

Report to: **Audit Committee**

Date: **9 December 2021**

Title: **Update on Progress on the 2021-22 Internal Audit Plan**

Portfolio Area: **Cllr J Pearce – Leader of Council**

Wards Affected: **All**

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

Date next steps can be taken: N/A

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**RECOMMENDATION:**

**It is RECOMMENDED that the progress made against the 2021/22 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 2021/22 to 5 November 2021, by:

- Showing the progress made by Internal Audit against the 2021/22 annual internal audit plan, as approved by Full Council in April 2021; and
- Highlighting any revisions to the 2021/22 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 2021/22 was presented to the Audit Committee on 8th April 2021.

Progress in the period up to 5 November 2021 has continued to be impacted by the pandemic with both the completion of the 2020/21 plan and, in turn, work on the current year plan. Half of the Internal Audit resources has continued to assist officers in the payment of various grants to businesses, in particular the evaluation/reviewing of applications. Out of 278 productive days so far by the Audit team, 142 days have been spent on COVID Business Grant processing. A review of the plan may be required to decide on which audits should go ahead in the remainder of the audit year and those which can be either cancelled or deferred into 2022/23. Any amendment to the plan will be agreed by the Senior Leadership Team.

At the Audit Committee meeting in July 2021, Members recommended to the Council's Executive to procure an extra 0.5 Full Time Equivalent (FTE) of Internal Audit resource from Devon Audit Partnership for the 2021/22 Financial Year, to backfill for the loss of Internal Audit staff time that has been used to administer the COVID Business Grants for the Council. The Executive approved this at a meeting on 16<sup>th</sup> September 2021 and the Internal Audit Manager is currently arranging for the additional resource to work alongside the existing Audit Team.

I am pleased to inform the Committee that there have been no days reported sickness absence 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 regular grant claims to draw down funding. 20 days were

allocated to this work for the year in the 2021/22 Audit Plan, of which 10 days had been used as at 5 November.

### **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.

As already pointed out, progress against the agreed 2021/22 Internal Audit Plan has been impacted by the COVID-19 pandemic with half of Internal Audit resources continuing to assist with the processing of Business grant applications. However, as well as completing those audits that remained from the 2020/21 plan, work commenced on new audits, a number of which have been completed, with draft and final reports issued. For other audits, fieldwork is either in progress or has been completed and draft reports issued, and we await responses from management on the content of those reports and the recommendations made. Several 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 5 November 2021.

Overall, and based on work performed to date during 2021/22, Internal Audit is able to provide **reasonable 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).

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	<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 Progress Report and the work of Internal; Audit supports all of the Council's corporate strategy themes.</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</p>

		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 2021/22 as approved by Audit Committee on 8th April 2021.

### **Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed	<b>Yes</b>
SLT Rep briefed	<b>Yes</b>
Relevant Exec Director sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	<b>N/A</b>

## Appendix A

### Summary of progress against agreed internal audit plan 2021/22 for **South Hams District Council & West Devon Borough Council**

- Status as reported in 2020-21 Annual Report
✓ Change to Status since June 2021
✗ Progress since 1<sup>st</sup> April 2021

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>Work Carried forward from 2020/21</b>										
Housing Benefit 20/21	20	■	✓	✓	✓		✓			Final report issued. Extract provided at Appendix B.
Business Rates 20/21		■	■	✓	✓			✓		Final report issued. Extract provided at Appendix B.
Council Tax 20/21		■	■	✓	✓			✓		Final report issued. Extract provided at Appendix B.
ICT Audit – Access Management 20/21		■	■	✓	✓			✓		Final report issued. Extract provided at Appendix B.
COVID-19 – Business Grants – Post Scheme Assurance		✓	✓	✓	✓		✓			Final report issued. Extract provided at Appendix B.
Development Control – Planning Enforcement 20/21		■	■							Awaiting Management Response to draft report



**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>PLACE &amp; ENTERPRISE</b>										
Community Housing Programme (deferred from 2020-21)	10									
COVID-19 – Business Grants – Post Scheme Assurance	13	x								
Estates Property & Rents Follow Up (deferred from 2020-21)	5	x	x	x	x			x		Final report issued. Extract provided at Appendix B.
Salcombe Harbour (S.Hams) (deferred from 2020-21)	10	x								
Investment Strategy – (delegations, mgt of risk, project approach)	15									
Dartmouth Lower Ferry (S.Hams) (deferred from 2020-21)	5	x								
<b>Place &amp; Enterprise</b>	<b>58</b>									

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	











## Summary of Internal Audit Findings 2021/22 – Final Reports

As at 5 November 2021, four final reports have been issued in respect of 2021/22 work with a further five final reports relating to audits that were part of the previous 2020/21 Audit Plan. The conclusions from this work are summarised below.

Subject	Audit Findings	Management Response
<b>2021/22 Audit Plan</b>		
Estates Property & Rents Follow Up	<p><b>Limited Assurance (Direction of Travel upwards)</b></p> <p>We acknowledge that improvements have been made over the last two years, but there remain several key areas where working practices can be made significantly more effective and efficient, particularly by better use of existing software, as well controls being strengthened in a small number of areas.</p> <p>At the time of our previous audit in 2019/20, the Head of Assets post was vacant, with the present postholder commencing shortly after our audit was completed. Having spent some time becoming familiar with the wider SHDC and WDBC portfolios (beyond just commercial property) and how these are managed, the Head of Assets has independently identified a number of issues to be addressed, some of which we had raised in our 2019/20 audit report.</p> <p>There have been improvements in some of the areas we reported on in 2019/20. For example, rent reviews appear to be largely completed on a timely basis and invoices are being raised more promptly after Legal have completed a new or revised lease. Tenant arrears are now regularly monitored by the Head of Assets, the Specialist – Estates and the Senior Case Manager – Support Services Finance, whilst the latter also monitors those debtor accounts with a suppression placed on recovery. Enforcement action is decided on a case-by-case basis, where routine reminder letters haven't resulted in a payment.</p> <p>Limited work has taken place to address other issues identified in our previous review. We are therefore repeating a number of our recommendations from 2019/20, but have updated these where some</p>	<ol style="list-style-type: none"> <li>1. Agreed. The work to review and develop a property services maintenance programme continues to be progressed.</li> <li>2. Agreed in principle. Such a review is made as part of the annual asset valuations. These should cover all land and property on a cyclical basis.</li> </ol> <p>The outcome of the valuations leads to consideration as to whether or not each asset remains an appropriate part of the Councils' portfolios.</p> <p>There is a need to make sure that each property does contribute to the delivery of corporate objectives, but this would be flagged if a property was identified as no longer being fit for purpose.</p> <ol style="list-style-type: none"> <li>3. Agreed. It needs to be ensured that all information currently held on the 'Tenancy Schedule' spreadsheet is uploaded to Concerto, allowing the latter to be solely used to assist with the day-to-day management of the Councils' property portfolios and use of the spreadsheet to be ceased.</li> </ol> <p>Better use needs to be made of Concerto, including the automated reminders and reporting facilities. Training will be sought if required, to enable the system to be used to best effect.</p>

<b>Subject</b>	<b>Audit Findings</b>	<b>Management Response</b>
<p>Estates Property &amp; Rents Follow Up Contd.</p>	<p>improvements have begun to take place, or are already planned by the Head of Assets, These recommendations are:</p> <ol style="list-style-type: none"> <li>1. Introduction of a planned maintenance programme for those investment properties owned by the Councils;</li> <li>2. Regular reviews to ensure that the property portfolio continues to meet corporate objectives;</li> <li>3. Making better use of the Concerto software to manage the commercial property portfolio, removing the need for spreadsheets;</li> <li>4. Taking advantage of work- flow systems to provide efficiencies in the management of commercial properties and the collection of income;</li> <li>5. Creation of a suite of reports to provide effective management information relating to the property portfolio; and</li> </ol>	<ol style="list-style-type: none"> <li>4. Agreed. The Estates team and the Head of Assets have regular monthly meetings, which include discussion of best practice, approaches to debt recovery etc.  It is not felt appropriate to state that working practices will all have been formalised by a particular point in time, as the team constantly strive for continuous improvement.  The Senior Specialist – Estates will be asked to investigate whether any efficiencies can be gained by the use of workflow procedures in Netcall Liberty etc., in liaison with other teams where necessary.</li> <li>5. Agreed. Monthly meetings between the Head of Assets and the Estates team have been reinstated, allowing full discussion of related work matters and issues arising. Making better use of Concerto is one of those items which is discussed.  If it is felt to be necessary, some training and advice will be obtained from the supplier of Concerto.</li> </ol>
<p>ICT Audit – Incident and Problem Management</p>	<p><b>Reasonable Assurance</b></p> <p>Incremental improvements have been made in how the Service Desk operates, particularly around introducing pro-active monitoring of hardware and software health, but it is recognised by the Head of ICT that there is more which can be done to bring about further improvements.</p> <p>We have made a number of recommendations to contribute to the improved efficiency of incident and problem management, some of which are in support of actions already planned by the Head of ICT. However, we acknowledge that, in some respects, officers are restricted by the functionality of the existing software. The most significant recommendations include:</p> <ol style="list-style-type: none"> <li>1. Support for the intention to replace the service desk software with a</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. The topic has been raised by the Head of IT at a 1-to-1 with the Director of Customer Service and Delivery. The business case requires further development and will be discussed again at the next available 1-to-1.  If approved, there is no capacity within the ICT team to install a replacement system until around mid-2022.</li> <li>2. Agreed. The quality of the reporting function that can assist in these areas will be taken into account when considering any replacement service desk software.</li> <li>3. Agreed. The budget for the training has been approved and</li> </ol>

Subject	Audit Findings	Management Response
<p>ICT Audit – Incident and Problem Management Contd.</p>	<p>system which will bring about greater efficiencies;</p> <ol style="list-style-type: none"> <li>2. Development of a suite of reports within any new software, to allow pro-active identification of processes, software, upgrades, users, etc. which are the root cause of incidents and more efficient management of the Service Desk;</li> <li>3. ITIL training for the Service Desk team, as planned; and</li> <li>4. Further development of the knowledge database within the service desk software, to allow solutions and work-arounds to both incidents and problems to be held in one place.</li> </ol>	<p>the Service Desk officers have been enrolled on ITIL courses.</p> <ol style="list-style-type: none"> <li>4. Agreed. The approach of holding all solutions and work-arounds to problems in one place will be included in any future implementation of service desk software.</li> </ol>
<p>Cash Collection &amp; Online Payments</p>	<p><b>Substantial Assurance</b></p> <p>Overall, the receipt of payments by all methods appears to be well-controlled and evidenced as follows:</p> <ul style="list-style-type: none"> <li>• Third party software is used to collect debit and credit card receipts, to ensure compliance with mandatory security requirements;</li> <li>• Procedures are in place to collect and securely count and bank the cash collected from car park pay and display machines, with that banked being reconciled to that expected;</li> <li>• The posting of income to Council systems is automated as much as possible, to avoid errors such as the incorrect ledger code or personal account being used;</li> <li>• VAT is dealt with automatically, removing any need for experience on the part of those processing or coding payments;</li> <li>• Each receipt has a unique transaction reference and a full audit trail of its origin and destination.</li> </ul> <p>We have made a relatively minor recommendation in relation to the storage of that cash collected from the car parks pay and display machines outside of the timetabled collections.</p>	<p>Agreed in principle. However, there are four CEOs, any of whom may potentially have to empty a pay and display machine out of hours and deliver the cash box to Kilworthy Park for storage.</p> <p>There is reluctance to give an additional four officers access to the strong room. Instead, the cash boxes are placed in a locked cupboard in a locked office, within the headquarters that are also locked out of hours, providing three layers of security.</p> <p>It is accepted that this arrangement is not ideal but it is felt to be the best available in the circumstances.</p>

Subject	Audit Findings	Management Response
<p>Climate Change</p>	<p><b>Reasonable Assurance</b></p> <p>The Councils are making steady progress in achieving their aim of reducing their carbon footprints, as well as enabling local communities to do the same by facilitating, either directly or indirectly, the provision of infrastructure and knowledge to do this. However, we have limited this summary to those areas which we have examined as part of our review that focussed on two actions within the approved Action Plans, namely electric vehicle charging points and Climate Change and Biodiversity Locality Fund grants at South Hams:</p> <p>The review also followed up the agreed recommendations from the 2020/21 Climate Change audit report and we are able to report that the majority of agreed actions within that report have either been delivered or are in progress;</p> <p>Our findings include:</p> <ol style="list-style-type: none"> <li>1. The Climate Change and Biodiversity Locality Fund grants appear to be well controlled, although we have made a recommendation around applicant declarations, as part of the funding application disclaimer;</li> <li>2. As intended by officers, a formal strategy for the provision of EV charging, both for the public and for use by the Councils themselves, needs to be developed and linked to a programme of delivery;</li> <li>3. The plan for moving the Councils’ environmental management vehicles over to EVs should be formalised and a specification of charging requirements provided to the Assets Practice, allowing appropriate provision to be made on a timely basis; and</li> <li>4. As planned, the Carbon Literacy Training should be completed by the Senior and Extended Leadership Teams, providing managers with the tools to consider the impact on climate change when planning service delivery. The same training can then be rolled out to other officers to raise awareness.</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. For each of the Climate Change and Biodiversity funding streams, applicants will be required to confirm that the information they have provided is correct to the best of their knowledge and that they understand both the general terms and conditions of receiving the grant, as well as those specific to the particular fund.</li> <li>2. Agreed. Discussions are already under way with Exeter University to see if they can assist in developing a realistic strategy for the installation of EV charging facilities and the provision and use of renewable energy. Some reference to future plans for EV charging was made in a report to Executive on 16 September 2021.</li> </ol> <p>Whilst a timeframe for developing a formal strategy cannot be defined until work with the University is progressed further, it is recognised that the matter is urgent in terms of delivering the Councils’ climate change agenda.</p> <ol style="list-style-type: none"> <li>3. Agreed. A fleet forward plan is to be drawn up by the Case Management Team Leader – Commercial Services.</li> </ol> <p>It is envisaged that between six and ten existing vehicles can be replaced with EVs within six months. Unfortunately, there is a long lead-in time at present due to the global microchip shortage.</p> <ol style="list-style-type: none"> <li>4. Agreed. All of SLT have completed the training, as well as the vast majority of ELT. In addition, those officers who are key to the delivery of those actions within the Corporate Strategies, which are linked to Climate Change and Biodiversity, as well as the Action Plans themselves, also attended the training.</li> </ol> <p>It is the intention to cascade the training to all remaining</p>



Subject	Audit Findings	Management Response
		<p>staff, as well as to members. However, over the next three months (to 31 January 2022) the cost implications of this, as well as how and when the training can be delivered, have to be determined.</p>
<p><b>2020/21 Audit Plan</b></p>		
<p>Housing Benefit 2020/21</p>	<p><b>Reasonable Assurance</b></p> <p>We have given our Audit Opinion despite there being several high priority recommendations, particularly with respect to quality checks of assessors' work and proactive recovery and enforcement. Both of these areas have suffered as a result of other work pressures placed on staff due to the Covid pandemic, although managers have endeavoured to maintain existing controls as far as possible, even if at a much-reduced level. Plans are in place to address both issues, although at the time of our review, these link, to a large degree, to the completion of the Revenue and Benefits service review being made by the Specialist – Legal), the timing of which is not in the control of the Benefits team.</p> <p>The use of on-line benefit claim forms, and workflow processes within the electronic document management system, has allowed the benefits service to continue to make best use of the staff resources available to it.</p> <p>There are some areas where action could be taken to further strengthen existing controls or gain efficiencies. The most important of these relate to the re-commencement of those procedures which have been suspended or reduced as a result of other work pressures created by the Covid pandemic, including:</p> <ol style="list-style-type: none"> <li>1. The re-introduction of regular quality checks of benefit assessors work, to ensure that accuracy targets are being met;</li> <li>2. Establishing the effectiveness of enforcement agents in recovering housing benefit overpayments.</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. The Senior Specialist – Benefits and the Specialist – Benefits completed a lot of quality checks following the 2020/21 external audit. Whilst these have continued into 2020/21, other work pressures have meant that the number completed has reduced. Making the checks is time-consuming and experience has shown that they are difficult to fit around other responsibilities.</li> </ol> <p>Ideally, a dedicated officer would be responsible for delivering a programme of checks, to include subsidy checks and quality checks for example. The matter is to be raised as part of the Benefits service review.</p> <p>Therefore, the recommendation will be responded to in two parts: In the short term, the number of quality checks completed by the Senior Specialist – Benefits and the Specialist – Benefits will be increased. In the longer term, responsibility for completing checks will be reviewed, preferably creating a dedicated post.</p> <p>At present, it is not felt appropriate to introduce formal performance management, as not all Benefit Assessors have had the same level of training, or it may be some time since some individuals last received any training.</p> <p>Once the training package purchased from the Institute of Revenues, Rating and Valuation (IRRV) has been delivered in full, and all team members have confirmed that they understand the training they have received, then it is intended to commence formal performance management</p>

**Appendix B**

Subject	Audit Findings	Management Response
<p>Housing Benefit 2020/21 Contd.</p>		<p>of the Benefit Assessors, which should result in improved accuracy targets.</p> <p>2. Agreed in principle. The enforcement agents' contract needs to be reviewed in detail, to establish whether or not such action would be beneficial, given their limited powers and the inability to charge fees when recovering HBOPs.</p> <p>The matter is to be considered in more depth as part of the Benefit service review being carried out by the Specialist – Legal). The conclusions are to be awaited before potentially completing any trials or putting guidance in place.</p>
<p>Council Tax and Business Rates 2020/21</p>	<p><b>Limited Assurance</b></p> <p>The Covid pandemic has impacted heavily on the Revenues team, almost all of whom have spent 2020/21 working on Covid Business Support Grants, in addition to delivering day to day work. Despite bringing in staff from other teams to assist with the grants, there has been insufficient staff resource to carry out anything other than essential routine revenues work.</p> <p>All Devon authorities agreed to suspend recovery and enforcement from March 2020, only slowly re-introducing some limited recovery work in late 2020. At the time of the audit, it had not been possible to fully re-commence recovery and enforcement due to limited staff resource whilst this was diverted to Business Support Grant work.</p> <p>The Specialist - Legal had been asked by managers to undertake a Revenue and Benefits service review, covering all aspects of the teams' work. The work began some time after we commenced our audit, which, due to the work pressures on the staff we needed assistance from, has been spread over several months. We are aware that the service review has focussed on some particular areas, including maintaining the property database and recovery and enforcement. We have therefore limited our work in these areas to following up recommendations from last year and testing of existing controls, to avoid duplication of work.</p>	<p>1. Agreed. The Senior Case Manager has been completing ad hoc quality checks and undertaking one to one coaching where a need is identified.</p> <p>Regular quality checking is to be reintroduced as soon as the team has capacity, which will be once the Senior Case Manager - Revenues ceases Business Grant work. It was hoped that this would be during June 2021, but the Case Management Team Leader) was notified that almost 1,000 letters had been issued, inviting those businesses which received a Local Restrictions Support Grant, but which haven't applied for a Restart grant, to do so.</p> <p>It is also intended that the Case Management team take advantage of the Institute of Revenues, Rating and Valuation training package which has recently been purchased by the Revenues team.</p> <p>It is hoped to develop a multi-skilled Revenues and Benefits Case Management team who can take calls and complete the resultant back office tasks, which will give more ownership and so greater incentive to complete the work accurately and correctly.</p>

Subject	Audit Findings	Management Response
<p>Council Tax and Business Rates 2020/21 Contd.</p>	<p>Whilst some of the recommendations that we made last year have been implemented, a number remain outstanding, almost entirely due to staff being required to work on the Business Support Grants. We have therefore repeated those recommendations which are not yet complete or otherwise resolved, as a reminder, as well as raising a small number of new matters. The most significant issues include:</p> <ol style="list-style-type: none"> <li>1. The re-introduction of quality monitoring of Case Management and Contact Centre staffs' work as soon as staff resources allow;</li> <li>2. Ensuring that effective use is being made of all staff resource and, importantly, that single points of failure are removed or mitigated;</li> <li>3. Resource should be made available, and procedures reviewed, to allow the prompt identification of new and re-purposed properties;</li> <li>4. Delivery of a programme of review of discounts reliefs and exemptions, to confirm continued eligibility.</li> </ol> <p>In the case of Council Tax, the Single Occupancy Discount is most significant in terms of value (approximately £6.1m for SHDC and £3.8m for WDBC in 2020/21). This discount was reviewed in 2019/20, but no reviews have been undertaken of any other discounts or exemptions. The remainder are for much lower values than the Single Occupancy Discount and several do have to be evidenced (such as those relating to Severe Mental Impairment or to Students);</p> <p>With regard Business Rates, the value of that which is normally the most significant to the Councils, the Small Business Rate Relief, is approximately £9.6m for SHDC and £3.5m for WDBC. However, during 2020/21, this was exceeded by the Retail Reliefs temporarily awarded to businesses as part of the Governments response to the Covid pandemic (SHDC £14.4m; WDBC £6.4m), which cease on 30 June 2021 unless there is a decision to extend them;</p> <ol style="list-style-type: none"> <li>5. The effectiveness of recovery and enforcement procedures should be reviewed, including making a regular review of broken arrangements to identify those accounts where customers have defaulted on special arrangements to pay;</li> </ol>	<p>The benefits of the Liberty Call / Quality Monitoring package will be investigated to see if it offers efficiencies, particularly for call monitoring.</p> <ol style="list-style-type: none"> <li>2. Agreed. The Specialist – Legal is carrying out a Revenue and Benefits service review, which it is expected to recommend where staff resource is best utilised. These recommendations will contribute to informing future decisions about how staff resource is allocated and whether additional resource can be brought in, within existing budgets or on an “invest to save”/business case basis.</li> </ol> <p>Meanwhile, the Specialist – Council Tax’s secondment to the Revenues team had been extended to September 2021.</p> <ol style="list-style-type: none"> <li>3. Agreed. New properties can be proactively identified by officers visiting areas with which they are very familiar. However, the Councils have moved away from this approach and have insufficient resource to reintroduce it.</li> </ol> <p>Other teams within the Councils may be reluctant to share new property information with the Revenues team due to the General Data Protection Regulation, but, in fact, legislation does allow this information to be shared for the purpose of maintaining an up to date ratings list.</p> <p>Several teams across the Councils need to be aware of new properties, some of whom will require the information before a property is added to the ratings list. Therefore, it may be more appropriate to take a corporate approach to identifying new properties, not necessarily led by the Revenues team.</p> <p>Once the outcome of the Revenue and Benefits service review is known and the recommendations of the Specialist – Legal received, the matter will be discussed with the Business Manager – Case Management and the Customer</p>

Subject	Audit Findings	Management Response
<p>Council Tax and Business Rates 2020/21 Contd.</p>	<p>6. It should be determined how best cases can be allocated to the three enforcement agent companies and their performance monitored; and</p> <p>7. An updated write off policy and associated procedures should be written, guiding officers as to when debts should be written off, to avoid investing limited staff resource in attempting to recover debts where it may be no longer cost-effective to do so, as well as removing the need for all write off requests to be reviewed in detail to ensure consistency.</p>	<p>Service Improvement Manager), to review the entire process, including the automation of sharing information.</p> <p>Meanwhile, the Database Team has been increased to three members of staff but, unfortunately, they have needed to work on Business Grant processing during 2020/21 and personal circumstances have required several staffing changes, reducing their ability to focus on improving existing procedures.</p> <p>4. Agreed. There is a need to review all discounts, reliefs and exemptions awarded on Council Tax and Business Rates, using a strategic approach to guide a rolling programme.</p> <p>The Specialist – Council Tax has been asked to write a business case for additional staff resource to carry out such reviews for both Council Tax and Business Rates. This will then be considered in conjunction with any recommendations made by the Specialist – Legal regarding staff resource, as part of the Revenue and Benefits service review.</p> <p>5. Agreed. Procedures will be reviewed once the recommendations of the Revenue and Benefits service review are received.</p> <p>It is generally felt that a corporate debt recovery team may allow more effective and efficient enforcement, with benefits for both customers and the Councils.</p> <p>In terms of broken arrangements, in the short term, a Business Objects report will be run to identify those accounts with a larger balance and which have broken arrangements to pay.</p> <p>If this doesn't provide a satisfactory long term solution then the Specialist – ICT Applications will be asked to create a report for the purpose, although this will take longer as the officer has been involved in Business Grant work.</p>

**Appendix B**

Subject	Audit Findings	Management Response
<p>Council Tax and Business Rates 2020/21 Contd.</p>		<p>6. Agreed. The Specialist – ICT Applications has been asked to build a workbook which will be used to manage the allocation of cases.</p> <p>Sample cases have been sent to each Enforcement Agent to ensure that all systems are working. So far remits have been received from two of the three companies.</p> <p>Finance have asked Adelante, who supply the income management software, to set up individual codes for each of the three companies, which will allow performance monitoring to be carried out more readily. Until this is done, a spreadsheet of remits from each company is having to be maintained.</p> <p>It is intended to identify specific staff resource to be responsible for performance monitoring of the enforcement agents once the results of the Revenue and Benefits service review are published and resource needs across the services are known.</p> <p>7. Agreed. The Specialist – Legal (KW) will be asked to consider this as part of the Revenue and Benefits service review.</p>
<p>ICT Access Management 2020/21</p>	<p><b>Reasonable Assurance</b></p> <p>We have raised several recommendations where there is the opportunity to strengthen existing controls:</p> <ol style="list-style-type: none"> <li>1. Creation of a robust leavers process to ensure that they are removed from all IT systems promptly;</li> <li>2. Provision of Data Protection and Information Management refresher training; and</li> </ol>	<p>1. Agreed. The Head of ICT Practice has advised that on completion of the necessary training, a member of his team is to be tasked with creating forms within the Liberty system for internal use. This will include tasks such as advising HR and ICT of staff who are leaving the Councils' employment, to replace the Word documents available on the intranet.</p> <p>In addition, a new automatic report and remediation function in a system called Adaxes is being implemented. This scans for unused accounts and moves them into a disabled</p>

**Appendix B**

Subject	Audit Findings	Management Response
<p>ICT Access Management 2020/21 Contd.</p>	<p>3. Review of access rights to All On Mobile and Concerto, to ensure that they are based on the least privilege principle, within the parameters of the system, and that generic accounts are only used when necessary.</p>	<p>container within Active Directory. After another period of time the account is automatically removed.</p> <p>2. Agreed. Data Protection refresher training was planned to be rolled out in February 2021 as agreed with HR.</p> <p>3. Agreed. The Senior Specialist – Estates has been asked to ensure that only those who need access to the Concerto system have the privilege, and at an appropriate level.</p> <p>Consideration will be given to reducing the number of generic accounts on All On Mobile and a review carried out of those users on that system who have unrestricted access.</p>
<p>COVID-19 – Business Grants – Post Scheme Assurance 2020/21</p>	<p><b>Substantial Assurance</b></p> <p>The circumstances the Councils found themselves in required procedures for receiving and processing applications to be rapidly developed and rolled out. Staff were drafted in from several teams across the Councils to assist in the processing of applications. In addition, officers were required to continue with essential day-to-day work, many completing numerous extra hours to ensure the success of the Business Grants schemes.</p> <p>The procedures for processing applications, combined with manual and automated pre-payment checks, have largely prevented ineligible payments from being made. Post-payment checks did subsequently identify a small number of incorrect payments. Most were paid from the wrong grant fund in error and simply required recoding, whilst a small number weren't eligible for funding at all. This has led to some overpayments, which have been recovered from future grants due to the applicant where possible, otherwise a debtor's invoice has been raised.</p> <p>The Councils robust approach to accepting and processing grant applications, has minimised the occurrence of fraud. At the time of writing, there were seven cases of suspected fraud, with grants having been paid in only three instances (total value £25k) and all remained under investigation. Post-payment checks continue to be made by officers and so may highlight additional cases.</p>	<p>1. Agreed. Pre-payment checks have been completed for all applications received during 2020/21, company checks being made using Spotlight and bank account checks being made using the NFI.</p> <p>However, the NFI now also offer the opportunity to complete a joint company and bank account check, which would meet the Government's requirement for a post-payment assurance check to be made. It is therefore intended to submit all applications to NFI to carry out post-payment checks.</p> <p>All NFI returns, which are flagged for any reason, are now reviewed, not just those which are high risk. However, the order of review has been prioritised, starting with those which are returned as being the highest risk.</p> <p>Whilst the results may be RAG rated, there are in fact about six sub-categories, depending on what sort of discrepancy may have been identified, for example, applicant name doesn't match that on the bank statement.</p> <p>2. Agreed. Some sample checks were carried out, but possibly these were not evidenced or part of a formal</p>

Subject	Audit Findings	Management Response
<p>COVID-19 – Business Grants – Post Scheme Assurance 2020/21 Contd.</p>	<p>We have made a small number of recommendations, some relating to the grants delivered during 2020/21, and some for consideration should similar circumstances arise in the future. The most significant include:</p> <ol style="list-style-type: none"> <li>1. Ensuring that details of all successful applicants are submitted to the National Fraud Initiative, to allow bank account and 'active company' checks to be undertaken and the results reviewed on receipt;</li> <li>2. Updating the revenues system where grant applications have highlighted that the Councils had not been provided with the most recent and/or accurate liable party details, contact addresses, new business premises etc.; and</li> <li>3. In similar scenarios, giving consideration to undertaking a programme of random checks of both successful and unsuccessful applications, to ensure that all officers are processing these in line with guidance.</li> </ol>	<p>programme of checks.</p> <p>BEIS have also carried out a programme of random sample checks.</p> <p>Should there be a requirement to deliver a similar scheme of grants in the future, random sample checks would again be made by senior officers, but it would be ensured that an audit trail was put in place to evidence these.</p> <p>Meanwhile, the ARG third tranche runs until the end of 2021/22 and so evidenced random sample checks can be put in place for this part of the scheme.</p> <ol style="list-style-type: none"> <li>3. Agreed. Some sample checks were carried out, but possibly these were not evidenced or part of a formal programme of checks.</li> </ol> <p>BEIS have also carried out a programme of random sample checks.</p> <p>Should there be a requirement to deliver a similar scheme of grants in the future, random sample checks would again be made by senior officers, but it would be ensured that an audit trail was put in place to evidence these.</p> <p>Meanwhile, the ARG third tranche runs until the end of 2021/22 and so evidenced random sample checks can be put in place for this part of the scheme.</p>

## Definition of Assignment and Overall Assurance Opinions

Audit Assignment Assurance Opinion Levels – as from May 2020

<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 – As from May 2020



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<b>Substantial Assurance</b>	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.	<b>Limited Assurance</b>	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.
<b>Reasonable Assurance</b>	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.	<b>No Assurance</b>	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.

## Planned Audit 2021/22 – 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 were available to provide support and challenge, as appropriate, to the Senior Leadership Team as they drafted the statement in respect of the 2020/21 financial year.</p> <p>The S151 Officer presented the 2020/21 AGS to the Audit Committee on 2 September &amp; 28 October 2021.</p>
<p><b>Exemptions to Financial Procedure Rules</b></p>	<p>Five applications for Contract / Financial Procedure Rules have been received in the year to date, four were accepted and the remaining one was cancelled.</p>
<p><b>Fraud / Irregularity</b></p>	<p>There have been no irregularities to report.</p>
<p><b>Covid 19 - MHCLG Lost Sales, Fees &amp; Charges Compensation Scheme</b></p>	<p>Internal Audit were asked to undertake review and challenge of the returns prepared by officers when claiming under the Govt scheme, the first in May 2021 and more recently, in October 2021. In both cases, Internal Audit were able to confirm the accuracy of the claims and provide substantial assurance on the two submissions.</p>