

# Eastern Internal Audit Services



## SOUTH HOLLAND DISTRICT COUNCIL

### Follow Up Report on Internal Audit Recommendations

Period Covered: 31 March 2021 to 1 November 2021

Responsible Officer: Faye Haywood, Head of Internal Audit

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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%

3.4 In 2019/20 a total of 84 recommendations were agreed. Of these 76 have been completed, eight are outstanding (four important and four needs attention). Outstanding important recommendations can be seen at **Appendix 3** of the report.

Number raised	84	
Complete	76	90%
Outstanding	8	10%

3.5 In 2020/21 a total of 28 recommendations were raised in total. Of these ten have been completed, three important and six needs attention recommendations are outstanding and two are not yet due. Details of outstanding important recommendations can be found at **Appendix 4** of this report.

Number raised	28	
Complete	17	61%
Outstanding	9	32%
Not yet due	2	7%

3.6 We are pleased to report that in 2021/22 two needs attention recommendations have been raised and already completed.

3.7 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.

## APPENDIX 1 – SUMMARY POSITION ALL INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 31/03/21 to 01/11/2021			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>2019/20 Internal audit Reviews</b>															
SH2002	Private Sector Housing	No assurance	1					1				1			
SH2003	Strategic Housing	Reasonable					1	1				2			
SH2008	Markets	Limited		3								0			
SH2010	Contracts and Procurement	Reasonable		1						1	1	2			
SH2015	Disaster Recovery	Reasonable										0			
SH2020	Car Parks	Limited					1	1				2			
PSPS	Accountancy Services	Reasonable		1						1		1			
<b>2020/21 Internal Audit Reviews</b>															
PSPS SH2105	Income	Reasonable								2		2			
PSPS SH2104	Accounts Receivable	Reasonable		2								0			2
SH2102	Corporate Governance	Substantial			1					1		0			
SH2108	Asset Management	Reasonable								3	3				
PSPS	Housing Rents	Reasonable		1											
PSPS	Revenues and Benefits	Substantial		1								0			
<b>2021/22 Internal Audit Reviews</b>															
SH2203	Covid-19 Business Grants	Substantial			2							0			
<b>TOTALS</b>			<b>1</b>	<b>9</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>5</b>	<b>7</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>2</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	31 <sup>st</sup> December 2021	<p>Management update: I can confirm that we are now well under way where leases are to be renewed with most tenants engaging proactively in the renewal process.</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 with uncertainty around the pandemic impacts. This uncertainty continued through the summer of 2021 meaning the timetable to secure all renewals has had to flex. The Asset team also identified through the summer that further legal resource was required so approached Lincs Legal to take over all our outstanding legal work. This includes the outstanding renewals and any new leases for all the industrial units. From July 2021, Lincs Legal have been fully instructed and working through a programme of lease renewals. Where a small numbers of tenants haven't engaged or have been in breach, steps are being taken to secure possession where necessary for those units ready for reletting. The last unit to be vacant has recently been relet meaning there is currently 100% occupancy of the Councils 50 industrial units.</p>

## APPENDIX 3 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2019/20

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
SH2003 Strategic Housing	Head of Delivery - Caroline Hannon Place based	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></p> <p>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>• 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 sales process to improve the customer journey.</li> <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>The HRA Delivery Framework was presented to Policy Development Panel on 21<sup>st</sup> September and an updated version will be presented at Cabinet on 26<sup>th</sup> October and Council on 24<sup>th</sup> November.</p>

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
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		The toilets upgrade has been passed to assets and new portfolio holders are driving the direction, which means that the decision on payments for these has not yet been concluded. However, we have introduced card payments and pay by app options at our machines which has reduced our cash income and provided users with a wider variety of payment options.
PFINACT124a Accountancy Services	Head of Financial Services PSPS	1.Treasury procedures should be 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.	Important	Outstanding	31/03/2021	30/12/2021	Extension requested to enable a thorough review of policies to ensure they are reflective of the current system and processes. We are currently picking up various mid-term reports alongside Q2 monitoring whilst trying to understand the current processes and suggesting improvements/changes across all 3 clients.
SH2010 Procurement and Contract Management	Assistance Director Finance	Financial Procedure Rules be updated to include processes to be adopted for individual non contractual suppliers where aggregated spend in year is likely to and or exceeds the tender threshold.	Important	Outstanding	31/05/2021	31/03/2022	Updates drafted by Breckland Procurement Team, these are currently being reviewed by the Assistant Director Finance, prior to be formally recommended to council for inclusion in Contract Standing Orders

## APPENDIX 4 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS 2020/21

Audit Area	Responsible Officer	Recommendations	Priority	Status Description	Original Date	Revised Date	Latest Note
SH2108 Asset Management	Strategic and Operational Property Manager	The Asset Management Strategy (AMS), Corporate Land and Property Policy, and the Land Sales Procedure be updated and merged as one document and be made available to relevant staff members.	Medium	Outstanding	29/10/2021	31 <sup>st</sup> March 2022	A revised date to have the new Asset Management Strategy adopted is 31 <sup>st</sup> March 2022 to coincide with the start of the new financial year. The AMS whilst place based will now need to reflect the new 3 Council management arrangements from 1 <sup>st</sup> October 2021. It will also need to reflect the ongoing asset impacts that the pandemic is having on use and utilisation of operational buildings some of which have only recently been reopened.
SH2108 Asset Management	Strategic and Operational Property Manager	<b>Recommendation 2.</b> The overdue actions from the November 2020 Workplace Health and Safety Inspection Checklist for South Holland Centre be completed. All future deadlines to be complied with.	Medium	Outstanding	31/08/2021	30 November 2021	The urgent work has taken place in regards to the emergency lighting. The new step lighting in the Cinema is due to be installed in November. The significant leaks and water ingress has been repaired and most storage issues have now been addressed. A final walk around at the end of the month with the new manager will highlight any minor issues still to be addressed
SH2108 Asset Management	Strategic and Operational Manager	<b>Recommendation 3.</b> A planned maintenance programme be developed and complied with, for the Council's operational assets and this be subject to regular review.	Medium	Outstanding	31/08/2021	30 <sup>th</sup> March 2022	The plan cannot be adopted until the buildings are back in a compliant condition. Most major areas have now been addressed with significant sums being spent on the assets. Once the next round of capital bids are signed off we will be in a position to undertake full surveys and at least be able to put a strategy in place that we can work to on an annual basis