

Report to: **Audit Committee**

Date: **6 February 2020**

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:

Author: **Dominic Measures** Role: **Audit Manager**  
**Robert Hutchins** **Head of Partnership**

Contact: [dominic.measures@swdevon.gov.uk](mailto:dominic.measures@swdevon.gov.uk) **01803 861375**  
[Robert.hutchins@swdevon.gov.uk](mailto:Robert.hutchins@swdevon.gov.uk) **01392 383000**

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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**

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 31 December 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**

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.

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 2019/20 was presented to and approved by the Audit Committee in March 2019. Progress in the period up to 31 December 2019 has been largely in line with expectations and included completion of work carried forward from 2018/19. There have been 6 days reported sickness absence (apportioned SHDC 4.5 days, WDBC 1.5 days) in the year to date.

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 31 December 2019, 26 days had been spent.

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.

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**

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

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

Overall, and based on work performed to date during 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)

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 others and this work needs to be reviewed (quality assured) following which the draft report will be issued. Audits are planned for quarter 4 and planning for these reviews is underway. A summary of progress against the agreed joint internal audit plan for South Hams District Council and West Devon Borough Council is attached at **Appendix A**, and this provides the detailed position for each audit as at 31 December 2019.

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

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

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

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

## 5. Proposed Way Forward

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

## 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<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 three separate appendices to this report; Appendix A, B, and C.

#### **Background Papers:**

Annual Internal Audit Plan 2019/20 as approved by the Audit Committee on 21 March 2019.



■ Status as reported in previous Progress Reports    ✓ Change to Status between 4<sup>th</sup> Oct & 31<sup>st</sup> Dec 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	■	■	✓	✓	✓				Final report issued. Summary in Appendix B below.
Car Parks – PCN and Appeals Process	10	■	■	■	■		■			Summary presented to Audit Committee in November 2019
Dartmouth Lower Ferry (S.Hams)	8	■	✓	✓	✓		✓			Final report issued. Summary in Appendix B below.
Environmental Services – Enforcement Process (Fly Tipping, Abandoned Vehicles etc) – Follow-Up	3	■	✓							
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	■	✓							
<b>Commercial Services</b>	<b>52</b>									Planned days increased by 5 days re Grounds Maintenance invoicing

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						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
<b>CUSTOMER FIRST</b>										
Planning (Applications) – Follow-Up	5	■	■	■	■		■			Summary presented to Audit Committee in November 2019
Use of Social Media	5	■	■	■	■		■			Summary presented to Audit Committee in November 2019
Section 106 agreements (follow up)	5	■	✓							
Commercial Property & Rents (Tenancies, Reviews, Collection)	10	■	✓							
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



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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>SUPPORT SERVICES</b>										
ICT Audit - Use of Email and Internet	25									
ICT Audit – Change Management Follow-up		■	■	■	■			■		Summary presented to Audit Committee in November 2019
ICT Audit - Asset Control - Follow-Up		■	✓							
Corporate Information Management (Data Protection)	15									
Capital Expenditure and Receipts	10	■	■	■	■			■		Summary presented to Audit Committee in November 2019
Insurance – Review of Cover	8	■	✓	✓	✓			✓		Final report issued. Summary in Appendix B below.
Online Payments	7									
Employment / Recruitment Checks / Leavers Process	7									Will be incorporated into Payroll Audit





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

As at 31 December 2019, 11 final reports have been issued in respect of 2019/20 work. The conclusions from final reports issued since the last Audit Committee in October 2019, are summarised below.

Subject	Audit Findings	Management Response
<b>2019/20 Audit Plan</b>		
<p>Contract Management - Waste Collection and Street Cleansing Contract</p>	<p><b>High Standard</b></p> <p>Our audit assessment was completed during the early implementation of the contract and based on an assessment of the expected processes and procedures.</p> <p>Using various systems and processes, the Councils undertake their duties with regard to managing the Waste Contract, with the Waste Commissioning Manager (JS) overseeing the implementation of the contract and is the responsible owner. Contract governance is spread across a number of services and include both members and officers. This requires contractor involvement and continued communication, much of which had been established during previous work with West Devon Borough Council. The contract management and performance is completed through a number of boards and working groups, including;</p> <ul style="list-style-type: none"> <li>• Partnership Board;</li> <li>• Operational meetings;</li> <li>• Client and Contractor meetings;</li> <li>• Waste Working Groups;</li> <li>• Member engagement and report to council; and</li> <li>• Devon wide waste groups.</li> </ul> <p>Contract management training was held 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</p>	

Subject	Audit Findings	Management Response
	<p>Services Group Manager who left the Councils shortly after the awarding of the contract.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	

Subject	Audit Findings	Management Response
	<p>The weaknesses and potential issues highlighted during the audit review are summarised below;</p> <ol style="list-style-type: none"> <li>1. 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;</li> <li>2. 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</li> <li>3. 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.</li> </ol>	<ol style="list-style-type: none"> <li>1. Plans are progressing on formalising the Ivybridge Transfer Station contract and once this is concluded we will have a better idea on the quantifiable aspects of the project and impact on the Waste Contract.</li> <li>2. The transfer station project and contract can only provide a certain level of assurance to that already agreed in the Waste Contract. We are still planning to deliver the transfer station project in the expected timeframes and approved expenditure costs to the operating specification.</li> <li>3. The implementation of the IT customer interface has been delayed due to the software suppliers not being able to meet our specification and the contractor has used a new third party to implement the solution which will provide a better product.</li> </ol> <p>The system is still operating normally for customers and the delay has not affected customer service. The delayed early implementation was due to technical issues and to ensure the process is working correctly.</p> <p>As at 3rd January 2020, progress with the ICT software implementation has been as follows:</p> <p>Phase 1 – Missed collections and find my collection day – Successfully implemented in SH and WD</p> <p>Phase 2 – Order a new container/bin – successfully implemented in WD. We have held off implementing in SH's as the service is changing drastically in Sept so didn't make sense to pay twice to build one now and one for the new service when what we currently have works.</p> <p>Phase 3 – Clinical collections, assisted collections, bulky collection etc - Specification has been submitted to</p>

Subject	Audit Findings	Management Response
		<p>Milestones (FCC web developer) and is being built. Timescales for testing should be set out soon, with the first meeting after the festive break scheduled.</p> <p>Waste working groups have been updated regularly on this project.</p>
<p>Dartmouth Lower Ferry</p>	<p><b>Good Standard</b></p> <p>Ferry Management have undertaken considerable steps to improve processes and the introduction of the new eHarbour system will potentially advance the required controls. However, existing system procedures and controls need to be further modified and improved to ensure that processes can continue to operate at a good standard or above.</p> <p>It is imperative that the process for invoicing fleet card users is implemented as a priority; there is the added risk that companies will not pay for their use to date. At the time of the audit the Council was waiting for eHarbours to update the system with the relevant company addresses and details with regard to fleet card use.</p> <ol style="list-style-type: none"> <li>1. At the time of the audit, Companies had not been invoiced for the use of fleet cards since April 2019, this will be income in excess of £5,000; and</li> <li>2. No Council services had been recharged for the use of the ferry.</li> </ol> <p>Our review also found that the current ferry software system, although providing a good basis for the recording of ferry transactions, could not produce reports with complete management information. Bankings can now be independently verified to the eHarbour system and bank reconciliations, but the system would be further improved with the introduction of;</p> <ol style="list-style-type: none"> <li>3. The ability to input adjustments direct to the system;</li> </ol>	<ol style="list-style-type: none"> <li>1. This has now started, and companies are being invoiced for crossings and income due. We are working with Support Services to ensure that this process will operate correctly and income is processed and allocated to the ledger correctly.</li> <li>2. We are now recording crossings made by other Council services and preparing to recharge the relevant service.</li> <li>3. Agreed, the ability to input adjustments direct is something that we are trying to progress and it will be discussed with the Head of Maritime (CSS) and raised again with eHarbours.</li> <li>4. The level of variances has improved in the last twelve months and ferry operatives are more aware of ensuring</li> </ol>

Subject	Audit Findings	Management Response
	<p>4. Reporting of individual operator variances;</p> <p>5. Improved management reports, including balancing of income reports, reconciliation to the general ledger and identification of the reason for the difference in values between current reports.</p> <p>6. A separate electronic bank reference to identify the ferry, rather than Salcombe Harbour.</p> <p>Predominately only one officer undertakes the reconciliation of income and banking, although sometimes there might be another officer present in the office, and there is now the ability to agree bankings direct to the Bank Report on eHarbours. It should be noted that for Fidelity Guarantee Cover, loss of money or property sustained as a direct result of acts of fraud, theft or dishonesty by an employee, insurers usually expect dual control and independent validation to be in operation. Additional controls could be improved by ensuring;</p> <p>7. That two officers are always present and evidence the banking;</p> <p>8. That the banking is completed prior to access to the eHarbour system; and/or</p> <p>9. An independent officer reviews the income, banking, reconciliation and daily under overs and that evidence is maintained of this review.</p>	<p>accurate recording of transactions.</p> <p>5. We are reviewing reports and are able to use those currently available but have had difficulty obtaining updates from eHarbours and hope this will improve in the coming months. The discrepancies between reports have also been identified by the Case Manager Support Services (SW), during her reconciliations, and she is awaiting changes in the merchant number, to investigate the variances further, and will be raising any issues with eHarbours.</p> <p>6. A ferry merchant number was implemented in November 2019.</p> <p>7. For the majority of days, the Team Leader Commercial Services (LT) is present in the Ferry Office and does supervise the banking process.</p> <p>8 &amp; 9. The Team Leader Commercial Services (LT) will undertake spot checks to review income and banking records.</p>
<p>Insurance – Review of Cover</p>	<p><b>Improvements Required</b></p> <p>The insurance cover held by the Councils appears to be largely in line with that recommended by insurance providers, including the Local Government Mutual who may be considered to be unbiased as not seeking to make a commercial return. There is some degree of review of the level of insurance cover each year, as well as those items and activities insured.</p> <p>However, we have made a number of recommendations, which may</p>	<p>1. Agreed. The existing broker will be approached to ascertain whether or not they can provide detailed affordable advice on appropriate insurance cover.</p> <p>2. Agreed. As part of any external advice, the appropriateness of cover will be examined.</p> <p>It will be explored whether or not there is any economic</p>

Subject	Audit Findings	Management Response
	<p>contribute to the more effective management of insurance, including:</p> <ol style="list-style-type: none"> <li>1. Seeking impartial external advice to make a review of the Councils' insurance arrangements;</li> <li>2. Ensuring that only appropriate property, activities or services are covered as required;</li> <li>3. Ensuring that the value of each type of insurance cover is appropriate and only to the level required, e.g. for property and documents in transit;</li> <li>4. Strengthening the links to the risk management process, to ensure that insurance cover is considered for all new or changed risks;</li> <li>5. Consideration of alternative external insurance providers, other than commercial organisations; and</li> <li>6. Putting an insurance strategy in place, which sets out the Councils' approach to external and self- insurance, as well as links to the risk management process.</li> </ol>	<p>benefit to having a Cyber policy in place. The matter will be discussed at the Information Compliance Group.</p> <p>The need for Professional Indemnity insurance cover for certain aspects of chargeable planning advice such as Fast Track Applications and Planning Performance Agreements will be discussed with both the broker and the Head of Development Management Practice (PW)</p> <p>The need for cover in the event of the Councils being held liable, should an accident occur on a play area which has been inspected by Council officers, will be explored with the broker. If recommended, cover will be put in place immediately.</p> <p>3. Agreed. In terms of documents in transit, the insured value for WDBC is so much higher as all post is transferred from Kilworthy House to Follaton House for processing. However, many documents are now received or transferred electronically and so the level of cover will be reviewed.</p> <p>For Contract works cover, which may be required by each Council, the value of cover to be reviewed by officers when the insurance contract is next renewed.</p> <p>For IT related risks, the level of cover held and what items need to be insured will be reviewed. It is likely that lower value items such as laptops, which in any case fall below the excess value, will be removed.</p> <p>4. Agreed. Advice has been provided by the Devon Audit Partnership with respect to the Councils' approach to risk management. Whilst the Risk Management and Opportunities Policy is felt to be satisfactory, it was identified that there is no rigour in how risk is managed, or how identified risks and opportunities are taken from strategic to operational level and vice versa.</p>

Subject	Audit Findings	Management Response
		<p>Going forwards, Heads of Practice are to take greater responsibility for risk management within their Practice and this, as well as consideration of related insurance requirements, should form part of day to day processes.</p> <p>5. Agreed. Having had initial discussions with the LG Mutual, there is now a need to undertake an initial review of what the Councils might choose to insure and how, before discussions are progressed any further.</p> <p>6. Agreed. A strategy will be written prior to the completion of the review of insurance requirements, in order to help inform this exercise, with any amendments being made as necessary based on the findings of the review.</p>
<p>Business Continuity Follow-Up (inc BCP exercises)</p>	<p>Our previous audit opinion was one of <b>Fundamental Weaknesses</b>. Our review of 2019/20 confirms that some improvements have been made, the most important being that operational Business Continuity Plans are now in place, with on-going work timetabled throughout the coming months. We have therefore amended our audit opinion to <b>“Improvements Required”</b>.</p> <p>At the time of our 2015/16 audit, it was anticipated that Devon County Council (DCC) would be providing a lead role in developing business continuity arrangements on behalf of members of the Devon Emergency Planning Service (DEPS) partnership. However, DCC was subsequently unable to offer such a comprehensive service as it is doing for emergency planning. Some technical support is provided, but otherwise the district and borough councils continue to be responsible for ensuring that they have satisfactory arrangements in place to allow them to meet their legal duties under the Civil Contingencies Act (CAA) 2004.</p> <p>Because of this, and other work pressures on relevant officers, the initial development of effective business continuity arrangements was delayed. A Business Continuity Management Strategy and associated Work Programme was approved by Members in early 2019. This, along with an Action Plan drawn up by the Head of Environmental Health Practice (IL),</p>	<p>1. Agreed. Whilst Business Continuity Plans have now been completed by all Heads of Practice, the Plans need to be tested as part of the BC lifecycle, to ensure that they are suitable and sufficient. A full scale exercise test, set up with the assistance of DEPS, needs to be arranged.</p> <p>There is still a need to test the operational Business Continuity Plans, to ensure that information and data has been appropriately prioritised, allowing them to be supported by the ICT Recovery Plan.</p> <p>Revised timescales and responsibilities have been identified, to allow the delivery of the Work Programme and adherence to the Strategy.</p> <p>The Business Manager - Specialists, once appointed, and the Heads of Practice will be required to review their Business Continuity Plans, to confirm that the necessary supporting documents are in place.</p> <p>DEPS are to be asked to coordinate further validation exercises once staff resource is no longer having to be</p>

Subject	Audit Findings	Management Response
	<p>was intended to address many of the recommendations which we have made over the last few years. However, implementation has been delayed by the fact that officers from both DEPS, who were to provide some assistance, and from SHDC and WDBC, have been diverted onto matters relating to Brexit over the past year.</p> <p>A key achievement is that members of ELT have now written operational Business Continuity Plans and have also subsequently been required to review these in order to identify any potential issues that might arise as a result of Brexit, whether this be due to direct impacts on the Councils, or those on suppliers and other third parties.</p> <p>Although operational Business Continuity Plans have been written, they have yet to be validated through testing. However, the Director of Governance and Assurance (DP) is comfortable that this, as their production, along with an increased awareness of business continuity on the part of Heads of Practice, is felt to have reduced the risk of unpreparedness which was being carried at the time of our previous review.</p> <p>The Business Continuity Management Strategy, associated Work Programme and Action Plan appear to provide assurance that the majority of key controls will be in place over business continuity arrangements in the future, but in the meantime there is still some important work to be completed, the most significant of which includes:</p> <ol style="list-style-type: none"> <li>1. Validation of the operational Business Continuity Plans written by members of ELT; and</li> <li>2. Ensuring that relevant officers continue to receive appropriate training and experience.</li> </ol>	<p>diverted to Brexit matters. Arrangements will be made for validation exercises to be carried out in 2020.</p> <p>It will be ensured that all functions of the Councils are adequately covered by the operational Business Continuity Plans as part of the planned validation exercise and as part of that exercise, it will be ensured that each Plan meets the relevant guidance in terms of content.</p> <p>With regard contractors (and, if necessary, sub-contractors), or other third parties delivering essential services on behalf of the Councils, Heads of Practice will be reminded of the need to review contracts for their business areas and to ensure that appropriate business continuity arrangements are in place and evidenced. A proportionate approach, dependent on the scale of the contract, will be developed, with the most significant contracts being prioritised for review.</p> <ol style="list-style-type: none"> <li>2. Agreed. Business continuity awareness needs to form part of an annual review process of the Plans, linking to validation exercises as a means of promoting the subject in a more engaging style.</li> </ol> <p>Under the ELT restructure, Heads of Practice now have greater responsibility for business continuity within their areas. This, combined with a campaign of awareness raising, referred to above, should serve to ensure that officers are notified of any relevant amendments to Business Continuity Plans.</p> <p>With regard the on-going training of officers, a 'Crisis Communications' training event, to be delivered by DEPS, has been delayed by the need to divert resource to Brexit matters. However, this and other appropriate training will be taken advantage of when it becomes available post-Brexit.</p>

Subject	Audit Findings	Management Response
<p>Comments and Complaints Follow Up</p>	<p>Our original audit opinion was one of <b>Improvements Required</b>. However, following the completion of our follow up work, our audit opinion has been revised upwards to <b>Good Standard</b></p> <p>Our review of 2019/20 has confirmed that a number of improvements have been made to the complaints system since 2018/19. A reduction in the number of Stage 1 complaints received may be attributed to two main causes:</p> <ul style="list-style-type: none"> <li>• Waste and Recycling staff undertook extensive process reviews and implemented many changes in the months prior to the start of the new waste contract on 01 April 2019; and</li> <li>• There have been improvements to the information provided by the Development Management team, for example, status updates are now published for each application on the Councils' websites.</li> </ul> <p>However, whilst adjustments have been made and training has been provided to most customer-facing officers, there remain several areas where further improvements could be made, to improve the efficiency of handling complaints, as well as enabling the Councils to learn more effectively from those complaints received, including:</p> <ol style="list-style-type: none"> <li>1. Arrange for regular managerial review of those complaints which remain open after more than 30 days;</li> <li>2. Ensure that where a response cannot be provided within 30 days, that the customer is advised of the reasons for this and given a revised target response date;</li> <li>3. Remind officers dealing with complaints to record the correct case status on W360, the rebranded version of Civica's W2 Customer Relationship Management (CRM) system; and</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. The complaints process needs to be reviewed in its entirety, to ensure that responses to complaints are prioritised and speeded up, in order to avoid failure demand and increased customer contact.</li> </ol> <p>The new workflow system should allow:</p> <ul style="list-style-type: none"> <li>• Automated updates to be sent to customers, based on actions made to a case by staff. This could be used to advise complainants that their case is being worked on, even if a final response has not yet been issued etc.</li> <li>• Automated actions to be readily set, for example, once a final letter has been issued to a complainant, the case can be set to automatically close after a further thirty days.</li> </ul> <ol style="list-style-type: none"> <li>2. Agreed. The new workflow system should assist with this. It will be possible to set automated reminders that are emailed directly to the responsible owner who owns a case. These can be used to remind officers of impending response deadlines and to contact the customer if this cannot be met.</li> <li>3. Agreed. The workflow system selected to replace W360 has a much clearer and more consistent approach and so it will be possible to review and adapt the process for managing Stage 1 complaints to ensure that officers are correctly updating the status of each complaint. It will be arranged for the individual cases highlighted to be updated.</li> <li>4. Agreed. There is a reasonable process in place for monitoring lessons learned from complaints to the Ombudsman, but less so for Stage 1 and Stage 2 complaints.</li> </ol> <p>The entire process for identifying and monitoring the</p>

**Appendix B**

<b>Subject</b>	<b>Audit Findings</b>	<b>Management Response</b>
	4. Ensure that 'lessons learned' from complaints are recorded, and revised processes identified and implemented where appropriate.	implementation of lessons learned is to be reviewed.

## 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>	5 applications for Contract / Financial Procedure Rules have been received in the year to date, all were accepted.
<b>Fraud / Irregularity</b>	There have been no irregularities to report.