

Report to: **Audit Committee**

Date: **7 November 2019**

Title: **Update on Progress on the 2019-20 Internal Audit Plan**

Portfolio Area: **Support Services – Cllr D May**

Wards Affected: **All**

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

Date next steps can be taken: Immediately following this meeting

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#### **RECOMMENDATION**

**It is RECOMMENDED that the progress made against the 2019/20 internal audit plan, and any key issues arising are noted and approved.**

### **1. Executive summary**

1.1 The purpose of this report is to inform Members of the principal activities and findings of the Council's Internal Audit team for 2019/20 to 4 October 2019, by:

- Showing the progress made by Internal Audit against the 2019/20 annual internal audit plan, as approved by this Committee in March 2019; and
- Highlighting any revisions to the 2019/20 internal audit plan;

## **2. Background**

- 2.1 The Audit Committee, under its Terms of Reference contained in South Hams 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.
- 2.2 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.
- 2.3 The Internal Audit plan for 2019/20 was presented to and approved by the Audit Committee in March 2019. Progress in the period up to 4 October 2019 has been largely in line with expectations and included completion of work carried forward from 2018/19. There have been 2 days reported sickness absence (apportioned SHDC 1.5 days, WDBC 0.5 days) in the year to date.
- 2.4 In addition, the Council, in association with several partner organisations receive funding from the Rural Development Programme for England (RDPE) – Local Action 2015-2020 programme, with £1.5m awarded to the South Devon Coastal Local Action Group (LAG) and £2.0m to the Greater Dartmoor Local Enterprise Action Fund (LEAF). The Council, as the Accountable Body, is responsible for the legal and financial management of the grants awarded to the programmes. Each project is required to submit a grant claim on a quarterly or monthly frequency to draw down funding. 30 days were allocated to this work for the year in the 2019/20 Audit Plan. As at 4 October, 18 days have been spent.
- 2.5 In response to the possible need for additional days on this grant work and the impact on the overall audit plan, it is proposed that, in consultation with the Section 151 Officer, the audit plan will be reviewed and adjusted where deemed appropriate and/or the purchase of additional audit days to cover any shortfall. Any amendments will be agreed by the Senior Leadership Team. It should be noted that the Council is able claim funding against officer time spent on administering the LAG and the LEAF and this can be used to provide some backfill to cover any additional days required.
- 2.6 The 2019/20 audit plan currently includes one audit that utilises additional Devon Audit Partnership resources. This is:
  - a. Business Continuity within the Supply Chain Follow Up.

This audit is to be funded from officer time spent on and claimed against LAG and LEAF administration in this financial year.

### **3. Outcomes/outputs**

- 3.1 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.
- 3.2 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.
- 3.3 Overall, and based on work performed to date during 2019/20, Internal Audit is able to provide **substantial assurance** on the adequacy and effectiveness of the Authority's internal control environment. 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. (please refer to Appendix B for definition)
- 3.4 We are pleased to report that progress against the agreed 2019/20 Internal Audit Plan is as expected. A number of audits have been completed, with draft and final reports issued. Fieldwork has been completed on a number of audits and this work needs to be reviewed (quality assured) following which the draft report will be issued. A number of audits are planned for quarters 3 and 4, and planning for these reviews is underway. A summary of progress is attached at **Appendix A**, and this provides the detailed position for each audit as at 4 October 2019.
- 3.5 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.
- 3.6 **Appendix C** provides a summary of work where the planned work is complete but no audit report produced. This includes information with regards Non-Compliance with Contract or Financial Procedure Rules, and Fraud / Irregularity issues reported to Internal Audit during the reporting period.

- 3.7 In response to Members request at the last Audit Committee in July, **Appendix D** provides a summary of the findings of our recent "initial" review of the management of the new Frontline Services (Waste and Cleansing) Contract. It should be noted that the findings have been issued to management as part of a draft report and responses to these and the recommendations made are awaited.

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

- 4.1 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

- 5.1 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	<p>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.</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.
Supporting Corporate Strategy	Y	This Progress Report and the work of Internal; Audit supports all six of the Corporate Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.
Climate Change – Carbon / Biodiversity Impact	Y	None directly arising from this report. However, the Internal Audit function, managed by Devon Audit Partnership is very mindful of the need to minimise travel in completing the internal audit plan. Where possible, desk-top review of documents, and the use of electronic records, is used to obtain evidence to support the audit process, although it is inevitable that on-site verification may be required at times. The team use an audit management system (Mki) which enables managerial review to take place remotely, thus also saving on the need for travel.
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 four separate appendices to this report; Appendix A, B, C, and D.

**Background Papers:**

Annual Internal Audit Plan 2019/20 as approved by the Audit Committee on 21 March 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	
<b>COMMERCIAL SERVICES</b>										
Salcombe Harbour (S.Hams)	10									
Contract Management – Waste Collection and Street Cleansing Contract	10	■	■							
Car Parks – PCN and Appeals Process	10	■	■	■	■		■			Final report issued. Extract provided at Appendix B.
Dartmouth Lower Ferry (S.Hams)	8	■								Fieldwork completed. Draft report awaiting management review.
Environmental Services – Enforcement Process (Fly Tipping, Abandoned Vehicles etc) – Follow-Up	3	■								Fieldwork complete, report to be drafted.
Grounds Maintenance Operations (inc control of bedding plants) – Follow Up	3									
Grounds Maintenance & Car Parking Permits – invoicing of external clients (S Hams)	5									Additional request by SHDC members. Assurance required that all invoicing takes place as expected.
Depots & Stores Follow-Up (S.Hams)	3	■								Fieldwork completed. Draft report awaiting management review.
<b>Commercial Services</b>	<b>52</b>									Planned days increased by 5 days re Grounds Maintenance invoicing

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<b>CUSTOMER FIRST</b>										
Planning (Applications) – Follow-Up	5	■	■	■	■		■			Final report issued. Extract provided at Appendix B.
Use of Social Media	5	■	■	■	■		■			Final report issued. Extract provided at Appendix B.
Section 106 agreements (follow up)	5	■								Fieldwork completed. Draft report awaiting management review.
Commercial Property & Rents (Tenancies, Reviews, Collection)	10	■								Fieldwork completed. Draft report awaiting management review.
Duplicate Data Entry and Processes	5									Audit postponed. Time used for Grounds Maintenance review of invoicing- SHDC (see above)
<b>Customer First</b>	<b>25</b>									Original plan was 30 days. 5 days removed for Duplicate Data Entry resulting in revised plan of 25 days











## Summary of Internal Audit Findings 2019/20 – Final Reports

As at 4 October 2019, six final reports have been issued in respect of 2019/20 work. The conclusions from this work are summarised below.

Subject	Audit Findings	Management Response
<b>2019/20 Audit Plan</b>		
<p>Car Parks PCN and Appeals Process</p>	<p><b>Good Standard</b></p> <p>In general, the process for administering Penalty Charge Notices (PCN's) and determining appeals for cancellation, appears to be satisfactorily controlled, with regular checks of performance being made by managers. Although the number of successful appeals appears to be relatively high, it can be demonstrated that, in the majority of cases, the appellant had actually made a payment either at a pay machine or via mobile phone, even if incorrectly, or held a valid permit. Examples of this include a valid ticket not appearing on the vehicle or entering the wrong car registration number or car park code on the "RingGo" cashless parking system. To reject appeals such as these would lead to criticism from the Traffic Penalty Tribunal, should customers take their appeal to the next stage.</p> <p>We have made a small number of recommendations, including some which support action already planned by those officers managing the car parking function, which, we believe, will contribute to further enhancing those checks already in place, and to ensuring that a consistent approach is applied. Our recommendations have included:</p> <ol style="list-style-type: none"> <li>1. Formalising the Councils' internal working policy with regards the cancellation of PCNs;</li> <li>2. Providing formal training, leading to a recognised qualification, for those responsible for determining appeals, in line with best practice;</li> <li>3. Introducing quality checks of appeals once the relevant PCN software upgrade has been installed; and</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. - The Senior Specialist – Car Parks (EW) and the Case Management Team Leader (RE) have begun work to formalise the existing working policy.</li> <li>2. Agreed. The Senior Specialist – Car Parks (EW) has recently contacted all the Car Park managers in Devon, to get a group of people together for training.</li> <li>3. Agreed. This functionality is included on the new version (v190) of Taranto. The Case Management Team Leader (RE) will then commence use of the quality check function, which can be set up with desired parameters to sample one in x number of letters etc.</li> <li>4. Agreed. The Case Management Team Leader (DC) responsible for frontline staff is currently reviewing the issue of PCNs to identify any matters which may need to be addressed.</li> </ol> <p>Once this has been completed, then the compliance checks will be put in place.</p>

Subject	Audit Findings	Management Response
	<p>4. Introducing compliance checks to ensure that CEOs are issuing tickets to all vehicles which have parked in contravention of car park terms and conditions.</p>	
<p>Use of Social Media</p>	<p><b>Good Standard</b></p> <p>Use of social media by the Councils themselves appears to be well controlled, with only a limited number of people able to post information on behalf of the Authorities. Policies are in place to guide both staff and elected members as to expected conduct and behaviours when using social media both in and out of work.</p> <p>However, we have made a number of recommendations to contribute to strengthening those controls already in place, the most significant of which include:</p> <ol style="list-style-type: none"> <li>1. Delivery of the further training requested by some members on the use of social media, as well as reaching those who chose not to attend the Induction training module on Media;</li> <li>2. Ensuring that existing policies relating to use of social media by staff and members are available and well publicised; and</li> <li>3. The development of a policy relating to the use of WhatsApp.</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. More detailed training on social media was offered to members, although only a handful expressed interest in this, and only one resulted in further training.</li> <li>2. Agreed. Some of the policies would benefit from being re-written, drawing all the separate documents together and also addressing the advances in social media in the last few years. Also, members have requested that the approach to policies is reviewed, making them more visual and less 'wordy'.</li> <li>3. Agreed. SLT wish to continue using WhatsApp for work purposes, as it allows quick and easy communication by mobile phone, including in emergency situations, when Council systems or devices may not be available. However, guidance does need to be issued to staff, regarding the type of information they share, the fact that documents shouldn't be sent by this channel, etc.</li> </ol>
<p>Development Management - Planning Applications &amp; Appeals Follow Up 2019/20</p>	<p>Revised audit opinion of <b>Good Standard</b></p> <p>We found that good progress had been made to address the issues identified in our 2017/18 audit, and this progress has enabled us to upgrade our assurance opinion from "Improvements Required" to "Good Standard".</p>	

Subject	Audit Findings	Management Response
	<p>However, there are a number of recommendations that remain to be implemented; delays in implementation being mainly due to limited staff resource. The outstanding agreed actions largely relate to the review of procedures in order to gain efficiencies, which will, ultimately, improve the customer experience, the most significant being:</p> <ol style="list-style-type: none"> <li>1. Speed of Determination – completion of the review of procedures to understand what constraints are resulting in the need to regularly rely on extensions of time to allow applications to be determined within in target;</li> <li>2. Historical Enforcement Cases – the need to clearly identify how these cases should be prioritised to best effect;</li> <li>3. Appeals – review processes relating to the administration of appeals and identify potential efficiencies through effective use of software;</li> <li>4. Ensure that the intended programme of training is delivered to members of the Development Management Committees.</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. Officers have been regularly instructed to ensure that extensions of time are requested promptly and before applications go out of time.  Joint work with the Business Development Team has resulted in some new models which are being piloted. Unfortunately, they have not been entirely successful and so further work will be required to identify a solution.</li> <li>2. Agreed. There has been a considerable review of enforcement processes and resource, the latter being less than usual recently due to long term sickness.  A report has been taken to members at both authorities, with an Action Plan to address issues in delivering planning enforcement. This sought approval to recruit two more enforcement officers, which was agreed, as it has been recognised that existing resource was unable to manage the current workload, leading to ‘firefighting’ and reactive, rather than pro-active, responses.</li> <li>3. Agreed. Currently, an internal checklist and instructions are used to guide staff through the appeals process.  The existing W2 process still needs to be reviewed, in liaison with Specialist – ICT Applications and Business Development (VS). However, it is not a high priority piece of work and there may be delays if a corporate decision is taken to replace W2.</li> <li>4. Agreed. All new members received mandatory training and this was also attended by the majority of existing members. Training has also been provided on the Joint Local Plan and there will be some around the new Supplementary Planning Document, which is imminently due to go out for consultation  There have been no other significant changes since then, but additional training will be provided as and when the need</li> </ol>

Subject	Audit Findings	Management Response
		arises.
Health and Safety	<p>Our assurance opinion, after completing follow up work in this area, remains <b>Improvements Required</b>. However, the overall direction of travel for improvement is positive.</p> <p>The Head of Environmental Health Practice (IL) made good progress in co-ordinating the delivery of the Health and Safety action plan, originally drawn up in 2016/17, particularly in those areas for which he had taken direct responsibility. However, for those areas where delivery is reliant on other managers, there is no evidence that key tasks (raising health and safety awareness; clarifying first aid arrangements, providing lone working training etc) continue to be repeated or reviewed at appropriate intervals, often, we understand, due to limited staff resource.</p> <p>The Environmental Health COP Lead (IL) 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. Most of these responsibilities have now passed to the contractor, but a number do still remain with the Councils.</p> <p>We also highlighted several other issues, including:</p> <ol style="list-style-type: none"> <li>1. Procedures to identify health and safety training needs; to record these needs and the subsequent training completed by individual staff, requires improvement.</li> <li>2. Ensuring that managers regularly review all risk assessments and associated Safe Systems of Work (SSOW), particularly within Environment Services;</li> <li>3. Ensuring that managers continue to carry out monthly workplace and premises inspections; and</li> <li>4. Ensuring that the quarterly workplace inspections by a competent person(s) continue to be completed in line with the planned programme, particularly for the higher risk functions within</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. The Head of HR Practice (HR) advised that the PCI (Personal Continuous Improvement) system should be an opportunity to identify and record all training needs, including health and safety, but it is acknowledged that there is a gap in records.</li> </ol> <p>New software, CoreHR, is hosted by DELT (Plymouth City Council) and provides an end to end payroll solution encompassing training records and “1 to1” notes and objectives, amongst other things. Although further scoping is to be completed before committing to the software, we are advised that it is highly probable that it will go ahead.</p> <p>The software has a self-service interface, allowing staff and managers to maintain a record of any training identified as being needed.</p> <ol style="list-style-type: none"> <li>2. Agreed. This links to other recommendations rather than being an isolated task. The Specialist Manager – Support Services (NH) has been asked to investigate alternative corporate software to potentially replace that currently used to manage both risk registers and performance management. This would hopefully have a cascade-style approach, flowing from strategic risks, to operational risks, to risk assessments.</li> </ol> <p>In the meantime, reliance is placed on the spreadsheet template provided to all business areas by the Head of Environmental Health Practice (IL).</p> <p>With regard Safe Systems of Work (SSOW), the Senior Case Manager – Commercial Services (PC) has recently been instructed to spend more time visiting the Building Maintenance teams on site to confirm that SSOW are being followed. The Case Management Team Leader (DC) is to ensure that such checks are being made.</p>



Subject	Audit Findings	Management Response
	<p>Environment Services, as well as for Dartmouth Lower Ferry and Salcombe Harbour.</p>	<p>Once on site, Building Maintenance teams are required to confirm via their iPads that they have read the relevant dynamic risk assessment and have made an on-site risk assessment. The information is then fed into Concerto, the Council's Asset Management system.</p> <p>3. Agreed in principle. Unfortunately, there is no staff resource to carry out monthly inspections of car park workplaces at present. Ideally a Senior Case Manager would be in post, whose responsibilities would include this task, but recruitment is currently on hold, pending the outcome of the ELT review. Should staff resource become available in the future, the recommendation will be borne in mind.</p> <p>Whilst the Civil Enforcement Officers (CEOs) do not maintain records of their inspections, only reporting by exception, the fact that reports of issues are regularly received would suggest that they are being carried out.</p> <p>In terms of Building Maintenance inspections, it will be confirmed whether those at the Totnes Depot are being recorded. If not, they can be recorded on Concerto in future. For other sites, the Senior Case Manager – Commercial Services (PC) is to make these inspections when confirming that the teams are following SSOW on site (see 2 above).</p> <p>4. Alternative officers have been selected to replace those who have left the organisation, the rota has been reviewed and a revised version circulated.</p> <p>Feedback on previous inspections has been very positive and they were found to be worthwhile.</p> <p>The next round of inspections are due in the Autumn of 2019.</p>

Subject	Audit Findings	Management Response
<p>ICT - Change Management Follow Up 2019/20</p>	<p>Following the completion of our follow up work, our revised audit opinion remains <b>Improvements Required</b>. We found that the culture of caution, and an understanding of change management, has been considerably strengthened within the ICT COP, and a robust change control process for major or high impact changes is in place; however further work is needed to formalise procedures and to ensure that comprehensive audit trails are in place for all other categories of change.</p> <p>Following our initial audit in 2017/18, improvements have been made to the controls around the ICT change management process, particularly for non-standard changes, for which procedures remain in place to allow scrutiny, consideration of the risks, mitigations and roll back plans. However, in the last twelve months there has been limited additional progress. Controls over both lower priority non-standard changes and standard changes are less well-developed. Such changes are often not being documented and, arguably, those controls that do exist, work largely due to the diligence of ICT staff, rather than because there are effective formal controls in place which prevent all changes from being made without following due process.</p> <p>Whilst senior officers within the ICT COP acknowledge that rigorous change management is desirable as best practice for all types of change, we understand that there is felt to be insufficient staff resource to achieve this. It is therefore important to strike a balance between managing and documenting all risks created by changes and actually implementing the changes in a timely manner.</p> <p>This can conflict with the demands of the business, whereby all changes would be fully controlled, documented and implemented in a timely manner, as part of business as usual.</p> <p>We have obtained confirmation that some of the recommendations which we made last year, largely around standard change requests, have been, or are in the process of being, implemented. Those recommendations which remain outstanding or incomplete have been repeated as a reminder. These focus on :</p> <ol style="list-style-type: none"> <li>1. Change management delivery;</li> <li>2. ICT Staff Capacity;</li> <li>3. Standard change request models;</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. The Head of ICT Practice (MW) and the Customer Service Delivery Director (SM) met to discuss and agree a range of actions.  A review of change management has recently been conducted, resulting in the creation of a Change Manager role which has been conferred on the Specialist – ICT Infrastructure (CJ).  This role is responsible for overseeing both the maintenance of the major change documentation and process controls, and the standard change process and document library. It is also responsible for maintaining the IT Forward Schedule of Change.  The Change Manager is also responsible for implementation of communication plans relating to RFC's, including entries in Friday Flash and Members Bulletins.  Previously, change management was considered solely from the point of view of business continuity and system availability, but that focus has now been revised, in line with the message coming from SLT, to one of ensuring that process is followed and that there is an audit trail to demonstrate this.  It is intended that the Head of ICT Practice (MW) and the Customer Service Delivery Director (SM) hold a further meeting in Q1 2020 to review progress</li> <li>2. Additional capacity has been created to oversee Change Management, by reducing the full time cover previously provided by the Specialist – ICT Infrastructure (CJ) for the Service Desk.</li> <li>3. Specialist – ICT Infrastructure (CJ) is to act as Change Manager, and as such will be responsible for creating a library of Standard Change Request Models. These will each be approved by the CAB when first written.</li> </ol>

**Appendix B**

Subject	Audit Findings	Management Response
	<p>4. "Roll Back" plans for standard changes ;</p> <p>5. Post-Implementation reviews;</p> <p>6. Customer satisfaction survey redesign.</p>	<p>Each future standard change using the approved Models will not then need to be presented to the CAB, only published in the Forward Schedule of Change.</p> <p>4. Agreed. Officers have always considered roll back plans, but this was not necessarily evidenced. A library of Standard Changes Request Models is being created and the Standard Change RFC template, to be used for these, includes a roll back plan section.</p> <p>5. Agreed. A "Post Implementation Review" section has been added to the RFC templates for both non-standard and standard changes for this purpose.</p> <p>6. Agreed. The recommendations will be incorporated in to the next survey which is due in Q1 of 2020.</p>
<p>Capital Expenditure</p>	<p><b>Good Standard</b></p> <p>There are effective procedures in place to allow a robust capital programme to be set for each Authority and subsequent progress and expenditure to be controlled and monitored for individual projects.</p> <p>Controls over the application, approval and payment of Housing Assistance, including Disabled Facilities Grants, remain broadly unchanged from previous years, except for some streamlining of procedures for stairlifts, which has been introduced at a county-wide level.</p> <p>We made a limited number of recommendations to further strengthen already good procedures and these included: -</p> <p>1. Capital Budget Monitoring Reports - We support the intention of the Strategic Finance Lead (LB), in liaison with the Head of Finance Practice (PH), to ensure that capital budget monitoring reports are presented to the SHDC Executive and the WDBC Hub committees on a quarterly basis, as required by the</p>	<p>1. Agreed. The Q1 capital budget monitoring reports were presented to the SHDC Executive and the WDBC Hub in September 2019. Future quarterly reports are included in the Forward Plan for each committee, alongside the quarterly revenue budget monitoring reports.</p> <p>2. Agreed. Where members are required to give approval for disposal of land or property, then evidence is held in the minutes of the meeting.</p> <p>It will be ensured that for any future disposals approved under delegated powers, evidence will be held of the approvals given, alongside other relevant documentation.</p>

**Appendix B**

<b>Subject</b>	<b>Audit Findings</b>	<b>Management Response</b>
	<p>Councils' Contract Procedure Rules.</p> <p>2. Evidence of Authorisation for Disposals - The Head of Assets Practice (CB) should ensure that evidence of approval for the disposal of land or property is retained in the relevant Estates folder on the S\drive.</p>	

## Definitions of Audit Assignment 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.

## Definitions of Overall Organisational Assurance Opinion Levels

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.	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.
<b>Substantial Assurance</b>	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.	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.

## Planned Audit 2019/20 – Work Complete (No Audit Report)

Subject	Comments
<b>System of Internal Control (SIC), and Annual Governance Statement (AGS)</b>	<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 2018/19 financial year. The S151 Officer presented the 2018/19 AGS to the Audit Committee on 20 June 2019.</p>
<b>Exemptions to Financial Procedure Rules</b>	<p>4 applications for Contract / Financial Procedure Rules have been received in the year to date, all were accepted.</p>
<b>Fraud / Irregularity</b>	<p>There have been no irregularities to report.</p>

## Frontline Services (Waste and Cleansing) Contract

Within the 2019/20 Audit Plan, agreed by the Audit Committee in March of this year, audit time was set aside to undertake a review of the arrangement established to manage the Frontline Services (Waste and Cleansing) Contract. It was agreed that an initial review would take place early in the audit year followed by a further review later once arrangements have become more embedded.

Our initial review covered the following areas and the following table summarises our assurance opinion on each of those areas. Together they combine to provide an overall opinion of **High Standard**

Areas Covered		Level of Assurance
1	Preparing for contract management and providing oversight.	High Standard
2	Ensuring the right people are in place to carry out the contract management activities.	High Standard
3	Managing the physical contract and the timetable for making key decisions.	High Standard
4	Ensuring payments are made to the supplier in line with the contract and that appropriate incentive mechanisms are in place and well managed.	Limited Testing
5	Understanding and managing contractual and supplier risk.	Good Standard

Our audit assessment has been completed during the early implementation of the contract and is based on an assessment of the expected processes and procedures; additional audit resources will be used later in the audit year to confirm that these are maintained.

Using various systems and processes, the Councils undertake their duties with regard to managing the Waste Contract. The Waste Commissioning Manager (JS) oversees the implementation of the contract and is the responsible owner. The governance for the contract is spread across a number of services of the Councils, including members and officers from environment, waste, and requires contractor involvement and continued communication, much of which had been established during previous work with West Devon Council. The contract management and performance is completed through a number of boards and working groups, including the;

- Partnership Board;
- Operational meetings;
- Client and Contractor meetings;
- Waste Working Groups;
- Member engagement and report to council; and
- Devon wide waste groups.

The Council organised contract management training in July 2019 and the waste officers involved in the management of the waste contract attended.

Suitable experienced officers are employed to oversee the waste contract; these are predominately the same officers who were involved in the tendering and award of the contract. The exception is the Commercial Services Group Manager who left the Councils shortly after awarding of the contract stage.

Robust procedures are in place for the monitoring of performance and payment of invoices. Officers are aware of the requirements to record any significant changes and related documentation will be retained if required.

Officers have produced a project plan detailing the key requirements and trigger points during the course of the implementation phase and beyond. Key tasks have been allocated to relevant officers, with suitable support to provide cover and assurance. An operational timetable is in place to ensure that key points are met and discussed with the contractor during planned meetings.

A central filing system is in place to record the key waste contract documents and meeting notes and this is accessible by the officers involved in the contract.

Contractor payments are determined by the Councils based on the Waste Contract Pricing Schedules submitted during the tender submission.

The Councils will receive a monthly invoice from the contractor that includes the services associated with the duties of waste and recycling, street cleansing and toilet cleaning. These invoices will include routine charges along with other non-routine and day-work rates for activities such as special events or the delivery of promotional material.

The relevant officers responsible for managing the contract have provided Audit with assurance that they are able to identify and manage the risks and are undertaking regular meetings with the contractor and all of the parties associated with the contract.

For such a large and diverse contract, reliance is placed on the contractor to deliver the services required under the terms of the contract and the Councils need to continue monitoring the activities to ensure that they are in agreement with the contract. Training has been given to the officers who will be monitoring the contract performance and a period of assessment has been conducted to evaluate, standardise and benchmark the results.

The weaknesses and potential issues highlighted during the audit review are summarised below;

- There is the potential financial and operational risk to the Contract should there be delays in the implementation of the construction of the Ivybridge Transfer Station or if it is not delivered as expected;
- There is the risk to the Council if the costs of the construction of the Transfer Station are not in line with the approved budget; and
- There is a need to ensure that implementation of the IT customer interface (Whitespace work software) is delivered promptly, that it is operating effectively and that data is appropriately shared.