
SH2015	Disaster Recovery	Reasonable		1				1			1				
SH2020	Car Parks	Limited		1			1	1			2				
PSPS	Accountancy Services	Reasonable							2		2				
<b>2020/21 Internal Audit Reviews</b>															
PSPS SH2105	Income	Reasonable		2	1					2	2				
PSPS SH2104	Accounts Receivable	Reasonable		2							0				2
SH2102	Corporate Governance	Substantial									0				2
PSPS	Housing Rents	Reasonable											1		
PSPS	Revenues and Benefits	Substantial									0		1		
SH2109	Remote Access	Reasonable									0		2		
<b>TOTALS</b>			<b>0</b>	<b>12</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>15</b>	<b>0</b>	<b>5</b>	<b>5</b>

## 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	30/09/2021	<p>Management update: I can confirm that we are now well under way with most tenants and have just moved the legal work over to Lincs Legal to ensure we can turn them around quickly. Several of these have proved difficult due to Covid and negotiations taking longer than expected.</p> <p>The original target date, end of March for completion of all new leases became unrealistic due to some tenants still unsure whether they were going to continue with renting the units. The Asset team identified that further resource was required so approached Lincs Legal to take over all our outstanding legal work. This includes the lease arrangements for all the industrial units. As of July, Lincs Legal are now fully instructed and coupled with tenant demand increasing again, we can start gaining significant momentum. I have therefore adjusted the target to allow for new momentum, reinstructions and revised leases to be implemented over the Summer.</p>

### APPENDIX 3 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	30/07/2021	<p>There are currently 55 caravan sites across the district. 50 sites have received inspections and a programme approach is being undertaken to ensure the remaining 5 sites are inspected. All outstanding inspections will be complete by the 30/07/2021.</p> <p><b>Risk Mitigation:</b> 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 &amp; Manager have oversight of the system to ensure that tasks do not become continually delayed.</p>
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	31/03/2022	<p>Capacity to deliver this project was impacted by the response to the pandemic with relevant officers redeployed and a focus in other areas. An extension up to 31/03/2022 has been requested, with several steps being taken to resolve the recommendation.</p> <p><b>Risk Mitigation</b> A number of key work streams have completed or are well underway. Consultation with relevant Portfolio Holders is ongoing to ensure they are engaged in the process. Decisions on funding new schemes, ahead of adoption of the Development Strategy, are being taken by Council and accordingly there is no risk to the authority from the delay to the adoption of the strategy. The next steps which are currently taking priority include:</p> <ul style="list-style-type: none"> <li>• Preparation of a Housing Development Framework for the HRA. This framework will agree the parameters for the spend of the approved capital programme for the HRA and will identify the types of delivery which should be pursued and the appropriate governance route.</li> <li>• A review of the SHDC property specification to ensure new homes are suitable as long-term assets.</li> <li>• A review of the shared ownership</li> </ul>

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							<p>sales process to improve the customer journey.</p> <ul style="list-style-type: none"> <li>A longer term strategy for investment in Welland Homes. This will include agreeing the strategy for reinvestment in existing stock (major component replacements); disposals strategy; and consideration of whether to provide further investment to extend the current Welland Homes Business Plan beyond 60 homes.</li> </ul> <p>It is proposed that a draft Development Strategy will be presented to Cabinet and Council in September 2021.</p>
SH2008 Markets	Environmental Services Manager	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.
SH2008 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	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.

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		being required and or financial loss to the Council through irrecoverable debts.					
SH2015 Disaster Recovery	Mark Starkey	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	Complete	31/12/2020	30/07/2021	The cleaner's store room has now been relocated. The water supply is in the process of being moved to a more suitable location and limited staff members have access to the locked room.
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.
SH2008 Markets	Environmental Services Manager	Recommendation 1 – The Council to undertake a strategic review of its approach to markets taking in to account demand for stalls/pitches, alternative locations to attract more footfall, costs to the Council for running the service and levels of income. The review to also take in to account the current charging arrangements for market stalls/pitch rental to determine whether there is scope to increase revenue whilst at the same time, not to deter take up. Once complete, the Council to actively encourage take up of market stalls, both permanent and casual, through improved marketing, to encourage usage and improved footfall and generate additional revenue.	Important	Outstanding	31/03/2021	30/09/2021	An extension for this recommendation has been requested up to 30/09/2021. The year since the audit took place has seen may changes to the markets including new strategic directions of online applications and book and pay systems which are in build phases. There has also been a change to the offer at markets, with stalls no longer erected for holders in Spalding, a new location for Long Sutton, periods of closure and free rent for the duration of the pandemic. The impact of the pandemic is yet to be fully understood and therefore making lasting strategic decisions wouldn't seem appropriate at this time. Changes continue to be made to ensure the markets are thriving where they can in this time of uncertainty and ever changing regulations. One such piece of work is the current review of the handbook and a new welcome pack.
PFINACT124a	Head of Financial	1.Treasury procedures should be	Important	Outstanding	31/03/2021	31/08/2021	Extension requested to enable a thorough

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Accountancy Services	Services PSPS	reviewed to ensure they remain reflective of current practice. More widely, resilience should be considered around the Treasury function in the event of the event of any long-term absence.					review of policies to ensure they are reflective of the current system and processes (currently working through year end closedown for 2 clients). They are also commencing reconciliations for the first time in U4, therefore need time for processes to embed.
PFINACT124b	Head of Financial Services PSPS	1 General Ledger policies and procedures should be updated/documented with the implementation of the new Finance system.	Important	Outstanding	31/03/2021	31/08/2021	Please see above.
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	<b>31/05/2021</b>	Following the appointment of an Interim Contracts & Procurement Manager, the Contract Procedure Rules were reviewed and are now going through review approval processes at both Councils. One of these changes was to ensure that Contract Managers must notify the Contracts & Procurement Team if the contract is likely to exceed £75,000 (tender threshold), when originally it was awarded under that value. Also, the Contracts Register is now regularly reviewed and a Contracts Scheduler forward plan has been created so we can proactively discuss contracts with the relevant departments in a timely manner to ensure the contracted spend is still accurate and discuss future procurement requirements for the contract. We haven't been given access to the SHDC Finance System yet so that we can view invoices in 'real-time' but this is something we are looking to do. We have been aware that there have been some teething issues with the system so we shall request this access in the next couple of months. Following all of the above, we consider this recommendation closed."

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