

Report to: **Audit Committee**

Date: **March 12<sup>th</sup> 2019**

Title: **Update on Progress on the 2018-19  
Internal Audit Plan**

Portfolio Area: **Support Services – Cllr C Edmonds**

Wards Affected: **All**

Relevant Scrutiny Committee: Overview and Scrutiny Committee

Urgent Decision: **N** Approval and clearance obtained: **Y**

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**Recommendations:**

**It is recommended that the progress made against the 2018/19 internal audit plan, and any key issues arising are approved.**

**1. Executive summary**

The purpose of this report is to inform Members of the principal activities and findings of the Council's Internal Audit team for 2018/19 to 28 February 2019, by:

- Showing the progress made by Internal Audit against the 2018/19 annual internal audit plan, as approved by this Committee in March 2018; and
- Highlighting any revisions to the 2018/19 internal audit plan;

## **2. Background**

The Audit Committee, under its Terms of Reference contained in West Devon Borough Council's Constitution, is required to consider the Chief Internal Auditor's audit reports, to monitor and review the internal audit programme and findings, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 require that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2018/19 was presented to and approved by the Audit Committee in March 2018. A Progress Report for the period from 1 April to 31 December 2018 was presented to the last Audit Committee in January and this latest Progress report covers the period up until 28 February 2019. Progress has been in line with expectations. There has been slight impact due to sickness absence totalling 15 days (apportioned WDBC 4 days, SHDC 11 days) in the year to date.

The 2018/19 audit plan currently includes two audits that utilise additional Devon Audit Partnership resources. These are:

- a. Business Continuity within the Supply Chain – this audit has been completed, our audit conclusions and management responses can be found in Appendix B.
- b. Cyber Security – this audit is currently in progress.

These audits are to be funded from officer time spent on and claimed against LAG and LEAF administration in this financial year.

## **3. Outcomes/outputs**

In carrying out systems and other reviews, Internal Audit assess whether key, and other controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.

All final audit reports include an action plan which identifies responsible officers, and target dates to any address control issues or recommendations for efficiencies identified during each review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.

Overall, and based on work performed to date during 2018/19, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

The 2018/19 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the position for each audit as at 28 February 2019.

The reporting of individual high and medium priority recommendations is set out at **Appendix B**. This is an ongoing part of the report to advise the Audit Committee, in detail, of significant findings since the last report and confirm that the agreed action has been implemented or what progress has been made.

**Appendix C** provides a summary of work where the planned work is complete but no audit report produced.

**Non Compliance with Contract or Financial Procedure Rules** - there are no significant issues to bring to the attention of the Committee so far this year. 3 applications for exemptions to Contract / Financial Procedure Rules have been received in the year to date, all were accepted.

### **Irregularities**

There are no irregularities to report.

### **4. Options available and consideration of risk**

No alternative operation has been considered as the failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations, 2003, 2006, 2011 and 2015.

### **5. Proposed Way Forward**

We continue to be flexible in our approach and with the timetabling of audits to ensure that resources are assigned to specific areas of the plan to enable our work to be delivered at the most effective time for the organisation.

### **6. Implications**

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal

		auditing standards.  The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.
Financial	Y	There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.
Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

### **Supporting Information**

#### **Appendices:**

Appendix A – Status Reports;

Appendix B – Planned Audit 2018/19 – Final Reports; and

Appendix C – Planned Audit 2018/19 – Work Complete (No Audit Report).

#### **Background Papers:**

Annual Internal Audit Plan 2018/19 as approved by the Audit Committee on 20 March 2018.















## Planned Audit 2018/19 – Final Reports

As at 28<sup>th</sup> February, 21 final reports have been issued in respect of 2018/19 work. 16 of these, together with one report finalised in the current year in respect of the 2017/18 audit plan, were reported to the Audit Committee in either October 2018 or January 2019. Final reports issued since 31<sup>st</sup> December 2018 are included below.

Subject	Audit Findings	Management Response
Council Tax	<p><b>Audit Opinion - Improvements Required</b></p> <p><b>Conclusions</b></p> <p>We acknowledge that improvements have continued to be made over the last year, but there remain some key areas where controls can still be strengthened, principally around recovery and enforcement and confirming continued eligibility to discounts and exemptions. However, we have identified very few areas where it has been necessary to raise additional recommendations.</p> <p>Revenues staff are in the process of phasing in the use of the Northgate recovery module, which will allow automation of an increased number of recovery and enforcement activities, thus releasing staff resource for those areas which must still be completed manually. Implementation is being phased in over a period of time, with the need to thoroughly test technological solutions before these go live, whilst also continuing to deliver day to day work.</p> <p>Once fully operational, the recovery module will address some of the recommendations which remain outstanding. We have therefore repeated those which are not yet complete, or otherwise resolved, as a reminder. The most significant issues relate to recovery and enforcement, including:</p> <ol style="list-style-type: none"> <li>1. No programme of reviews for all discounts and exemptions to confirm continued eligibility, the most significant being Single Persons Discount;</li> <li>2. There is no process to investigate and refund credits where either a credit bill hasn't been raised or those which are historical;</li> <li>3. Software within the Northgate recovery module (SPA Manager), to automatically progress enforcement against accounts with broken</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. It is acknowledged that reviews of Discounts and Exemptions would generate additional income for the Councils.  Consideration will be given to which will be of most benefit to prioritise for review, given limited staff resource, Also, the best means of carrying out the reviews and a timetable of delivery.  DCC have provided funding to review the most significant, the Single Person Discount (SPD). A project proposal is to be taken to the SHWD Project Board, to use the funding for additional staff resource which will focus on reviewing SPDs and other Discounts and Exemptions as time allows. The intention is that income will be generated by identifying accounts in receipt of Discounts or Exemptions to which they are not entitled.  Localities could be provided with lists of properties receiving Empty Exemptions assist with the review of these.</li> <li>2. The Northgate software could offer a cost-effective solution to dealing with many credits on revenues accounts without manual intervention. This is being considered as part of wider work to upgrade the</li> </ol>

## Appendix B

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	<p>arrangements to pay, is currently being tested. This will also highlight those accounts which still require manual intervention to continue enforcement;</p> <ol style="list-style-type: none"> <li>4. Software within the Northgate recovery module, which will provide an interface between the Councils and the appointed enforcement agents, needs to be installed to generate efficient transmission of data between the two parties;</li> <li>5. There has been no contract between the Councils and the current enforcement agency, since the previous Service Level Agreement expired. However, we understand that a tender is to be carried out to appoint a contract for future enforcement agency services;</li> <li>6. Debts returned by the enforcement agents as unenforceable, are often left on the account with limited resource to address them. There is currently no policy or resource to determine how these should be routinely dealt with; and</li> <li>7. There is no policy or associated procedures to determine when a debt should be written off, to avoid investing limited staff resource in attempting to recover debts where it may be no longer cost-effective to do so.</li> </ol>	<p>Northgate revenues and benefits software in the coming year. However, it is likely that although any upgrade should allow credits to be dealt with where the customer still has an existing account, it would not be possible to automatically refund those where there is no further liability.</p> <p>The review of historic credits is considered to be a low priority compared to other work, including installing new/upgraded software.</p> <ol style="list-style-type: none"> <li>3. Agreed. The Northgate SPA Manager is now fully operational and was used in October and November 2018 to issue broken arrangement letters to all relevant accounts. Letters are now being automatically issued on a timely basis. The SPA Manager automatically moves accounts on to an Attachment of Earnings/Benefits where the information is held to allow this.</li> <li>4. Agreed. The portal is to be set up before the tender to appointment enforcement agents is carried out, as the portal will allow more effective communications between the Councils and the agents, as well as automating the progression of debts being sent to the agents or returned by them as unenforceable.</li> <li>5. The Specialist – Council Tax has commenced preparation of a tender to appoint enforcement agents. The work has been delayed due to the need to set up the bailiff interface on the Northgate revenues software.</li> <li>6. Agreed. The Specialist – Council Tax is drafting an enforcement agent policy, to include recommendations about when a debt should be</li> </ol>

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		<p>written off. Also, the new tender being prepared (see 5 above) will allow for the appointment of at least two enforcement agents, it being the intention that if one agent fails to recover a debt, it will be automatically sent to another agent. The introduction of the Northgate bailiff interface (see 4 above) will also help automate management of debts reaching this stage of recovery.</p> <p>7. Agreed. The Specialist – Council Tax has been asked to prepare a write off policy and associated procedures and the work is in progress. Before finalising the document(s), it is logical to first complete some of the other actions described above as these may impact on the final policy.</p>
Business Rates	<p><b>Audit Opinion - Improvements Required</b></p> <p><b>Conclusions</b></p> <p>The findings following the review of the business rates system is similar to that of Council Tax above. Both taxes are administered by the same officers and assurance can be given that the Business Rate bills are calculatedly correctly.</p>	See Council Tax above
Business Continuity within the Supply Chain	<p><b>Audit Opinion - Improvements Required</b></p> <p><b>Conclusions</b></p> <p>The audit review found a number of areas where improvements should be made. The issues raised included:</p> <p>1. There is no strategy/policy currently in place which outlines how the Council addresses Business Continuity within its key supply chains. There are also no standard processes as to when suppliers should submit a Business Continuity</p>	<p>1. The Council has recently ensured that key officers have undertaken Business Continuity training in order to develop our services Business Continuity plans. This will include its key supply chains. Plans are currently being implemented to develop these plans.</p> <p>Following the BCP training and Strategy adoption, guidance will be provided to officers on how they should review any BCPs submitted by suppliers.</p>

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	<p>Plan (BCP) and there are no guidelines as to when a BCP should be reviewed. It is understood that it depends on the stakeholder involved as to whether BCP is discussed;</p> <ol style="list-style-type: none"> <li>2. A contract register is held and is quite comprehensive, however it does not contain details relating to the current leisure contract nor does it cover all of the requirements listed within the Contract Procedure Rules 2017 documents.</li> <li>3. The Councils do not identify the risk factors of the contracts awarded for critical service/supply areas where continuity of service is key and this may leave the Councils at unnecessary risk.</li> <li>4. The Council's standard Terms &amp; Conditions in respect of low and high value procurement for services do not contain any references to BCP requirements.</li> </ol>	<p>BCP is a key aspect of the Contract Toolkit and the Procurement Lead has now added guidance on this to the Procurement Manual.</p> <ol style="list-style-type: none"> <li>2. We are currently reviewing our Contract Register and developing an in-house system to ensure all required information is captured. This should be in place for March 2019.</li> </ol> <p>As procurements are undertaken, the Corporate Procurement Lead updates the contract register. Once the in-house system has been implemented, we will undertake an analysis of any gaps and ensure that all contracts are recorded centrally.</p> <ol style="list-style-type: none"> <li>3. The Corporate Procurement Lead is aiming to implement this with a Supplier Risk matrix in place by April 2019.</li> <li>4. The Corporate Procurement Lead has updated the Terms &amp; Conditions for contracts &gt;£50k. We consider this to be excessive for contracts under this value (although will consider on a case by case basis).</li> </ol>
Comments and Complaints	<p><b>Audit Opinion - Improvements Required</b></p> <p><b>Conclusions</b></p> <p>A number of adjustments have been made to the complaints process since our previous audit in 2015/16 and training has been provided to most customer-facing officers. However, there remain several areas where further improvements could be made, to improve the efficiency of handling complaints, as well as enabling the Councils to learn more effectively from those complaints received, The areas highlighted include:</p> <ol style="list-style-type: none"> <li>1. Provision of sufficient staff resource to review and co-ordinate</li> </ol>	<ol style="list-style-type: none"> <li>1. The review of the complaints process has been completed and amendments implemented, including the use of the W2 system. This is subject to delivery of a package of training being planned that will cover complaints and other corporate issues such as Data Protection and Freedom of Information.</li> </ol> <p>The Head of Legal Practice has reviewed the Complaints Policy and is satisfied that it is fit for purpose.</p> <ol style="list-style-type: none"> <li>2. Revised W2 processes will resolve issues</li> </ol>

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	<p>improvements to the complaints and compliments process;</p> <ol style="list-style-type: none"> <li>2. Ensuring all staff involved in administering complaints have received adequate training and are provided with adequate guidance. This includes the use of the W2 system which is used to record and administer the majority of complaints. Areas of concern include the attaching of evidence, updating the case status and the presence of duplicate accounts in W2;</li> <li>3. Ensuring that 'lessons learned' from complaints are recorded, and revised processes identified and implemented where appropriate; and</li> </ol>	<p>highlighted in the audit report and will be covered as part of the corporate training package mentioned above.</p> <p>Merging duplicate accounts and maintaining a single account per contact would be of great benefit. It is not possible to do this work in house and a solution was put forward by Civica as part of a wider package of work which is under consideration as part of a technology review.</p> <ol style="list-style-type: none"> <li>3. Agreed. The revised W2 process for Stage 1 complaints means that a case cannot be closed until the Lessons Learned field has been completed.</li> </ol> <p>The Lessons Learned will be used to review and revise procedures where appropriate, with checks to confirm that these are implemented and working. However, this work has not yet formally commenced.</p> <p>There is limited resource to update lessons learned on the websites and it is felt to be of limited value. It is intended to include a summary of such matters in the annual report to Members which considers the Ombudsman's Letter, which will be available to the public through the published committee meeting agendas.</p> <p>The Complaints Policy will be amended to reflect this.</p>

## **Definitions of Audit Assurance Opinion Levels**

### **High Standard**

The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.

### **Good Standard**

The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.

### **Improvements Required**

In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.

### **Fundamental Weaknesses Identified**

The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.



**Planned Audit 2018/19 – Work Complete (No Audit Report)**

<b>Subject</b>	<b>Comments</b>
<p><b>Waste Collection and Front Line Services Procurement</b></p>	<p>Internal Audit have provided support and challenge to the project team established to oversee the selection of a suitable contractor to undertake waste collection, street cleansing and the cleaning of public conveniences.</p> <p>Audit have attended regular Project Team meetings, was present at the receipt and opening of Detailed Solutions &amp; Final Tenders from bidders as well as the subsequent moderation of evaluators scores. In addition, Audit has taken part in “dialogue sessions” with bidders which form part of the “Competitive Dialogue” procurement process. Audit will continue its role during the mobilisation phase until the start of the contract in April 2019.</p>
<p><b>System of Internal Control (SIC), and Annual Governance Statement (AGS)</b></p>	<p>Included within the Internal Audit Annual Report presented to the June Audit Committee was the internal audit opinion providing assurance that the Council's systems contain a satisfactory level of internal control.</p> <p>In addition, there is a requirement for the Council to prepare an AGS statement. Internal Audit provided support and challenge, as appropriate, to the Senior Leadership Team as they drafted the statement in respect of the 2017/18 financial year. The S151 Officer presented the 2017/18 AGS to the Audit Committee on 19 June 2018.</p>
<p><b>Exemptions to Financial Procedure Rules</b></p>	<p>3 applications for Contract / Financial Procedure Rules have been received in the year to date, all were accepted.</p>