

Report to: **Audit Committee**
Date: **25 June 2019**
Title: **Internal Audit Annual Report 2018/19**
Portfolio Area: **Support Services – Cllr C Edmonds**
Wards Affected: **All**

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

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Recommendations:

It is recommended that:

- 1. The Audit Committee note that overall and based on work performed during 2018/19, and that of our experience from previous year's audit, the Head of Internal Audit's Opinion is of "Substantial Assurance" on the adequacy and effectiveness of the Authority's internal control framework.**
- 2. Members note the satisfactory performance and achievements of the Internal Audit Team during 2018/19.**

1. Executive summary

This report summarises the work undertaken by the Council's Internal Audit team during 2018/19, reviews the performance of the Internal Audit service and provides an audit opinion on the adequacy of internal control. The report is particularly relevant to the preparation of the Authority's Annual Governance Statement which is required under the Accounts and Audit (England) Regulations 2015.

This report is to inform members of the principal activities and findings of the Council's Internal Audit team for 2018/19 to 31st March 2019, by:

- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by Internal Audit against the 2018/19 annual internal audit plan, as approved by this Committee in March 2018, and
- Providing an opinion on the adequacy of the Council's control environment.

2. Background

The Audit Committee, under its Terms of Reference contained in West Devon Borough Council's Constitution, is required to consider the Head of Internal Audit's annual report, 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. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2018/19, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

3. Outcomes/outputs

The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to present an annual report providing an opinion that can be used by the organisation to inform its governance statement.

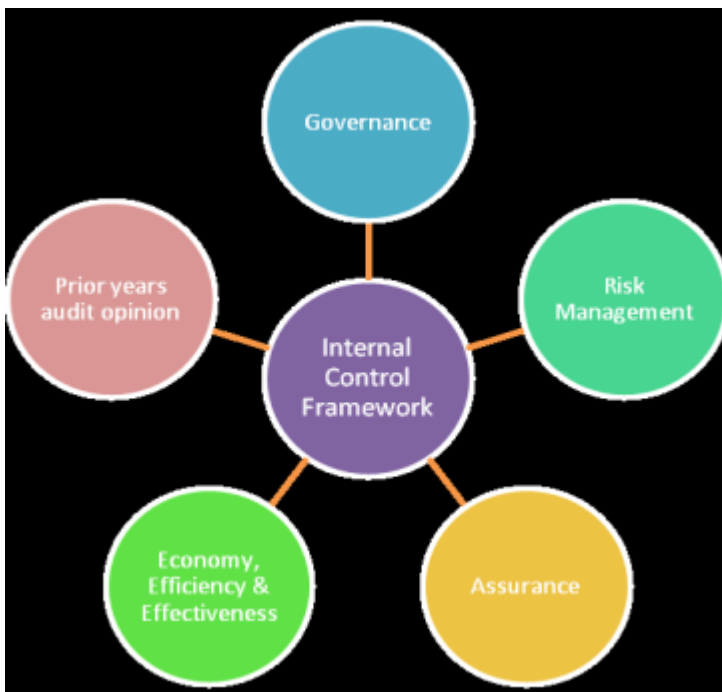
In carrying out our work, Internal Audit assess whether key, and other, controls are operating effectively within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report. Final audit reports, will if applicable, include an agreed action plan with responsible officers and target dates to address any control issues or recommendations for efficiencies identified.

Details of Internal Audit’s opinion on each audit review carried out in 2018/19 have been provided to relevant members of the Senior Leadership Team to assist them with compilation of their individual annual governance assurance statements.

Overall and based on work performed during 2018/19, and that of our experience from previous year’s audit, the Head of Internal Audit’s Opinion is of “Substantial Assurance” on the adequacy and effectiveness of the Authority’s internal control framework.

This assurance statement is in line with the definitions below and will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement

The above statement of opinion is underpinned by our consideration of:



Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.
Substantial Assurance	Risk management and the system of internal control are generally sound and designed to meet the organisation’s objectives. However, some weaknesses in design and/ or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.
Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and/ or inconsistent application of controls, put the achievement of the organisation’s objectives at risk in a number of areas reviewed.
No Assurance	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result/ has resulted in failure to achieve the organisation’s objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

Key Findings 2018/19

As stated above we are, overall, able to provide substantial assurance on the internal control framework. During the year a number of audit assignments have been completed for which an audit opinion of “fundamental weaknesses” or “improvements required” has been provided (please refer to appendix B for definitions of “fundamental weaknesses” and “improvements required”).

We set out below some of the key issues of concern identified. It should be noted that agreed management actions plans are in place to address the weaknesses, and we consider that if such actions are completed promptly then the control issue will be addressed. Many of the findings have previously been reported at audit committee meetings during the 2018/19 year.

Fundamental Weaknesses

Business Continuity – See Appendix B

A further Follow-Up exercise by Internal Audit during 2018/19 confirms that some improvements have been made since our last review, with on-going work timetabled throughout the coming months. In February 2019, a Business Continuity Management Strategy and Work Programme were approved which appear to provide assurance that the majority of key controls will be in place over business continuity arrangements in the future.

<http://mg.swdevon.gov.uk/documents/s20408/Business%20Continuity%20Management%20Strategy%20and%20Work%20Programme.pdf>

However, a significant amount of work has yet to be completed, primarily concerned with the development of operational Business Continuity Plans, the identification of critical functions, continued training and the testing of plans.

Given this area remains as “Fundamental Weaknesses” another follow-up review will be undertaken by Internal Audit during 2019/20 and the results reported back to management and the Audit Committee.

Improvements Required

Planning Applications (previously reported)

Our audit review acknowledges that a number of improvements had already been made to work processes over the previous 12 months and that additional staff had been recruited. However, some improvements remained as work in progress and there are further opportunities which should be considered.

At the time of the audit report, it is too early to state with confidence that the new processes and additional staff resource will be adequate to allow the planning function to operate in a timely and effective manner, as many of the changes had only been made in recent months or had yet to be completed.

Internal Audit are currently completing a follow up review as part of the 2019/20 Audit Plan and the results of our review will be included in our 2019/20 Audit Plan Progress Report that will be presented to members at the next meeting of the Audit Committee.

Section 106 Agreements (previously reported)

Continued work by the Senior Case Manager, Support Services (S106), and related services has delivered additional improvements since our review in 2017/18, with further work underway or planned. The overall direction of travel is considered to be positive. Improvements included:

- Ongoing reconciliation of funds between spreadsheets and General Ledger,
- Direct liaison with other services, such as Land Charges,
- Updating the S106 Register Smartsheet and setting automated reminders from the Register for key target dates,
- Legal Services sending notification of Agreements, with a summary of obligations, to all relevant services,
- Direct communication with developers to obtain updates on progress of building completions,
- Arranging for developers to pay funds direct to Devon County Council and other related third parties,
- Prompt raising of invoices and coding of funds received, and
- Calculation and recovery of monitoring fees.

At the request of Members, a further follow-up review will take place during 2019/20.

Business Continuity in the Supply Chain (previously reported)

The audit review set out to provide assurance that key suppliers have appropriate Business Continuity Plans (BCP's) in place to deal with disruption to their operations which in turn minimise disruption to the Council.

The review found that 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 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.

In addition, the review found that the Council does 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 Council at unnecessary risk.

Given the audit opinion, time has been allocated in this year's audit plan to carry out a follow-up review.

Health and Safety (previously reported)

Our follow up review, carried out June 2018, found work, largely co-ordinated by the Environmental Health COP Lead, had continued to progress delivery of the Health and Safety action plan, originally drawn up in 2016/17. This had delivered additional improvements since our previous review, particularly in those areas for which the COP Lead has taken direct responsibility, with further work planned. The overall direction of travel was considered to be positive.

Examples of such work include raising health and safety awareness for non-manual staff, clarifying headquarters first aid arrangements, providing lone working training, delivering health and safety training for the Senior Leadership Team (SLT), the Extended Leadership Team (ELT), other team leaders and supervisors and increasing awareness of the need to report accidents and incidents.

Positive work had also commenced to ensure that training needs were identified and delivered for non-manual staff and members, to develop a W2 process for reporting accidents and incidents and to create a single, central register of potentially violent persons. In addition, a Case Manager had been appointed for six months to assist in the administration of health and safety amongst other functions within Customer First.

However, it appeared that delivery of the action plan where the Environmental Health COP Lead does not have direct responsibility, may not be completed without additional support from senior managers and / or additional staff resource. For this reason we escalated the majority of our recommendations to the Senior Leadership Team.

The Commercial Services Group delivers those functions which have the highest health and safety risks, for example, waste collection, transport, grounds' maintenance, the Dartmouth Lower Ferry and Salcombe Harbour. It would appear that policies and procedures were not always being followed within all of these areas, particularly waste and transport, where concerns were exacerbated by two key staff vacancies. The Environmental Health COP Lead had drawn up a work plan of necessary actions and deliverables to ensure that appropriate procedures and practices were in place within waste and transport and were assisting officers within the Commercial Services Group.

Internal Audit are currently completing a further follow up review as part of the 2019/20 Audit Plan to measure how the recommended improvements are progressing and the results of our review will be included in our 2019/20 Audit Plan Progress Report that will be presented to members at the next meeting of the Audit Committee.

ICT – Change Management (previously reported)

Our revised audit opinion remains **Improvements Required** after our follow-up review last June. An understanding of change management has been considerably strengthened and a culture instilled within the ICT COP. Whilst there is a robust change control process in place for major or high impact changes, further work was needed to formalise procedures and ensure that comprehensive audit trails are in place for standard changes. For non-standard changes, procedures are in place to demand thorough scrutiny, mitigations are considered and roll back plans are put in place.

However, several recommendations from 2017/18 remained outstanding. These mainly related to the introduction of formal procedures for standard, repeatable changes, which by their nature are generally of a low risk and low impact. The implementation of these is largely reliant on the ICT Service Desk team, but we understand this has been delayed largely due to limited staff resource and other work pressures.

A further follow-up is included in the 2019/20 Audit Plan.

ICT Asset Control (previously reported)

Following the completion of our follow up work our audit opinion remains as **Improvements Required**. There has been some work to improve the recording and management of IT assets since the previous year, but a number of recommendations in our 2017/18 audit had not been implemented, or in some cases, were actioned, but revised procedures have not been wholly effective and require further consideration. Issues included the ICT Service Desk not being routinely informed when an officer was leaving the Councils, inaccuracies in the IT hardware asset register and the register not recording data to contribute to the management of insurance cover for IT assets.

It is acknowledged that for part of the intervening period, there were resource issues within the Service Desk team, due to long term sickness.

Time has been allocated in the 2019/20 Audit Plan to carry out a follow-up review, to measure progress with the implementation of the recommendations made in our report.

Comments and Complaints (previously reported)

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, our review found several areas where further improvements could be made, to improve the efficiency of handling complaints, through training, resourcing and better use of the W2 system used to record and administer the majority of complaints. Improvements would also enable the Councils to learn more effectively from those complaints received.

In order to assess progress with the implementation of our agreed recommendations, a follow-up review will be scheduled to take place during 2019/20.

Council Tax – (previously reported)

Council Tax bills are accurate and the system is operating with generally satisfactory controls. 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.

Business Rates – (previously reported)

The billing and collection of Business Rates sits in the same service area as Council Tax and therefore face similar resource challenges. Areas that require improvement include the monitoring and review of account suppressions and broken arrangements. Assurance can be given that bills are raised and calculated correctly.

Creditors – see Appendix B

The Councils have appropriate and effective controls in place over the payment of Creditors however there is room for improvement in areas such as access rights to the creditors system, the timely raising of purchase orders and the use of purchasing cards.

Risk Management – See Appendix B

In March 2018 it was reported to the Audit Committees that the recommendations within the 2016/17 Risk Management Audit Report would be implemented during the period April to September 2018. However, only one of the recommendations has been significantly progressed, with a revised Risk and Opportunity Management Strategy taken to members for approval in December 2018. We understand that the implementation of the remaining recommendations has been limited by other work pressures.

It is acknowledged that the Lead Members and Senior Leadership Team remain risk focused and consider risks to objectives as part of day to day corporate and business management. A Strategic Risk Register continues to be maintained by the Senior Leadership Team and individual Risk Registers are developed for key Council projects, such as the recent Waste procurement, each of which are subject to routine monitoring and reporting. There are also several other examples of good practice.

However, there is still a need to improve visibility and understanding of risk management at all levels, as well as strengthening existing processes to formally capture risk and opportunity management activities.

In light of this, a further follow up review will be undertaken later in the 2019/20 audit year to re-assess progress with the implementation of audit recommendations.

Grounds Maintenance – See Appendix B

Our review found that overall the Grounds Maintenance service is operated at a Good Standard. However, there was one significant matter arising from the audit, this is highlighted below, and the recommendations made serve to strengthen what are in the main reliable procedures.

However, at the time of the audit we were required to rate the service for West Devon as Fundamental Weaknesses Identified as the Council had no formal inspection routine, recording process and maintenance programme for West Devon trees. This placed the Council at a higher risk and related non-compliance with legislative requirements or risk of insurance liabilities.

Since completion of the audit an inspection plan has been initiated and officers are now completing their review. Taking into consideration the early nature of this plan we have improved our rating for West Devon to Improvements Required and a Follow-Up review is due to take place during 2019/20 to gauge progress in the implementation of our recommendations and the effectiveness of new procedures.

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

The reporting of individual high 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.

Additional Work

In addition to the planned work as part of the 2018/19 Audit Plan, Internal Audit were asked by the Chief Executive of West Devon Borough Council, to undertake a review on the basis of what lessons could be learnt following the rejection by Members to approve the funding for a proposal to develop the Abbey Rise Car Park site in Tavistock.

The resulting report was presented to the Council's Hub and Overview & Scrutiny Committees and subsequently Full Council in March 2019. The report made a number of recommendations which it was agreed would form the basis of an Action Plan that will be taken to Full Council in July.

<https://mg.southhams.gov.uk/documents/s22045/Internal%20Audit%20Report%20Tavistock%20Hotel%20Proposal.pdf>

Non Compliance with Contract or Financial Procedure Rules

There are no significant issues to bring to the attention of the Committee for 2018/19. Five applications for exemptions to Contract / Financial Procedure Rules have been

received, all were accepted with the exception of one where it was deemed that an exemption was not required.

Fraud Prevention and Detection and the National Fraud Initiative

Counter fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Cabinet Office runs a national data matching exercise (National Fraud Initiative – NFI) every two years. The NFI exercise identifies potentially erroneous or fraudulent payments in areas such as housing benefits, awards of council tax single person's discounts and creditor payments. In October 2018, a number of data sets of information were provided to the Cabinet Office and a list of potential matches have now been received. It is recognised that some service areas have struggled to find the resource to complete the review of the data matches received. Management have been made aware of the situation.

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 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.

PROVISION OF INTERNAL AUDIT AND PERFORMANCE – 2018/19

There are no national performance indicators in place for internal audit; however the team monitor against local performance indicators as follows:-

Local performance indicator	2018/19	2018/19
	Target	Actual
Percentage of audit plan commenced	95%	96%
Percentage of audit plan completed	95%	91%
Actual audit days as a percentage of planned	95%	100%*
Customer satisfaction (percentage of customers stating that service is "good" or "excellent")	90%	100% **
Draft reports issued within target days	90%	91%
Average level of sickness	2%	3%***
Outturn within budget	Yes	Yes

* In addition to the planned work, 27 days have been spent on LEAF (Greater Dartmoor Local Enterprise Action Fund) and LAG (South Devon Coastal Action Group) grant work. An initial allocation of 20 days had been made in the 2018/19 Audit Plan.

** During the period we issue client survey forms with our final report and it is pleasing to note that auditees considered that the team continue to provide a good or excellent service.

***Sickness relating to officers within the combined internal audit team equates to 15 days in the period 1st April 2018 to 31st March 2019.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Accounts and Audit Regulations 1996 issued by the Secretary of State for the Environment require every local authority to maintain an adequate and effective internal audit.</p> <p>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.</p>
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.
Comprehensive Impact Assessment Implications		
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:

There are no separate appendices to this report.

Background Papers:

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

■ Status as reported in previous Progress Reports ✓ Change to Status since 28th February 2019

Appendix A

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
CUSTOMER FIRST										
Planning (Applications) – (Completion of 17/18 audit)	10	■	■	■	■			■		Summary presented to Audit Committee in October 2018
Housing - Homelessness	10	■	■	■	■		■			Summary presented to Audit Committee in January 2019
Section 106 agreements (follow up)	5	■	■	■	■			■		Summary presented to Audit Committee in October 2018
Environmental Services – Food Safety – Progress with Food Standards Agency Action Plan	5	■	■	■	■		■			Summary presented to Audit Committee in January 2019
Asset Management (deferred from 17/18)	5									
Customer First	35									
STRATEGY & COMMISSIONING										
Performance Management (KPI's & data quality) (deferred from 17/18)	15									Deferred to 2019/20 Audit Plan

■ Status as reported in previous Progress Reports ✓ Change to Status since 28th February 2019

Appendix A

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
SUPPORT SERVICES										
ICT Audit - Incident Management	25	■	■	■	■		■			Summary presented to Audit Committee in October 2018
ICT Audit – Change Management Follow-up		■	■	■	■			■		Summary presented to Audit Committee in October 2018
ICT Audit Asset Control		■	■	■	■			■		Summary presented to Audit Committee in January 2019
Corporate Information Management (GDPR compliance)	10	■	✓							
Cyber Security	6	■	✓							
Business Continuity Follow-Up (inc BCP exercises)	5	■	■	✓	✓		■ (1)		■ (2)	(1) – Emergency Planning (2) – Business Continuity Summary in Appendix B below
Comments and Complaints	10	■	■	■	■			■		Summary presented to Audit Committee in March 2019

Planned Audit 2018/19 – Final Reports

The following tables provide a summary of the audit opinion and main issues raised in the reports issued to managers. In all cases (unless stated) an action plan has been agreed to address these issues.

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 – Final Reports

Subject	Audit Findings	Management Response
<p>Main Accounting System</p>	<p>Audit Opinion - Good Standard</p> <p>Conclusions Our review of 2018/19 confirmed that, in general, the setting and subsequent control of budgets is well managed, with controls in place and operating. We have made several recommendations which would contribute to 'good housekeeping' or to the strengthening of existing controls, some of which we understand are being progressed at the time of writing. The most notable of these is in respect of system access rights and it was noted that steps had been taken to review access rights to the General Ledger and carry out quarterly checks going forward.</p> <p>We were able to confirm that many of the recommendations we made in 2017/18 have been implemented, although a small number do remain outstanding. The most significant of these are opportunities which would contribute to more efficient use of staff resource within the Finance COP, including:</p> <ol style="list-style-type: none"> 1. Introducing the planned self-serve for budget holders, through use of the e-budgeting module and the payroll budgeting module; and 2. Implementing use of the facility to make automated accruals (which does rely on correct use of commitment accounting). <p>The required level of controls is largely in place over the management and administration of the main accounting system and budgetary control.</p>	<ol style="list-style-type: none"> 1. This is on the Finance COP Work Plan as a high priority piece of work. The Senior Specialist - Accountant Business Partner is to oversee completion of the roll out by the Specialist - Accountant during the current financial year. 2. Agreed. It would be most appropriate to combine training in the use of commitments, to be delivered by the Support Services Case Management Manager with budget monitoring training to be delivered by the Finance COP.
<p>Creditors</p>	<p>Audit Opinion – Improvements Required</p> <p>Conclusions Despite an audit opinion of 'Improvements Required', we were able to confirm that, generally, controls are in place to manage the payment of creditors, with the majority of payments being made accurately and on a timely basis. Action has been taken, or is in progress, to address many of the recommendations we made last</p>	<ol style="list-style-type: none"> 1. Agreed in principle. Leavers can only be disabled, not deleted, otherwise any transactions they may have completed are removed. Subsequent to the issue of the audit report, the Support Services Case Manager was tasked with reviewing all users with access to the Civica Financials modules, with the aim of disabling any

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Subject	Audit Findings	Management Response
	<p>year, although several do remain outstanding. We have repeated these and other issues identified during our 2018/19 review, which would contribute to both the strengthening and the enforcing of controls over payments being made, the most significant of which are:</p> <ol style="list-style-type: none"> 1. The need to complete a review of access rights to the creditors system and associated limits for those officers able to authorise orders and payments; 2. The desirability of reviewing the use of purchase cards and whether more efficient methods of payment are available for some purchases; 3. Ensuring that receipts/invoices are submitted for all items paid for by purchase card, to allow VAT to be reclaimed; 4. Investigating the possibility of providing creditors with the option to securely register their personal and bank details on-line, to both provide an improved customer service and to gain efficiencies; 5. Reminding officers of the requirement to raise a purchase order at the time of commissioning goods or services, rather than once the invoice has been received; and 6. Ensuring that all relevant officers understand the procurement requirements within Contract Procedure Rules, when purchasing goods or services. 	<p>historic leavers on the system (current leavers are now disabled by the Service Desk) and this was done in late January 2019.</p> <p>The risk of leavers still having access is only felt to be medium as their Council account is deleted by ICT and there is limited chance of an existing officer being able to log in using a leaver's account and also an audit trail would be left on the system.</p> <p>It is difficult to further enhance the separation of duties with only a small team and so this risk is accepted.</p> <p>When the Councils move to the web-based Civica Financials system, user access will be suspended if an individual doesn't use the system for a set period of time, which should contribute to better management of users.</p> <ol style="list-style-type: none"> 2. Agreed. A number of options are being considered to reduce the overall need to use purchase cards, including the opening of appropriate business accounts. Although the two business accounts do not particularly offer a saving in staff time, some discounts may be available to business account holders. 3. Card holders will be advised that if they do not provide receipts for all purchases, then their card will be blocked. In addition, the spreadsheet currently completed by cardholders each month will be amended so that VAT can be shown separately. 4. Agreed. Civica have now developed a module that fulfils this function and will be available to SHDC and WDBC in the next iteration. 5. Agreed. It appears that the Support Services Case Management team had ceased to return those invoices to suppliers which did not quote an order number as they felt that it created too much work.

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Subject	Audit Findings	Management Response
		<p>However, the importance of orders will be explained and the team will be instructed that they must continue to return such invoices to suppliers.</p> <p>6. The cases highlighted in the audit report have been reviewed to ascertain the circumstances behind the issues raised. Corrective action is being taken where appropriate.</p>
<p>Payroll</p>	<p>Audit Opinion - Good Standard</p> <p>Conclusions</p> <p>The current arrangements for delivering the payroll function are operating effectively as possible under current arrangements, with suitable key controls in the majority of areas.</p> <p>Due to the limitations of the current software, it is not possible to gain further significant efficiencies, for example by removing the need to perform a number of key calculations manually such as starters, leavers and maternity pay.</p> <p>We have made several recommendations to strengthen existing controls, including:</p> <ol style="list-style-type: none"> 1. Making more detailed sample checks of travel and subsistence claims. 2. Evidencing working practice by ensuring that there is a record of who has completed and who has checked calculations and reconciliations; and 3. Considering alternative payroll software and/or service delivery options, in order to create additional efficiencies. 	<ol style="list-style-type: none"> 1. Agreed. Parameters to be included, to allow more detailed checks to be completed of travel and subsistence claims, will be determined, with a view to making quarterly checks of around ten journeys. In addition, and more immediately, a memo will be sent to all staff advising them that if receipts are not submitted to support items included on their travel and subsistence claims, no payment will be made. 2. Agreed. A reminder will be issued to relevant staff that a record should be kept of who completed and checked calculations and reconciliations. 3. Agreed. SLT are currently reviewing options regarding the payroll service. Work is being undertaken assessing outsourced service providers and other options. This will lead to a discussion on whether certain services are suitable for sharing / delivering from one location or host organisation.

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Subject	Audit Findings	Management Response
<p>Housing Benefit</p>	<p>Audit Opinion – Good Standard</p> <p>Conclusions Benefit processing is generally undertaken accurately and performance against the key indicators of processing speed for new claims and changes in circumstances has been good, with reported performance for both councils being below the target number of processing days, as well as having improved since 2017/18.</p> <p>There remain several areas where action could be taken to further strengthen existing controls or gain efficiencies, the most significant of which are:</p> <ol style="list-style-type: none"> 1. The continued appropriateness of the level of access to the Northgate system for individuals, including staff who change roles within the Council; 2. The consideration of the future use of Risk Based Verification; and 3. An increase in the number of quality assurance checks and arrangements for ensuring that related recommendations are carried out. 	<ol style="list-style-type: none"> 1. Agreed. The majority of issues raised, namely, unknown users, those with duplicate accounts or those who have changed roles, have already been addressed and it will be ensured that those which haven't are completed. On-going checks of appropriateness of access rights will also be made. The accounts with system administrator access, highlighted in the audit report, will be reviewed and amended as appropriate. Some of those named do require access to Northgate revenues, but not Northgate benefits. It will be confirmed with the Service Desk how new accounts are being set up, i.e. are accounts of other users being copied or are access rights being tailored to each individual. 2. Agreed. Now that SHDC and WDBC are in full service Universal Credit areas, the number of new claims received has fallen significantly and continues to reduce. The Risk Based Verification software was therefore being used very little and the annual licence, costing £11k per annum, was no longer economically justifiable. 3. Agreed. Discussions have already commenced about how to review the quality checking process. As the number of new claims received reduces (the majority of new customers now have to claim Universal Credit through Job Centres) there will be increased capacity to review more claims, both as a percentage of the total received and per officer, giving more accurate error rates. Responsibilities are to be reviewed in order that some of this capacity can be transferred to the CF Senior Case Managers making the checks. If errors are consistently found to be being made by an individual, then the review of claims assessed by them would be increased. If the Senior Case Managers are spending more time making checks, they will be completing fewer claim assessments. Therefore it is likely that claims which they have assessed will be excluded from the sample

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		<p>to be reviewed and separate arrangements will be made to review their work, with the Specialist – Benefits possibly making random checks of their work. In addition, a process will be put in place to confirm that recommendations made by the quality checkers are actioned.</p>
<p>Treasury Management</p>	<p>Audit Opinion – Good Standard</p> <p>Conclusions</p> <p>Based on our work we can confirm that the Councils are adhering to legislative requirements and have appropriate and effective controls in place over the day to day treasury management operations.</p> <p>We noted a small number of relatively minor issues and we have made recommendations accordingly, including:</p> <ol style="list-style-type: none"> 1. The Fidelity Guarantee may not cover all those officers who can authorise CHAPS payments for treasury management; and 2. Although we are advised that there are only two companies offering treasury management advice to local authorities, the appointed provider should be appointed in line with Contract Procedure Rules. 	<ol style="list-style-type: none"> 1. Agreed. This is currently being addressed and the need for DBS checks is being discussed with HR. The cost implication of the checks means that the Fidelity Guarantee cover will also need to be reviewed and limited only to relevant posts, rather than all staff, which are covered by the current arrangements. <p>As part of the review, it will be ensured that the Fidelity Guarantee cover reflects working practice by including all those officers who action payments on behalf of the Councils.</p> <ol style="list-style-type: none"> 2. Agreed. The Specialist – Accountant has been tasked with obtaining quotations from the two known providers of treasury management advice, for a two or three year contract for treasury management services. This has been completed for 2019/20, with the award of a one year contract.
<p>Grounds Maintenance</p>	<p>Audit Opinion – Fundamental Weakness upgraded up Improvements Required</p> <p>Conclusions</p> <p>We have raised previously that officers should review the Grounds Maintenance Operation to ensure that it is providing a service that customers require and at a cost that offers the best value for money. This has also been tied into ensuring that the rates charged to external organisations consider all costs to the service and so ensure their full recovery. With the end of the ground maintenance contracts due at West Devon in 2019 and the need to review the service the Head of Environment Services Practice has taken on a project to address these and other related issues,</p>	<p>We have started the inspection of the trees for West Devon. This has been split between the Mobile Locality Officers and external contractor and is due to be completed by November 2019. Once all of the information is received this will provide a plan on the work required over the winter period, and beyond, to manage the trees. This will be a large ongoing issue with the level of Ash dieback.</p> <ol style="list-style-type: none"> 1. We have looked at tree management software and the costs are prohibitive and so we are looking in-

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	<p>Internal Audit highlighted issues that will aid in this review of the service and will add to the project consideration of future service delivery.</p> <p>At the time of the audit, the lack of a planned tree inspection and maintenance process placed West Devon at high risk. However, following completion of the audit the Senior Specialist Environment Services has confirmed that since April an inspection procedure has now been instigated that will include West Devon. This inspection process is due to be completed by the end of 2019 and will contribute to mitigating the high risk reported. Remedial tree work will then be completed during the winter months.</p> <p>Other items of significance include:</p> <ol style="list-style-type: none"> 1. The reliance on manual record keeping as part of the new tree inspection procedure for West Devon. 2. The online mapping system requires major updating of tree data for West Devon, due to the lack of tree inspections. 3. Records of machinery should be updated to include evidence of disposals as well as full inventory of existing equipment. 4. The need to review costs and overheads, especially where there is an increased appetite to tender for external work, to ensure all costs, including management salaries, are incorporated into the grounds maintenance ledger codes. 5. Ensuring that the service meets the requirements of both internal and external customers. 	<p>house to use the current inspection software to export suitable reports to update the related tree database.</p> <p>Further work will be ongoing to improve the process and provide more automation where possible.</p> <ol style="list-style-type: none"> 2. Further work will be ongoing to improve the asset mapping process and provide more automation where possible. Plans are underway to update the tree mapping data. 3. Agreed this is something that we have been working on and the inventory should now be up-to-date. 4. Agreed, this is something that will be considered in the review of the service. <p>An exercise has been completed on the Salcombe contract to determine the resources used and the work completed to date. Currently calculations show that the contract is performing just inside the contracted sum. This needs to be extended further to understand the service requirements and will be included in the review of the service.</p> <p>Talks are taking place between the service and business accountants on how the Councils can account and recharge for service costs, such as on costs etc. in a commercial environment.</p> <ol style="list-style-type: none"> 5. Agreed this is something that we need to focus on and use to drive to change and improvement. <p>Further discussions are needed with services to determine the level of performance required.</p> <p>Work is underway to update the Concerto Asset Management software and the information obtained will be used to evaluate the service's performance.</p>

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<p>Risk Management Follow-Up</p>	<p>Audit Opinion – Improvements Required</p> <p>Conclusions In March 2018 it was reported to the Audit Committees that the recommendations within the 2016/17 Risk Management Audit Report would be implemented during the period April to September 2018. However, only one of the recommendations has been significantly progressed, with a revised Risk and Opportunity Management Strategy been taken to members for approval in December 2018. This document replaces the previous Joint Risk Management Policy (2012) and the separate Risk Management Strategy (2013). We understand that the implementation of the remaining recommendations has been limited by other work pressures.</p> <p>It is acknowledged that the Lead Members and Senior Leadership Team remain risk focused and consider risks to objectives as part of day to day corporate and business management. A Strategic Risk Register continues to be maintained by the Senior Leadership Team and individual Risk Registers are developed for key Council projects, such as the recent Waste procurement, each of which are subject to routine monitoring and reporting. There are also several other examples of good practice.</p> <p>However, there is still a need to improve visibility and understanding of risk management at all levels, as well as strengthening existing processes to formally capture risk and opportunity management activities, including:</p> <ol style="list-style-type: none"> 1. Identification of risk and opportunity through consistent business planning processes, and setting of risk appetites to provide focus; 2. Building risk capability, providing training, where necessary, for those involved in risk management and raising awareness of others; 3. Capturing proportionate timely risk and opportunity information within established management processes; 4. Ensuring that opportunities, as well as risks, are captured in the Strategic Risk and Opportunity Register; 5. Developing risk and opportunity registers at an operational level, to link to the Strategic Risk and Opportunity Register; 	<ol style="list-style-type: none"> 1. Agreed. Senior staff in particular need to be more consistent in how they identify and manage risks, including the ELT. Whilst there is a case for enhancing the awareness of risks for staff at all levels, it will be necessary to tailor the information provided according to roles and responsibilities. Consideration will be given as to how best to address a consistent approach to risk identification and management, as well as the appropriate communication of risks. 2. Agreed. All members will receive some risk management training as part of the Induction programme delivered immediately after the elections. The on-going member development programme also covers risk management in more detail, with more in-depth training for those members in key roles, such as Audit Committee. Consideration will be given to using the Devon Audit Partnership training package. Officer training needs will be considered as part of the review of communications referred to in 1 above. Training should commence with ELT and be cascaded down from there. Consideration will also be given to what information should be included in the staff Induction programme. 3. Agreed. For those formal projects referred to the Project Board, risk assessments are carried out and risk registers created. Processes for specific projects have recently been reviewed to include business planning. However, there is not felt to be a need to formalise processes at day-to-day operational or strategic levels.

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	<p>6. Ensuring the availability of real-time risk and opportunity information, to be utilised in decision making; and</p> <p>7. Formalising horizon scanning for both risks and opportunities, at all levels of management, and capturing the results.</p> <p>The existing organisational model and culture, with clear leadership and encouragement for well managed risk taking, provides the right business environment to raise the Councils' risk management maturity to a level where this helps to drive the organisations in achieving their objectives. Developing a robust framework and tools, that will support and empower members and officers, will increase the effectiveness of risk and opportunity management arrangements, enabling an authority-wide culture that protects reputation, improves resilience, reduces unexpected losses, demonstrates good governance and better places the Councils to meet their strategic objectives and priorities.</p>	<p>The Risk Management training to be delivered to ELT in the summer will cover the capture of information and the creation of opportunity registers.</p> <p>Ownership of risks and opportunities will be recorded on the registers and ELT will be requested to periodically raise risk management at team meetings.</p> <p>4. Agreed. The capture of opportunities will be considered as part of the review of the Strategic Risk and Opportunity Register and when providing training to ELT regarding operational registers.</p> <p>5. Agreed. The planned Risk Management workshop, to be delivered to ELT in the summer, will address the need for a consistent approach to operational risk and opportunity registers, how to identify risks and opportunities at an operational level and the linkages with the strategic risk and opportunities register.</p> <p>6. It will be ensured that all operational risk and opportunity registers are stored in the ELT S\drive, to ensure that they are visible to all of ELT and SLT.</p> <p>7. Agreed. There is already adequate sharing and dissemination of information regarding potential future issues, between SLT and ELT. SLT attend all ELT meetings for half an hour; and SLT provide feedback to ELT each week, regarding what was discussed at SLT meetings.</p> <p>However, arrangements will be made for new and emerging risks and opportunities to be recorded within both the strategic and operational registers, the former to be overseen by the Monitoring Officer, the latter by ELT.</p>

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<p>Contract Management Strategy and Process</p>	<p>Audit Opinion – Good Standard</p> <p>Conclusions The management of contracts is spread across all disciplines of the Councils and there is no overarching strategy or policy currently in place which outlines guidance on how the Councils should manage contracts nor a shared standard approach to administration and governance.</p> <p>There are variety of officers involved in the administering and managing of contracts, with a range of contract management skills and experience. However, there is no specific training programme related to contract management.</p> <p>There is a corporate Contract Register but there are indications that it does not include all contracts or details of agreements held by the Councils.</p> <p>Local Authorities can spend a large amount of resources managing contracts and this may not be formally recorded or analysed to provide effective costing for future resource requirement or if the service provisions change in the future. There is a risk that where contracts are under resourced the benefits of the contract will not be realised.</p> <p>Some of the more significant actions to be completed include:</p> <ol style="list-style-type: none"> 1. A comprehensive review of contracts be undertaken which could potentially enable a more coherent management of contracts across the Councils in partnership with officers from various services. 2. The development of a corporate role for contract management who could oversee all of the Councils' contracts and ensure that they are cost effective, performing satisfactorily and amended and/or updated where required. 3. To provide a consistent approach to the management of contracts across the Councils. This can be partly achieved by ensuring there is a Contract Strategy in place. 4. Identifying officers who are involved with managing contracts and providing individual or corporate training specific to their roles. 5. Ensuring that the Contract Register is complete and regularly maintained to 	<ol style="list-style-type: none"> 1. Agreed. SLT are planning a restructure and this is likely to result in the formation of a Director of Governance, who will be more focused on areas such as risk, contracts, procurement and so will develop the improvements in best value for the Councils. 2. As above 3. Agreed. This is something that should be expanded and linked to the Procurement Strategy, which does cover some of the contract requirements. 4. External training in contract management will be available for key officers in June 2019. 5. We are confident that the main contracts are recorded. ICT are developing a database to record all ICT related contracts. <p>Additional input might be needed to ensure that all relevant information is captured and this will be considered for the future with introduction of the Director of Governance.</p> <ol style="list-style-type: none"> 6. Agreed this could be completed once the contract has been agreed. This should be completed by officers and overseen by the Director of Governance.

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	<p>reflect changes to contracts as a result of variations to those already existing or those that have just been awarded.</p> <p>6. The creation of a Contract Checklist detailing the main requirements and trigger points of a contract agreement and assigning these to relevant services and appropriate service officers.</p> <p>In addition, a review of some of the significant contracts currently in place identified weaknesses in the management of contracts which are not uncommon and therefore the Councils should be mindful of the following:</p> <ul style="list-style-type: none"> • The loss of key workforce resources following implementation, particularly those involved in the procurement phase, can mean added disruption and a shortage of resources and knowledge; • Ineffective contracts that do not set out clear requirements in the delivery of the Councils' and supplier's intentions and goals, such as deadlines and outcomes, and so made it harder to manage and bring parties to account; • Parties working with differing requirements and outcomes with limited options for reappraisal and with limited flexibility from the supplier; • That, in isolated cases, for example the CIVICA contract, there may be a need to have a disproportionately high amount of resources to manage the supplier than initially envisaged. This creates difficulties in planning the resources required and places added strain on the project management; • Poor supplier leadership, knowledge and products leading to additional meetings, user mistrust, a lack of system and issue ownership and limited transparency between parties; and • The lack of a formal plan on how the Councils could or would exit a Contract prior to or at the end of the agreement. • Having a clear central record or recording system to accurately log administration requirements; • Having a contract checklist of the significant requirements and agreements, such as insurance requirements and payment schedules; • Having a robust process for recording and monitoring changes and variations; • Identification of the contract risks and mitigations; • Current copies of contract agreements are not complete; • Contracts have not been subject to market testing for a number of years; 	

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Subject	Audit Findings	Management Response
<p>Business Continuity Plans (BCP) Follow Up</p>	<p>Audit Opinion – Fundamental Weaknesses Identified</p> <p>Conclusions</p> <p>Our 2018/19 Follow-Up review confirms that some improvements have been made, with on-going work timetabled throughout the coming months. However, due to the number of outstanding actions yet to be completed, our audit opinion must remain the same as in 2017/18.</p> <p>In February 2019, a Business Continuity Management Strategy and Work Programme were approved which appear to provide assurance that the majority of key controls will be in place over business continuity arrangements in the future. However, a significant amount of work has yet to be completed. Work is on course to deliver the earliest targets within the Work Programme, although continued progress is reliant on the availability of staff resource. We have therefore raised a general recommendation regarding adherence to the Strategy and delivery of the Work Programme, as well as raising a number of more detailed recommendations. Some of the more significant actions to be completed include:</p> <ol style="list-style-type: none"> 1. Development of operational Business Continuity Plans; 2. The identification of critical functions, to be restored in the event of an incident and maximum tolerable periods of disruption; 3. Ensuring that relevant officers continue to receive appropriate training and experience; and 4. Ensuring that Business Continue Plans are regularly validated. 	<ol style="list-style-type: none"> 1. Agreed. BCP templates have been issued to Heads of Practice in stages, with varying deadlines, in order to stagger their return, allowing review of each by the Senior Specialist. <p>At the time of the issue of the audit report, some areas had not fully engaged with the process, for example, a copy of the waste contractor’s BCP had yet to be provided by the Waste COP. Some information relating to the contractor’s BCP arrangements have since been passed to the Senior Specialist for review.</p> <ol style="list-style-type: none"> 2. Agreed. Heads of Practice are to identify and prioritise critical data as part of their BCPs and the information will be provided to the Head of ICT Practice (MW), in order that this can be built into the ICT BCP. <p>All BCPs submitted by Heads of Practice are being reviewed by the Senior Specialist to ensure that they adequately cover all high risk areas.</p> <p>Some issues have already been identified as requiring further work, for example, identifying the criticality of those tasks completed by Case Management and Localities on behalf of individual Communities of Practice.</p> <p>In some cases, although all risks have been covered, mitigating actions identified and maximum periods of tolerable disruption stated, there is insufficient detail and so more information is being requested.</p> <p>The Senior Specialist has carried out a Council-wide review of some risks to business continuity, for example, identifying those fuel-critical services to</p>

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		<p>allow prioritisation in the event of a fuel shortage following the outcome of Brexit negotiations.</p> <p>3. Agreed. All Heads of Practice have been required to attend a training course in writing BCPs and the Senior Specialist (JK) has offered one-to-one training to assist in this area for any individuals who feel that this would be beneficial, for which there has been some take up. Also, the Devon Emergency Planning Service (DEPS) templates provide guidance to those officers completing them.</p> <p>General business continuity training has already been delivered to ELT. One-to-one training has been offered, Other training will be delivered as the need arises. For example, it is planned to deliver a 'Crisis Communications' training event in the coming months.</p> <p>4. Agreed. The ELT business continuity exercise run in 2018 is to be repeated in 2019, which will allow a comparison of responses on each occasion, in order to assess progress. A different scenario will then be run in 2020.</p>

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

Subject	Comments
<p>Waste Collection and Front Line Services Procurement</p>	<p>Internal Audit have provided support and challenge to the project team established to oversee the</p> <p>Audit have attended regular Project Team meetings, present at the receipt and opening of Outline Solutions from bidders as well as the subsequent moderation of evaluators scores. In addition, Audit took part in “dialogue sessions” with bidders which form part of the “Competitive Dialogue” procurement process. Audit continued its role during the mobilisation phase until the start of the contract on 1st April 2019.</p>
<p>System of Internal Control (SIC), and Annual Governance Statement (AGS)</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 24 July 2018 with the final accounts for Member approval.</p>
<p>Exemptions to Financial Procedure Rules</p>	<p>Five applications for Contract / Financial Procedure Rules were received during 2018/19, all were accepted with the exception of one where it was deemed that an exemption was not required.</p>