

Report to: **Audit Committee**  
Date: **29 June 2021**  
Title: **Internal Audit Annual Report 2020/21**  
Portfolio Area: **Support Services – Cllr C Edmonds**  
Wards Affected: **All**

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

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:**

- 1. The Audit Committee note that overall and based on work performed during 2020/21, and that of our experience from previous year's audit, the Head of Internal Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.**
- 2. Members note the performance and achievements of the Internal Audit Team during 2020/21.**

## **1. Executive summary**

This report summarises the work undertaken by the Council's Internal Audit team during 2020/21, 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 2020/21 to 31st March 2021, by:

- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by Internal Audit against the 2020/21 annual internal audit plan, as approved by this Committee in April 2020, 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 2020/21 was presented to and approved by Full Council in April 2020. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2020/21 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 2020/21 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 2020/21, and that of our experience from previous year's audit, the Head of Internal Audit's Opinion is of "Reasonable 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:



<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable Assurance</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

## **Key Findings 2020/21**

As has been reported previously to Audit Committee members, the 2020/21 Audit Plan has been greatly impacted by the COVID-19 pandemic with the Internal Audit resources diverted onto "response" tasks, especially in the first quarter of the year. However, during the summer 2020, as well as completing those audits that remained from the 2019/20 plan, work commenced on new audits, a number of which were finished, with draft and final reports issued. For other audits, fieldwork has been completed with draft reports issued and we await responses from management on the content of those reports and the recommendations made, including a number undertaken in the final quarter.

As stated above we are, overall, able to provide reasonable assurance on the internal control framework. During the year a small number of audit assignments have been completed with final reports issued for which an audit opinion of "Improvements Required" or "Limited Assurance" has been provided. It is pleasing to report that none of our audit reviews resulted in an audit opinion of "Fundamental Weaknesses" or "No Assurance" (please refer to appendix B for definitions of the various audit opinions).

We set out below some of the key issues of concern identified in those audits. 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 2020/21 year.

### **Employment / Recruitment Checks / Leavers Process 2019/20** (previously reported)

The audit review, which was conducted in the weeks leading up to the COVID-19 pandemic lockdown, found the Councils have a structured and controlled approach to the recruitment of staff, with a strategic overview of manpower resource and its deployment. Procedures are in place to ensure that selection of candidates takes place in accordance with legislation and to ensure that the people best suited to the role and the organisation are appointed. Similarly, there is a process in place to manage those staff leaving the organisation.

However, we did note several areas where existing controls would benefit from being strengthened, to increase their effectiveness. The most significant of these related to the obtaining of references for all starters, engagement of agency staff and completion of all leaving documentation by managers, in order that Payroll and ICT are aware of departing staff.

We have therefore provided an audit opinion of "**Improvements Required**".

## **Contract Management 2019/20** (previously reported)

The majority of the review was undertaken during late February and March 2020, just prior to the COVID 19 lockdown and concluded with an audit opinion of **“Improvements Required”**.

We reviewed how officers oversee the management of a variety of contracts including key areas such as IT.

The audit found that beyond procurement, the management of contracts is spread across all disciplines of the Authorities and there was 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.

As we have identified in other internal audit reports, although the Councils have various lists of known suppliers and a corporate Contract Register, these records are not linked, the register is not regularly updated and they do not include all contracts or details of agreements held by the Councils.

The review found that each service had its own methods of recording contract information, such as contract amendments and performance. There were a variety of officers involved in the process of administering and managing contracts, with a range of contract management skills and experience. However, there is no specific training programme related to contract management or overview.

In general, councils spend a significant amount of resources managing all their contracts and this may not be formally recorded or analysed to provide effective costing for future contract requirements or if the service and contracted provisions might change.

Services need to be more aware of contract risks and include this in the service and corporate Risk Registers. There is a need to ensure that significant contractors have business continuity plans and that the Councils have evaluated exit strategies should the contract terminate before the end of the agreement.

## **Building Maintenance – Works Scheduling 2020/21** (previously reported)

Our audit review, the majority of which was conducted during August 2020, concluded that the controls in place provided **“Limited Assurance”**.

Those officers with responsibility for maintaining the buildings owned and/or leased by the Councils understand the need for a planned maintenance schedule and the benefits this offers.

At the time of the audit, the development of a comprehensive schedule was in progress, almost fully completed for WDBC, and partially completed for SHDC. It had not been possible to finish the work in the timescales expected as staff resource was diverted to respond to requirements resulting from the Covid-19 pandemic.

There was no policy to guide the maintenance of Council property, with reliance being placed on the knowledge, experience and personal approach of the Senior Specialist - Assets (ST) and the Senior Case Manager (PC).

The Senior Case Manager was very aware of the need to undertake planned works in the most efficient manner, including minimising the travel time of the team, as well as maximising best value from hired equipment such as cherry pickers and scaffolding. However, we understand that due to the small size of the Building Maintenance team, it was very difficult to deliver the planned maintenance schedule alongside those reactive works which arise.

The latter are, by their very nature, usually of a higher priority and so take precedence over the planned tasks, which, as a result, fall behind schedule. There were insufficient members of the team skilled in certain trades to allow reactive works and planned works to be undertaken at the same time. The limited staff resource is also exacerbated by the significant amount of travel time required to reach some sites.

As a result, contractors are sometimes used to complete tasks such as painting and decorating, often at cheaper hourly rates than the Council's own internal recharges which are shown on a full cost recovery basis and include wider council costs.

We made a number of recommendations which focussed on considering how best to develop the most effective means of delivering building maintenance on a timely and efficient basis, considering the existing constraints summarised above and how these may be overcome.

Internal Audit are due to carry out a follow up review as part of the 2021/22 Audit Plan to measure progress with improvements and the results of our review will be included in an Audit Plan Progress Report that will be presented to members at a future meeting of the Audit Committee.

### **Insurance – Review of Cover Follow-Up 2020/21** (previously reported)

Following the completion of our follow up work conducted last autumn, our audit opinion remains one of **Limited Assurance** as a significant number of higher priority recommendations remain outstanding, as set out below, largely due to the impact of the Covid-19 pandemic.

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. There is nothing to suggest that the Councils are under-insured, indeed it is more likely that they are over-insured.

In 2019/20, we made several recommendations, which may contribute to the more effective management of insurance. Those relating to the administrative aspects of the annual renewal process were implemented. However, those relating to the Councils' overall approach to insurance remain outstanding, principally due to other work pressures resulting from the Covid-19 pandemic.

We understand that it is still intended to act on the recommendations made, but that the target dates have had to be reconsidered. Those outstanding include seeking impartial external advice to review the Councils' insurance arrangements, ensuring insurance only covers appropriate activities or services as required, to the level and value required, strengthening the links to the risk management process, consideration of alternative external insurance providers, other than commercial organisations, as well as self-insurance for some risks, and putting an insurance strategy in place.

### **Performance Management (Data Quality) 2020/21** (previously reported)

Following the completion of our audit which took place during September and October 2020, our audit opinion is one of "**Limited Assurance**".

The Councils' Data Quality Assurance Strategy dated from 2013, referred to a previous performance management regime and had not been brought to the attention of staff for some years. The review found the lack of formal corporate training or awareness raising with respect to the importance of data quality, reliance being placed on the arrangements of individual business areas.

Whilst the Councils have a performance management system, this was not used to best effect, only being used to record a limited number of performance measures. We understood that replacement risk and performance management software was being actively considered. This would offer the opportunity to introduce a new culture of centrally recording all performance measures.

Responsibility for the reliability and accuracy of data did not sit with one team, but rather, rested with any officer tasked with producing such information. Decisions as to whether data should be validated in any way, were left to the individual or their manager.

Having reviewed a sample of data published in the draft 2019/20 Annual Reports, we demonstrated that some of this was inaccurate, either due to human error, or not using the most recently available data.

Audit trails evidencing how a performance measure was calculated from raw data, were not always maintained, and in some instances, it was not possible to readily replicate the data.

The data published in the draft Annual Reports was not always obtained directly from the officer responsible for producing it, but was sometimes taken from intermediate sources, such as member reports. In these instances, it appeared that there was sometimes a lack of awareness that the data had in fact been legitimately adjusted prior by other officers to meet particular reporting needs, for example Government Returns which may require the exclusion of some data. This was then presented in the Annual Reports as if it were the original, unadjusted data.

Manual intervention was sometimes necessary in producing the data, but we noted instances where it may be possible to reduce the amount of intervention by better use of system reporting and spreadsheet capabilities.

The 2020/21 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the latest 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 presented in April 2021 and confirm that the agreed action has been implemented or what progress has been made. It should be noted that the management responses are as given at the time of the audit and that some actions may have been delayed due to the COVID-19 pandemic.

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

### **Non Compliance with Contract or Financial Procedure Rules**

There are no significant issues to bring to the attention of the Committee for 2020/21. Three applications for exemptions to Contract / Financial Procedure Rules have been received, two were accepted, the remaining one was subsequently cancelled.

### **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 2020, a number of data sets of information were provided to the Cabinet Office and a list of potential matches were 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**

Whilst there were no irregularities to report arising from the day to day operation of the Council, there were eight cases, in respect of COVID-19 related business rate grant applications received by both Councils, referred to Devon Audit Partnership's Counter Fraud Team for investigation. As at the end of April all remained under investigation and therefore unproven with the exception of one which had been closed as "No Further Action".

### **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 – 2020/21

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

Local performance indicator	2020/21	2020/21
	Target	Actual
Percentage of audit plan commenced	95%	77% *
Percentage of audit plan completed	95%	70% *
Actual audit days as a percentage of planned	95%	68% **
Customer satisfaction (percentage of customers stating that service is "good" or "excellent")	90%	100%
Draft reports issued within target days	90%	81%
Average level of sickness	2%	0%***
Outturn within budget	Yes	Yes

\* The impact of the COVID-19 pandemic saw audit resources diverted to assist with the processing of Business Grant applications with the result that 11 out of 47 audits were either deferred or not started as at 31<sup>st</sup> March 2021.

\*\* With the diversion of audit resources during the year onto COVID related activities, in particular, one of the audit team spending the whole year assisting with the processing of business rate grants, the number of days available for audit assignment was reduced.

\*\*\* It is pleasing to report that there were no instances of sickness within the internal audit team in the period 1st April 2020 to 31st March 2021.

## 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	<p>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.</p>
Risk	Y	<p>The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.</p>
Supporting Corporate Strategy	Y	<p>This Annual Report and the work of Internal Audit supports all six of the Corporate Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.</p>
Climate Change – Carbon / Biodiversity Impact	Y	<p>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.</p> <p>The team use an audit management system (Mki) which enables managerial review to take place remotely, thus also saving on the need for travel.</p>
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:**

**A:** Summary of progress against agreed internal audit plan 2020/21 for **West Devon Borough Council** & South Hams District Council; and

**B:** Planned Audit 2020/21 – Final Reports.

#### **Background Papers:**

Annual Internal Audit Plan 2020/21 as approved by Full Council on 28 April 2020.

■ Status as reported in previous Progress Reports    ✓ Change to Status since 19<sup>th</sup> March 2021

**Appendix A**

Summary of progress against agreed internal audit plan 2020/21 for **West Devon Borough Council & South Hams District Council**

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Report Issued in draft	Management comments received	Final Report Issued	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
<b>Work Carried forward from 2019/20</b>										
Housing Benefit 19/20	20	■	■	■	■		■			Summary presented to Audit Committee in February 2021
Treasury Management 19/20		■	■	■	■	■				Summary presented to Audit Committee in February 2021
Debtors 19/20		■	■	■	■		■			Summary presented to Audit Committee in February 2021
Creditors 19/20		■	■	■	■		■			Summary presented to Audit Committee in February 2021
Payroll 19/20		■	■	■	■		■			Summary presented to Audit Committee in February 2021
Employment / Recruitment Checks / Leavers Process 19/20		■	■	■	■			■		Summary presented to Audit Committee in February 2021
Contract Management 19/20 (All contracts)		■	■	■	■			■		Summary presented to Audit Committee in February 2021
Grounds Maintenance Operations – Follow Up 19/20		■	■	■	■		■			Summary presented to Audit Committee in February 2021





■ Status as reported in previous Progress Reports    ✓ Change to Status since 19<sup>th</sup> March 2021

## Appendix A

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Report Issued in draft	Management comments received	Final Report Issued	Assurance Opinion				Comments
						Substantial	Reasonable	Limited	No	
<b>CUSTOMER SERVICE &amp; DELIVERY</b>										
ICT Audit – Installation and Healthcheck	23	■	■	■	■		■			Summary presented to Audit Committee in April 2021
ICT Audit – Incident and Problem Management		–	–	–	–					Deferred until 2021/22
ICT Audit – Access Management		■	■							Awaiting Management Response to draft report
Locality Officers – Management, roles & scheduling	15	–	–	–	–					Deferred until 2021/22
Development Control – Planning Enforcement	15	■	■							Awaiting Management Response to draft report
Building Maintenance – Works Scheduling	10	■	■	■	■			■		Summary presented to Audit Committee in February 2021
Safeguarding	5	■	■	■	■		■			Summary presented to Audit Committee in February 2021
HR - Absence Management	5	■	■	■	■	■				Summary presented to Audit Committee in February 2021









## Definitions of Audit Assurance Opinion Levels

At the Audit Committee last February, Members were informed of changes to the assurance opinions used both for individual audit assignments and the overall/annual opinion.

For audits completed as part of the 2019/20 plan the following opinions were in use.

<b>High Standard</b>	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.
<b>Good Standard</b>	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.
<b>Improvements Required</b>	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.
<b>Fundamental Weaknesses</b>	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.

- Status as reported in previous Progress Reports    ✓ Change to Status since 19<sup>th</sup> March 2021

**Audit Assignment Assurance Opinion Levels – New from May 2020**

Following their analysis, CIPFA recommended the following standard assurance opinions for individual assignments which Devon Audit Partnership have adopted for 2020/21 assignments going forward for all its partners and clients :

<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable Assurance</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

**Overall / Annual Assurance Opinion Levels – New from May 2020**

It would seem logical to closely mirror the individual assignment opinions when providing our annual, overall assurance opinion. Some small changes are required to make this work and it was agreed that the following four ratings be used for our overall audit opinion provided during 2020/21.

<p><b>Substantial Assurance</b></p>	<p>A sound system of governance, risk management and control exists across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.</p>	<p><b>Limited Assurance</b></p>	<p>Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.</p>
<p><b>Reasonable Assurance</b></p>	<p>There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.</p>	<p><b>No Assurance</b></p>	<p>Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.</p>

## Planned Audit 2020/21 – 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.

As at 31 May 2021, 15 final reports have been issued in respect of 2020/21 work and 8 in respect of work completed from 2019/20. The conclusions from final reports issued since the last Audit Committee in April 2021, are summarised below.

Subject	Audit Findings	Management Response
<b>2020/21 Audit Plan</b>		
Main Accounting System (inc Budgetary Control)	<p><b>Audit Opinion - Substantial Assurance</b></p> <p>We were able to confirm that, in general, the setting and subsequent administration of budgets is well managed, with controls in place and operating. It was recommended that:</p> <ol style="list-style-type: none"> <li>1. Consideration be given to amending Financial Procedure Rules to create a joint set of virement authorisation requirements for SHDC and WDBC. These could take the most pragmatic aspects of each existing set of rules, possibly being based on a combination of both value and responsible officer/committee, tempered by the practice of retrospectively reporting all virements** to members as part of the following year's budget setting process.</li> <li>2. All relevant officers should be made aware of what the authorisation requirements are for virements and consideration be given for requiring evidence</li> </ol>	<ol style="list-style-type: none"> <li>1. A more pragmatic and unified approach to authorising virements is to be introduced. In future, members will be informed of any virements of £100k or more by including them in the quarterly budget monitoring reports taken to Executive at SHDC and the Hub at WDBC. Those virements under £100k will be approved by the S151 Officer or the Deputy S151 Officer.</li> </ol> <p>An automated quarterly report listing all virements will be set up, to be sent to the Head of Finance Practice (PH), providing a prompt for the review of all virements made during the period, the approval of those under £100k, as well as confirming that all virements of £100k or more have been reported to members.</p> <p>The Head of Legal Practice (DF) is currently in the process of revising the Councils' Constitutions and he will be asked to update the Financial Procedures Rules to reflect the new authorisation requirements, and to include these in the report to be taken to members seeking approval for the revisions.</p>

Subject	Audit Findings	Management Response
	<p>of authorisation to be attached to the virement itself within the general ledger.</p> <p>** A virement is where a budget is moved from one budget holder (and cost centre) to another, to better reflect where budget responsibility should be held. Virements always net to zero.</p>	<p>2. Agreed. The Finance team will be informed of what changes are to be made to the requirements for authorising virements, as well as the fact that all virements will be reviewed quarterly.</p>
Payroll	<p><b>Audit Opinion - Reasonable Assurance</b></p> <p>The current arrangements for delivering the payroll function are operating as effectively as possible, 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 manually perform a number of key calculations, such as for starters, leavers and maternity pay. Whilst the associated issues continue to cause inefficiencies, they do not cause errors in the payroll.</p> <p>The Head of HR Practice did commence an evaluation of alternative payroll systems, but the work has had to be delayed, most recently to release staff resource to assist with the Councils' response to the Covid-19 pandemic. It is now expected that a new system will not be procured and installed any earlier than April 2022.</p> <p>We have made a small number of relatively minor recommendations to strengthen existing payroll controls, including:</p>	

Subject	Audit Findings	Management Response
	<ol style="list-style-type: none"> <li>1. Ensuring that the access rights to the payroll systems are periodically reviewed to ensure they remain appropriate, with users who no longer require access having it disabled promptly.</li> <li>2. Ensuring all starters are advised of the fact that it is their responsibility to update their own emergency contact details via the Payroll self-serve portal.</li> <li>3. Consider updating guidance, to require officers to submit evidence of managerial approval for any purchase of office equipment during the COVID-19 pandemic as part of the expenses claim, particularly when in excess of the £60 limit has been claimed.</li> <li>4. The possibility of running a periodic duplicate value payments report should be investigated as part of the implementation of a new payroll system. This would identify instances where officers may have claimed against the same item more than once, whether in error or intentionally.</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. The Specialist – HR/Payroll (DB) submitted a work request to ICT asking that the individuals highlighted, plus two others, have their access removed and this has been actioned. Implementation is reliant on the ICT Practice.</li> <li>2. Agreed. New employees will be reminded of the need to check and, if necessary, update their emergency contact details at several points in the ‘new starter’ process: <ul style="list-style-type: none"> <li>• The new starter form which must be completed by employees;</li> <li>• The starters checklist which reminds managers of what information they must give to new employees;</li> <li>• The ‘Welcome’ email sent to new starters will also explain how to check and amend emergency details;</li> <li>• Periodic reminders will continue to be included in ‘The Flash’ periodically.</li> </ul> <p>The forms completed by new employees are held on their files, should emergency contact details be required and not be available on TeamSpirit.</p> </li> <li>3. Agreed. It is intended that claims under £60 are taken on self-declaration, in the same way as routine travel and expenses claims are. <p>The Specialist – HR/Payroll (DB) will be asked to put a process in place for claims over £60, requiring employees to obtain email authorisation from the relevant Business Manager, and to submit this with their claim.</p> </li> </ol>



Subject	Audit Findings	Management Response
		<p>The number of claims received in future is expected to be far fewer, as most people should have the equipment they need by now and IT equipment and chairs can be provided via the Service Desk.</p> <p>4. Agreed. The facility to highlight potential duplicate claims will be a requirement of whichever new payroll system is selected.</p>
Creditors	<p><b>Audit Opinion – Reasonable Assurance</b></p> <p>We were able to confirm that, in general, 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 in 2019/20, although a number do remain outstanding, some of which are outside the control of the Central Invoicing Team. We have repeated these, and other issues identified during our 2020/21 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"> <li>1. Ensuring that officers in business areas raise a purchase order at the time of commissioning goods or services, rather than after the invoice is received;</li> <li>2. Following procedures when updating creditors details, evidencing that bank details have been</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. A new purchase order request process was implemented on 13 April 2021 and only requests received through the Liberty system will be processed. This has been communicated to all staff via the weekly Flash and an email.</li> <li>2. Agreed. The Senior Case Manager – Support Services Finance (MB) already issues a weekly reminder to the team and also carries out monthly quality checks to ensure that procedures are being followed.</li> </ol> <p>Procedures already require that a second officer checks that bank details have been input correctly and mention of this is included in the weekly email reminders issued by the Senior Case Manager – Support Services Finance (MB).</p>

Subject	Audit Findings	Management Response
	<p>independently confirmed and a second officer checking accurate input;</p> <p>3. Ensuring that business areas authorisation of the payment of invoices, where they cannot GRN (i.e. note goods as received) these themselves, is evidenced;</p> <p>4. Correctly following procedures when raising a Faster Payment, to avoid duplicate payments also being made via the creditors system; and</p> <p>5. Improving controls over the issue of purchase cards.</p>	<p>3. Agreed. All emails relating to any GRN approval are held in a centralised invoices inbox. This is because, depending on the format of the documents provided, it is not always possible to attach them to the individual invoice record within the creditors system.</p> <p>4. Agreed. Existing procedures require any creditors system entry to be cancelled when raising a Faster Payment.</p> <p>It will be discussed with the Head of Finance Practice (PH) to identify if there is any means of making the process more robust. Ideally, the creditors entry would be automatically flagged up, but as Faster Payments are not raised through the creditors system, it may be that an extra prompt has to be included in the procedures, for either the officer raising the Faster Payment or the officer authorising it, to check that any corresponding entries on the creditors system have been cancelled.</p> <p>5. Agreed. A copy of the Cardholder Responsibilities and Guidelines document has been sent to all cardholders and they have been asked to sign and return it. The returned documents will be held by Case Management – Support Services Finance.</p> <p>The Digital Mail Room (DMR) have been instructed that they are only to hold 'unclaimed' purchase cards for eight weeks. They must then contact both the provider and the Case Management - Support Services Finance team to advise that if neither contact the DMR, then the card will be destroyed.</p>

## Planned Audit 2020/21 – Work Complete (No Audit Report)

Subject	Comments
<p><b>System of Internal Control (SIC), and Annual Governance Statement (AGS)</b></p>	<p>Included within the Internal Audit Annual Report presented to the June Audit Committee was the internal audit opinion providing assurance that the Council's systems contain a satisfactory level of internal control.</p> <p>In addition, there is a requirement for the Council to prepare an AGS statement. Internal Audit provided support and challenge, as appropriate, to the Senior Leadership Team as they drafted the statement in respect of the 2019/20 financial year.</p> <p>The S151 Officer presented the 2019/20 AGS to the Audit Committee on 30 July &amp; 15 October 2020.</p>
<p><b>Exemptions to Financial Procedure Rules</b></p>	<p>Three applications for Contract / Financial Procedure Rules have been received in the year to date, two were accepted with the remaining one subsequently cancelled.</p>
<p><b>Fraud / Irregularity</b></p>	<p>There have been no irregularities to report with the exception of eight cases relating to applications for COVID-19 business rate grants which were referred to Devon Audit Partnership's Counter Fraud Team for investigation.</p>