

Report to: **Audit Committee**  
Date: **25 January 2018**  
Title: **Update on Progress on the 2017-18 Internal Audit Plan**  
Portfolio Area: **Support Services – Cllr S Wright**  
Wards Affected: **All**  
Relevant Scrutiny Committee: Overview and Scrutiny Panel

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

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## **RECOMMENDATION**

**It is RECOMMENDED that the progress made against the 2017/18 internal audit plan, and any key issues arising are 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 2017/18 to 31 December 2018, by:

- Showing the progress made by Internal Audit against the 2017/18 annual internal audit plan, as approved by this Committee in March 2017; and
- Highlighting any revisions to the 2017/18 internal audit plan;
- Providing a further update on the Council's review of its approach to pursuing debtors and the latest available outstanding debt figures.

## **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 2017/18 was presented to and approved by the Audit Committee in March 2017. Progress in the period up to 31 December 2017 has been in line with expectations and included completion of work carried forward from 2016/17. There has been slight impact due to sickness absence totalling 13 days (apportioned SHDC 10 days, WDBC 3 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. 20 days were allocated to this work for the year in the 2017/18 Audit Plan. However, 27 days have been spent to date and on that basis it is estimated that another 13 days, on top of that allocated in the plan, may be required for the final quarter of the financial year.

In response to the reduction in available days 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 the 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 the estimated additional 20 days required.

### **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 2017/18, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

The 2017/18 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the position for each audit as at 31 December 2017.

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

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

**Non Compliance with Contract or Financial Procedure Rules** - there are no significant issues to bring to the attention of the Committee so far this year. 12 applications for exemptions to Contract / Financial Procedure Rules have been received in the year to date, all were accepted with the exception of one where it was deemed that an exemption was not required.

#### **Irregularities**

There are no irregularities to report.

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

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

None

### **Background Papers:**

Annual Internal Audit Plan 2017/18 as approved by the Audit Committee on 23 March 2017.



## 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>										
Depots & Stores (S.Hams)	10	■	■					■		
Salcombe Harbour (S.Hams)	10									
Dartmouth Lower Ferry (S.Hams)	8									
Environmental Services - Coastal Work (S.Hams)	8	■	■	■	■			■		Summary in Appendix B below
Commercial Waste Follow-Up (S.Hams)	4	■	■	■	■			■		Previously Improvements Required Summary in Appendix B below
Household Waste Follow-Up (S.Hams)	4	■	■	■	■			■		Previously Improvements Required Summary in Appendix B below
Recycling Waste Follow-Up (S.Hams)	4	■	■	■	■			■		Previously Improvements Required Summary in Appendix B below
Health & Safety Follow-Up	3	■	■	■	■			■		Previously Improvements Required, however overall "direction of travel" is very positive. Summary in Appendix B below

## 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	
Grounds Maintenance Follow-Up	3	■	■	■	■		■			Previously Improvements Required  Summary presented to Audit Committee in September 2017.
Markets	8									
<b>Commercial Services</b>	<b>62</b>									
<b>CUSTOMER FIRST</b>										
Asset Management	5									
Planning (Applications)	15									
<b>Customer First</b>	<b>20</b>									
<b>STRATEGY &amp; COMMISSIONING</b>										
Contract Management – Leisure Contract Waste Contract (W.Devon)	20	■								Audit presence during the procurement phase of the Frontline Waste Services contract
Administration of Member Expenses	6									
Partnerships & Partnership Management	10	■	■	■	■		■			Summary in Appendix B below



## 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	
Performance Management (KPI's & data quality)	20									
Risk Management Follow-Up	15									
Safeguarding (S11 self-assessment)	5	■	■	■	■		■			Summary in Appendix B below
<b>Strategy and Commissioning</b>	<b>76</b>									
<b>SUPPORT SERVICES</b>										
ICT Audit - Access Management	25	■	■	■	■		■			Summary to Audit Committee in September 2017
ICT Audit - Change Management		■	■	■	■			■		Summary to Audit Committee in September 2017
ICT Audit Health Check		■	■	■	■		■			Summary to Audit Committee in September 2017
Corporate Information Management (DPA/FOI Frameworks)	10									
Business Continuity Follow-Up - Emergency Planning - Business Continuity	5	■	■	■	■		■			Original opinion of Improvements Required Summary in Appendix B below
									■	Original opinion of Fundamental Weaknesses Summary in Appendix B below



## Planned Audit 2017/18 – Final Reports

As at 31 December 2017, 13 final reports have been issued in respect of 2017/18 work. Reports finalised in the current year in respect of the 2016/17 audit plan together with four reports covering the 2017/18 plan were reported to the Audit Committee at the end of September. Final reports issued since the last Audit Committee are included below.

Subject	Audit Findings	Management Response
<b>2017/18 Audit Plan</b>		
Environmental Services - Coastal Work	<p><b>Audit Opinion – Improvements Required</b></p> <p><b>Conclusions</b></p> <p>We were able to confirm that all but one recommendation made in our previous audit of 2014/15 have been implemented, and that one is partly outside the control of Council officers, namely to conclude negotiations between the District Council and Dart Harbour Navigation Authority regarding the management of Dartmouth Southern Embankment and charges for the use of associated infrastructure;</p> <p>We have repeated this in our latest report as a reminder, and made a number of other recommendations to contribute to the strengthening of controls over the management of coastal assets which include:</p> <ol style="list-style-type: none"> <li>1. To draw up a planned programme of coastal asset repairs, with monitoring of progress against this plan;</li> <li>2. To create a single coastal assets database; and</li> <li>3. To ensure that licences for the use of maritime structures owned by the Council are reviewed and renewed on a timely basis.</li> </ol>	<p>Negotiations have been continuing between the Assets COP Lead and the Dart Harbour Master. A meeting was planned for November 2017 at which it was hoped that Heads of Terms could be agreed. A final agreement has been delayed pending the resolution of certain legal and practical issues.</p> <p>An adequate programme of works does exist, although this is probably not communicated as well as it could be. Works are prioritised on the basis of need, scale, required effort, impact and ease of procurement.</p> <p>A spreadsheet is currently used to maintain a database of all Council coastal assets. This is very comprehensive and for each asset includes risk assessments, repairs done and required, associated costs, inspection dates, consequences of asset failure, links to pictures of the assets etc. The spreadsheet is felt to be more than adequate for the Council's needs.</p> <p>However, Teignbridge District Council are using a database called Shoreline &amp; Nearside Database System (SANDS) for SDADCAG work and it is also used by the Environment Agency. It is intended to migrate all SHDC data to SANDS to contribute to a regional record of all coastal assets. Also, the database may offer additional</p>

**Appendix B**

Subject	Audit Findings	Management Response
		<p>features such as notifications etc which aren't available in a spreadsheet. However, this is not considered a high priority.</p> <p>Every effort will be made to ensure that relevant licences are reviewed and renewed on a timely basis and that annual increases stated in agreements are actioned wherever possible.</p>
<p>Commercial Waste (Follow-up)</p>	<p><b>Original Audit Opinion - Improvements Required</b></p> <p><b>Updated Audit Opinion – Good Standard</b></p> <p><b>Conclusions</b></p> <p>Whilst a number of recommendations made in our original report had been actioned/implemented there were a number that had not.</p> <p>Those recommendation not yet implemented include:</p> <ol style="list-style-type: none"> <li>1. Formally requesting an exemption from Contract Procurement Rules for those relevant items of expenditure where a procurement is not completed;</li> <li>2. Ensuring adequate debt recovery procedures are in place;</li> <li>3. Reviewing the current model for service delivery and considering alternatives, including charging structures; and</li> <li>4. Undertaking promotion and development of the service</li> </ol>	<ol style="list-style-type: none"> <li>1. Formal exemptions will be requested where there are no other viable suppliers. Regular reviews of the market can be undertaken to ensure that the Council is using the most economically feasible contractor e.g. for commercial food waste.</li> <li>2. The recently formed corporate debt recovery team have been asked to prioritise trade waste debt and this appears to be having positive results.</li> <li>3. The use of on-board weighing technology so that customers are charged by weight rather than volume, is prohibitively expensive.</li> </ol> <p>There is a need to re-visit the pricing schedule based on weights collected in previous years, and also allowing for visits where no waste has been left for collection, as well as overall service costs.</p> <p>This will be done as part of the 2018/19 budget setting process.</p> <ol style="list-style-type: none"> <li>4. A business plan will be developed to promote the profitable segment of the trade waste market.</li> </ol>
<p>Household Waste (Follow-up)</p>	<p><b>Original Audit Opinion - Improvements Required</b></p> <p><b>Updated Audit Opinion – Good Standard</b></p>	<ol style="list-style-type: none"> <li>1. Officers are examining more effective ways of analysing and apportioning operational staff time. A clocking in system is now being considered for all</li> </ol>

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Subject	Audit Findings	Management Response
	<p><b>Conclusions</b></p> <p>We were able to confirm that a substantial number of recommendations made in our previous audit have been implemented and effective controls are now in place. However, a number remain outstanding, largely due to other work pressures.</p> <p>Those recommendation not yet implemented include:</p> <ol style="list-style-type: none"> <li>1. Considering more effective means of analysing and apportioning operational staff time;</li> <li>2. Ensuring that waste sacks are procured in line with Contract Procedure Rules;</li> <li>3. Undertaking a procurement for the hire of a JCB at the Tor Quarry Waste Transfer Station, and building resilience into the resultant contract; and</li> <li>4. Review those 'tipping away' fees charged by Devon County Council to the Councils and vice versa, to ensure that they remain appropriate and cover the relevant authority's costs.</li> </ol>	<p>depot operatives. Suitable systems are being examined and quotes will be sought. As a result, it is envisaged there will be savings of officer time made.</p> <ol style="list-style-type: none"> <li>2. An appropriate officer will be identified to take on responsibility for the purchasing of all waste sacks, using existing purchasing frameworks to obtain best value for money.</li> <li>3. Officers will be tasked with hiring a JCB in line with Contract Procedure Rules, as well as ensuring that any contract is robust enough to provide resilience to the operations of the Waste Transfer Station.</li> <li>4. Regular discussions with DCC regarding contributions remain on-going as part of the waste services commissioning process and these contributions will be covered as part of those discussions.</li> </ol>
<p>Recycling Waste (Follow-up)</p>	<p><b>Original Audit Opinion - Improvements Required</b></p> <p><b>Updated Audit Opinion – Good Standard</b></p> <p><b>Conclusions</b></p> <p>Whilst a number of recommendations made in our original report had been actioned/implemented there were a number that had not.</p> <p>Those recommendation not yet implemented include:</p> <ol style="list-style-type: none"> <li>1. Considering more effective means of analysing and apportioning operational staff time;</li> <li>2. Ensuring that sufficient resource is available to allow material income invoices to be raised promptly;</li> <li>3. Ensuring that recycling sacks are purchased in line with Contract Procedures Rules;</li> <li>4. Ensuring that the Council's share of the bond recoverable against a recycling company that had gone into administration is claimed from Devon County</li> </ol>	<ol style="list-style-type: none"> <li>1. Officers are examining more effective ways of analysing and apportioning operational staff time. A clocking in system is now being considered for all depot operatives. Suitable systems are being examined and quotes will be sought. As a result, it is envisaged there will be savings of officer time made.</li> <li>2. The raising of invoices will be monitored, in liaison with the Support Services Case Management Manager, to ensure that this is happening on a timely basis;</li> <li>3. An appropriate officer will be identified to take on responsibility for the purchasing of all waste sacks, using existing purchasing frameworks to obtain best value for money.</li> </ol>

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Subject	Audit Findings	Management Response
	<p>Council; and</p> <p>5. Introducing arrangements to audit furniture re-use recycling credit claims.</p>	<p>4. An invoice was raised and subsequently paid by Devon County Council in respect of the recycling company that had gone into administration.</p> <p>5. Reliance will be placed on audited accounts produced by charitable organisations and on the random spot checks carried out by Devon County Council of organisations in receipt of re-use credits.</p>
<p>Health &amp; Safety (Follow-up)</p>	<p><b>Original Audit Opinion - Improvements Required</b></p> <p><b>Updated Audit Opinion – Improvements Required</b></p> <p><b>Conclusions</b></p> <p>Following the completion of our follow up work our audit opinion remains as 'Improvements required', due to a number of recommendations which remain in progress. However, the considerable amount of work undertaken by staff, largely under the guidance of the Health and Safety COP, should not be under-estimated. Significant improvements have been made since our last review, with further work planned. The overall “direction of travel” is considered to be very positive.</p> <p>An initial review of health and safety arrangements across the Council has been completed and up to date risk assessments made for the majority of functions. Staff training modules have been created on WorkPal and Safe Systems of Work developed for operational staff within Commercial Services.</p> <p>However, it is important that individual managers understand their on-going responsibilities, including the need to embed procedures to ensure regular reviews of risk assessments, workplace inspections, delivery of staff training etc.</p> <p>We have raised a number of recommendations, supporting the on-going work being led by the Health and Safety COP, as well as some additional considerations, including the following:</p> <p>1. Continuing to promote the Health and Safety Policy and associated Codes of Practice and making sure that all staff are aware of them;</p>	<p>1. The staff survey demonstrated that over 90% of staff are aware of their health and safety responsibilities, but this needs to be improved. It will be ensured that health and safety information is included in future staff communications. Additionally, ICT will be asked to assist in making it a mandatory requirement to read high level health and safety documents and other risk assessments for higher risk areas (such as lone working) using “net consent” principles.</p> <p>2. There is potential to develop a Learning Pool e-learning module for all staff, to raise awareness of existing health and safety responsibilities. The module could be mandatory and a record kept to show who had completed it.</p> <p>3. SLT have recently attended a Health and Safety training course.</p> <p>All managers who are responsible for staff have now received and passed a ‘Leading Safely’ course.</p> <p>4. A master list of risk assessments can be created and used to ensure timely reviews of existing risk assessments. Limitations exist around the Environmental Health COP Lead being able to identify whether or not any risk assessments are missing. The communication of individual risk</p>

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Subject	Audit Findings	Management Response
	<ol style="list-style-type: none"> <li>2. Ensuring that all staff are aware of their responsibilities for health and safety matters as well as those risk assessments which relate to them;</li> <li>3. Provision of appropriate health and safety training for all staff;</li> <li>4. Completion of the outstanding risk assessment reviews which need to be made for some functions within Commercial Services; and</li> <li>5. Confirming managers have procedures in place to ensure that regular reviews are made of risk assessments, as well as associated Safe Systems of Work.</li> </ol>	<p>assessments will rely on managers and supervisors (as nominated by Group Managers) in each area. This will be raised via the Health and Safety COP.</p> <ol style="list-style-type: none"> <li>5. Each of these managers will be given an objective of ensuring that all appropriate risk assessments are carried out for their areas of responsibility, including following up any issues identified. They will also be required to feed back to the virtual H&amp;S COP on their actions and the status of the risk assessments.</li> </ol> <p>Specialist - Commercial Services (RH) is responsible for delivering Safe Systems of Work through “Toolbox Talks”, ensuring that these are brought to the attention of all staff who must acknowledge their understanding.</p> <p>This is on-going work with a minimum of annual reviews for all relevant tasks, and more frequent reviews for higher risk areas.</p>
Partnerships & Partnership Management	<p><b>Audit Opinion – Good Standard</b></p> <p><b>Conclusions</b></p> <p>The Councils have undertaken significant work to identify and update their understanding and knowledge of partnerships over the last eighteen months and now need to use this awareness to develop the resources and structure to continue to effectively manage these partnerships and agreements with groups such as third sector organisations.</p> <p>We therefore identified areas in our report that have already been recognised as important to undertake but at the moment may not be at the forefront of the Councils plans. This includes key areas such as:</p> <ol style="list-style-type: none"> <li>1. To ensure that there is sufficient resources and plans in place to make sure that partnerships are subject to robust management and governance;</li> <li>2. That funding is appropriate and that it provides value for money and continues</li> </ol>	<ol style="list-style-type: none"> <li>1. The Commissioning Manager, Strategy &amp; Commissioning will continue to review partnerships and although not directly responsible for the management of agreements will develop and drive the management and governance agenda.</li> <li>2. In some cases, a review of funding is carried out as part of the Council’s budget setting process.</li> <li>3. Service Level Agreements will be reviewed and updated where necessary.</li> </ol> <p>Work will be undertaken by officers, and members where appropriate, to update the Partnership</p>

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Subject	Audit Findings	Management Response
	<p>to deliver the expected outcomes and performance;</p> <ol style="list-style-type: none"> <li>3. That partnerships or links to other organisations are clearly identified and the central register updated;</li> <li>4. Ensuring that current and future agreements and contracts are updated and appropriately authorised. Copies of all agreements should be held centrally in a recognised file, such as with Legal; and</li> <li>5. Those significant partnerships should be included in the corporate and service risk registers.</li> </ol> <p>Since the issue of our draft report and the result of the One Council decision, progress in examining partnerships has slowed. Whilst there was agreement to setting up Task and Finish Groups, there has been no movement on this.</p>	<p>Register.</p> <ol style="list-style-type: none"> <li>4. Managers will be reminded of the importance of obtaining agreements and these should be filed centrally with Legal.</li> <li>5. The inclusion of significant partnerships on corporate and service risk registers will be raised with the Extended Leadership Team.</li> </ol>
<p>Safeguarding (S11 self-assessment)</p>	<p><b>Audit Opinion - Good Standard</b></p> <p><b>Conclusions</b></p> <p>The Councils have clear procedures for reporting and responding to safeguarding incidents. However:</p> <ol style="list-style-type: none"> <li>1. There is a plan to ensure that all staff and members are aware of the requirements in relation to the Councils' commitment to ensuring that children and vulnerable adults are supported and protected. This process has started but does need to be developed further for new starters, existing staff and members.</li> <li>2. Since the Councils' transformation programme, it is not clear if all current roles have been assessed in relation to safeguarding and the need for DBS checks.</li> <li>3. Case files relating to incidents are retained, with suitable restricted access. There is a need to ensure that these records are regularly reviewed and retained or destroyed in line with best practice and guidance.</li> <li>4. The Council has no central register of vulnerable people at risk or who pose a risk to officers and members. Plans are in place to have a secure record as part of the W2 system.</li> </ol>	<ol style="list-style-type: none"> <li>1. Some general and targeted training has been provided for staff and specifically the Contact Centre. There are currently plans to include depot staff later in the year.</li> </ol> <p>The new module for new starters and existing staff has been drafted and will be released shortly.</p> <p>Key Designated Officers (KDO) will be reviewed to ensure their training is up to date.</p> <ol style="list-style-type: none"> <li>2. HR will be contacted to confirm appropriate staff have completed DBS checks. There will be a review of the DBS checks completed for KDO to ensure that they are up to date.</li> </ol> <p>Plans are still underway to check all new Councillors and Member Services will be consulted as to the most appropriate course of action.</p> <ol style="list-style-type: none"> <li>3. Relevant officers will discuss and determine suitable retention periods for records.</li> <li>4. Work has started on placing markers on accounts, without including text at this stage, to highlight to</li> </ol>



Subject	Audit Findings	Management Response
		<p>officers potential issues and that they should potentially contact their manager. A full roll out will be reviewed when the Council decides on development of current or future systems.</p>
<p>Business Continuity Follow-Up</p>	<p><b>Emergency Planning</b>  <b>Original Audit Opinion – Improvements Required</b></p> <p><b>Updated Audit Opinion – Good Standard</b></p> <p><b>Conclusions</b></p> <p>The Council is classed as a “Category 1 responder”, an organisation at the core of the response to most emergencies (e.g. emergency services, local authorities, NHS bodies). Category 1 responders are subject to the full set of civil protection duties. Whilst the Council is now well prepared for its role in the event of an emergency, there are a few issues which still need to be addressed, some of which are out of the control of the Emergency Planning Officer), to further enhance its preparedness:</p> <p>Key Findings  The issues we wish to highlight include:</p> <ol style="list-style-type: none"> <li>1. “Category 1 responders” are required to have business continuity management arrangements in place (links to issues raised below under Business Continuity);</li> <li>2. There remains a need to provide key officers with mobile phones which have been registered with the Mobile Telecommunication Privilege Access Scheme (MTPAS);</li> <li>3. Ensuring that the Council is involved in simulated exercises at least annually, to involve a range of staff who would have key responsibilities in the event of an emergency; and</li> <li>4. Publicise emergency planning advice to assist both residents and businesses.</li> </ol> <p><b>Business Continuity</b>  <b>Original Audit Opinion – Fundamental Weaknesses</b></p> <p><b>Updated Audit Opinion – Fundamental Weaknesses</b></p>	<ol style="list-style-type: none"> <li>1. Work on Business Continuity Plans has commenced (see responses below under “Business Continuity”)</li> <li>2. A report, including a mobile phone policy, was taken to SLT regarding mobile phone provision across the organisation, which was approved.</li> </ol> <p>Smart phones have been provided to Environmental Health ‘on call’ officers and registered with MTPAS. Currently, the Customer First Specialist Manager has a MTPAS registered phone and more recently the Head of Paid Service and the Group Manager Support Services and Customer First have had phones registered with MTPAS. Investigations indicate that personal mobile phones cannot be registered with MTPAS.</p> <ol style="list-style-type: none"> <li>3. A simulated exercise was carried out in Spring 2017, which was attended by SHDC officers. Officers also attend other Local Authorities training as part of a sharing agreement.</li> <li>4. A page has been set up on the Council’s website, providing information regarding Emergency Planning, including ‘Be prepared for winter’ advice. Regular tweets are also published regarding safety and preparedness.</li> </ol>

Subject	Audit Findings	Management Response
	<p><b>Conclusions</b></p> <p>Since our audit of 2015/16 there has been no progress in developing the Council's business continuity management arrangements, which we are advised is due to lack of staff resource. However, we understand that it is planned to commence addressing some of the issues in early 2018. There is a need to:</p> <ol style="list-style-type: none"> <li>1. Write a corporate Business Continuity Strategy;</li> <li>2. Develop service-level Business Continuity Plans, to feed into an over-arching corporate Plan;</li> <li>3. Ensure officers of the Business Continuity Command and Control Team are appropriately trained and experienced;</li> <li>4. Consider internal communications in the event that ICT systems are not available;</li> <li>5. Provide Business Continuity training to relevant officers;</li> <li>6. Co-ordinate exercises to validate the Business Continuity Plan(s); and</li> <li>7. Provide Business Continuity advice to local businesses.</li> </ol>	<ol style="list-style-type: none"> <li>1. It is not felt necessary to have a business continuity strategy in place, just a business continuity plan.</li> <li>2. Work has commenced to produce service level Business Continuity Plans, with COP leads having been provided with BCP templates to be completed, to be followed by an exercise to review the resultant Plans. This will include consideration of the prioritisation of services and how long services can operate at a reduced level. It is envisaged that there will be an overarching Business Continuity Plan, which will assess potential issues common to all services, e.g. loss of ICT, staff or accommodation etc, and this will be supported by service level plans which will consider possible issues specific to each service.</li> <li>3. The intended BCP exercise will assist in identifying any training needs for SLT and ELT.</li> <li>4. Informal communication arrangements are in place, with SLT and ELT holding one another's contact details, and those for their own key staff. However, a formal communications strategy will be drawn up.  Consideration could be given to the use of social media, use of personal phones for work, a link from the Councils' externally hosted website to allow staff to log on to the intranet without using the Councils' servers etc.</li> <li>5. Information about Business Continuity will be presented to all staff at a future Staff Briefing in order to raise awareness.</li> <li>6. It is proposed that an annual exercise will be undertaken to validate the Business Continuity Plans and any weaknesses identified will be addressed.</li> </ol>

**Appendix B**

Subject	Audit Findings	Management Response
		<p>7. Arrangements will be made to provide Business Continuity advice to local businesses via the Council's website or by directing them to the relevant pages on the County Council's site.</p> <p>In light of the recent incident where there was a loss of IT services, the inclusion of a bid for £15k in the 2018/19 budget has been put forward for the replacement of ageing network switches.</p>
Travel & Subsistence	<p><b>Audit Opinion - Improvements Required</b></p> <p><b>Conclusions</b></p> <p>Despite processes for the submission and payment of claims having been improved in the last year, and largely operating satisfactorily, there remain no formal controls in place to ensure the accuracy of claims submitted, nor to confirm that these are in line with policy.</p> <p>We raised a number of issues within the 2016/17 Payroll audit and we were able to confirm that many of these have now been addressed, but some do remain outstanding, the more significant of which include:</p> <ol style="list-style-type: none"> <li>1. There are issues concerning access to claimants' user accounts when staff processing travel and subsistence claims for payment require more detail.</li> <li>2. There are currently no sample checks of claims submitted to ensure that they are reasonable and in line with policy;</li> <li>3. VAT cannot be recovered against mileage claims as the self-serve module does not allow all the engine size and the fuel type of the claimant's vehicle to be entered; and</li> <li>4. Claimants do not always submit receipts for fuel and other expenses.</li> </ol>	<ol style="list-style-type: none"> <li>1. ICT have liaised with the software supplier, TeamSpirit, regarding access to user accounts and the outcome of this has yet to be confirmed. There is a need to set up an administration account to allow access to employee's claims without compromising security.</li> <li>2. The sample checking of travel claims did commence but ceased due to staff vacancies. It is to be re-instated and carried out by the Support Services Case Manager following a re-organisation of responsibilities.</li> <li>3. It is not known if the recoverable VAT does vary with engine size and fuel type, where the same rate is paid to all claimants regardless of the vehicle used. It will be discussed with the Accountant responsible for VAT, to establish the practicalities of re-claiming the VAT element and whether it is of benefit for the value involved.</li> <li>4. All claims are now being checked to ensure that receipts have been submitted and where missing these are requested. Withholding payment where receipts have not been submitted has previously</li> </ol>

**Appendix B**

<b>Subject</b>	<b>Audit Findings</b>	<b>Management Response</b>
		been implemented but was poorly received. The guidance was clarified, a message put in Friday Flash and an all staff email. However, this will be repeated to remind staff of the need to submit receipts.

## **Definitions of Audit Assurance Opinion Levels**

### **High Standard**

The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.

### **Good Standard**

The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.

### **Improvements Required**

In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.

### **Fundamental Weaknesses Identified**

The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

## Planned Audit 2017/18 – 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 2016/17 financial year. The S151 Officer presented the 2016/17 AGS to the Audit Committee on 22 June 2017.</p>
<b>Exemptions to Financial Procedure Rules</b>	<p>12 applications for Contract / Financial Procedure Rules have been received in the year to date, all were accepted with the exception of one where it was deemed that an exemption was not required.</p>

## South Hams Audit Committee – 25th January 2018

### Strategic Debt Review update to 31<sup>st</sup> December 2017

#### Recovery Strategy

At the time of our original Strategic Debt Review audit report, it was anticipated that the Councils would take advantage of a trial period offered by a specialised debt recovery company, Agilisys, to determine their effectiveness in recovering all types of debt on behalf of the Councils.

Rather than paying a fixed fee, Agilisys would retain a percentage of each debt recovered, the percentage varying depending how easy or difficult the debt might be to recover. However, further analysis by staff revealed that the percentage retained, even on those debts deemed easier to recover, was found to be relatively high. This was also tempered by the fact that the Councils only retain approximately 9% of any Council Tax collected, the rest being passed largely to Devon County Council (DCC). Thus the situation would have arisen in some cases that Agilisys would retain a percentage fee larger than the 9% due to SHDC and WDBC, who effectively be bearing the cost of recovery on behalf of DCC. The latter were approached and requested to make a contribution to recovery costs in these circumstances, but declined to do so.

It was therefore decided to create a centralised debt recovery team, which has been responsible for managing all types of debt across the two authorities since the 1<sup>st</sup> October 2017. Those Case Managers who have to date been working in separate teams have been brought together under the Revenues and Debt Recovery Case Management team, with a dedicated Team Leader, and sit within Support Services.

The Support Services Case Management Manager (SP) presented a Debt Recovery Action Plan to SLT which included the above action as well as a number of others, examples of which are listed below together with an updated position :

- Recruitment of additional staff resource; (Update: This is complete. The last new member of staff joined on 2<sup>nd</sup> January and is currently being trained).
- Withdrawal of services where appropriate, such as trade waste collections, early eviction from rented business properties; (Update: This has commenced and has resulted in improved collection rates).
- Consideration of interest charges on unpaid commercial debts; (Update: Further discussion required with members).
- Use of Online Money Claims for legal action; Update: This is ongoing – due to commence wef 1<sup>st</sup> April 2018).
- Reviewing all debt recovery procedures with a view to standardising these; (Update: This is an ongoing project)
- Taking a more pro-active approach to debt recovery. (Update: This is ongoing. Regular telephone chasing is now taking place, as is adhoc correspondence providing a last chance to pay prior to Court Action without further contact).

### Sundry Debts

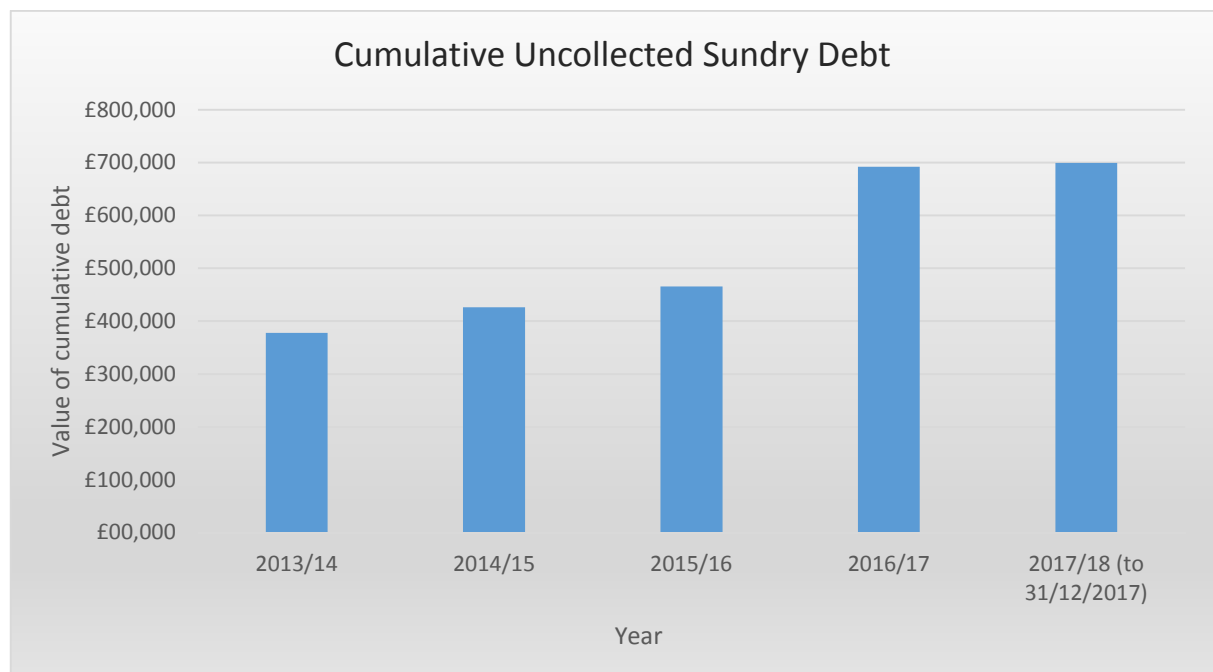
As shown in Table 1, the cumulative uncollected sundry debt for each authority has gradually increased year on year. That said, the total level of outstanding debt for 2017/18 has reduced since our previous report in September 2017. For South Hams District Council it is now £699.5k, compared to £888.2k at 31<sup>st</sup> August 2017; a drop of £188.7k.

The figures shown exclude any invoices less than thirty days old (as recovery does not commence until this point) at 31<sup>st</sup> December 2017, but do include credits owed by the Councils to debtors. As at 31<sup>st</sup> December 2017, the Council's credits totalled -£31.0k compared to -£27.7k at 31<sup>st</sup> August 2017.

The data can only represent the level of debt at any given point in time and so if a large invoice is raised or paid, then this can significantly alter the data.

The most significant overdue debts owed to South Hams as at 31<sup>st</sup> December 2017 are £74k owed by SD19398 for a S106 contribution, £35k owed by a company who are in administration and £27.1k owed by Fusion Lifestyle. A small number of invoices to West Devon Borough Council which total approximately £50k are outstanding, but these are subject to internal recharging procedures. There are several debts of around £10k-£20k, the rest generally being for lesser sums.

Table 1: Uncollected Sundry Debt Values for South Hams at 31 Dec 2017



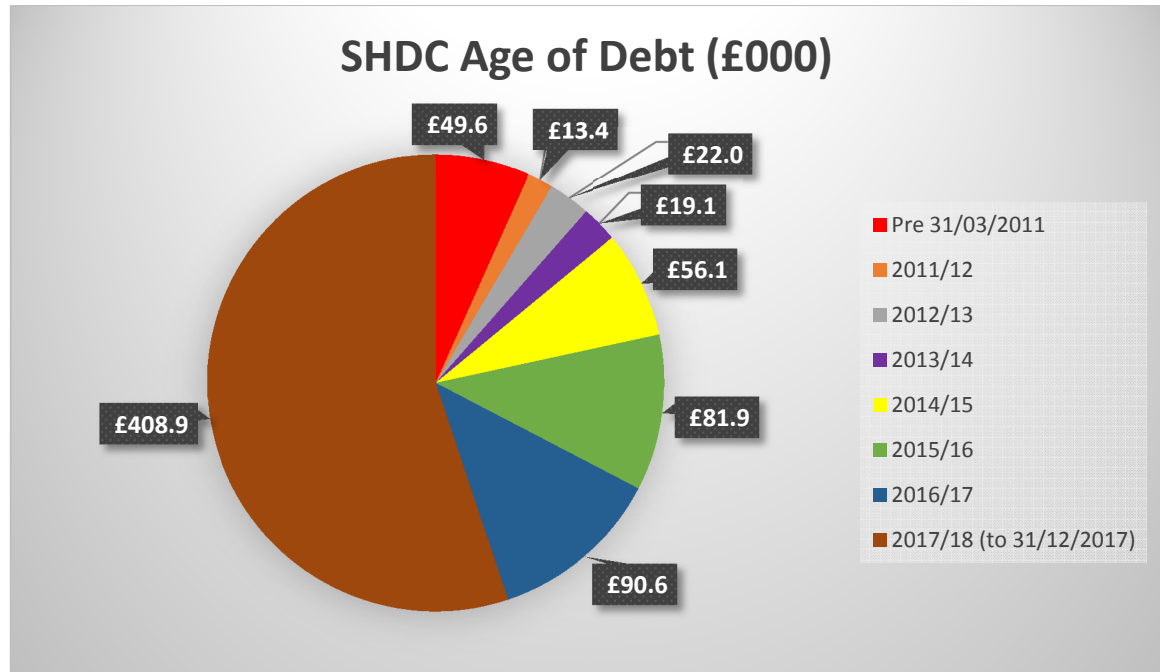
Source: Sundry Debtor System Reports

The increase in sundry debt levels is possibly due in part to an accumulation of aged and / or uncollectable debt which has not been written off. Since the latter part of 2016/17, resource has been focussed on attempting to recover large debts, as well as writing off those which are not recoverable, often because the debtor has entered into administration.



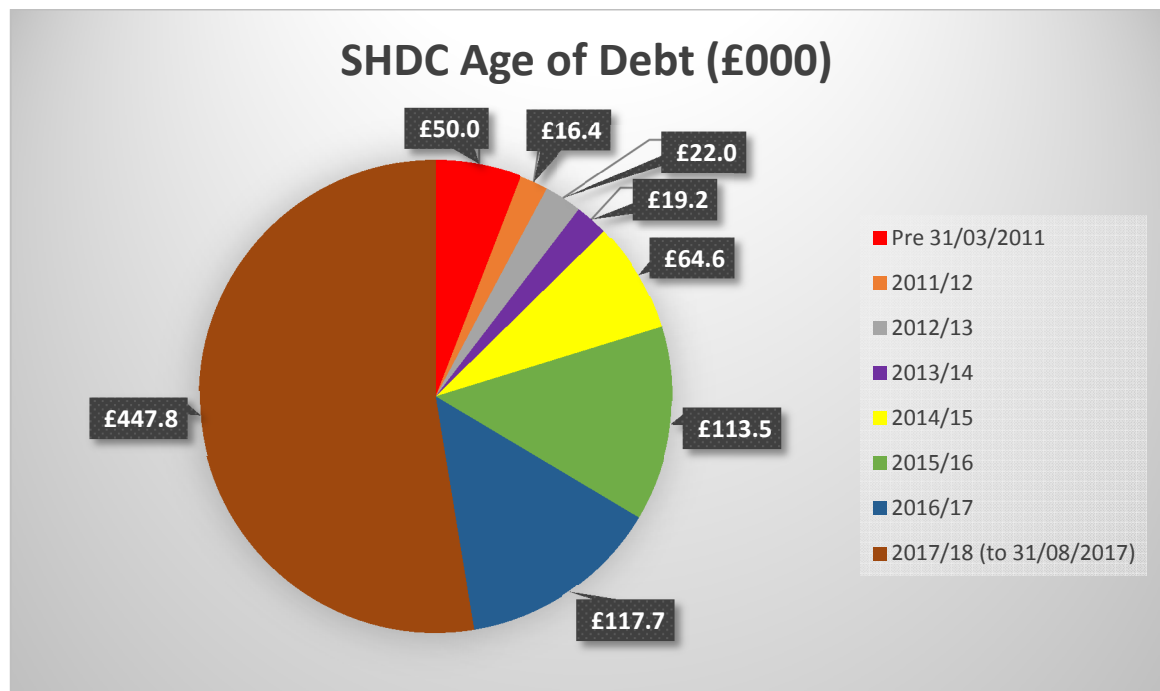
Table 2 shows the proportions of outstanding debt that is thirty days or more overdue at 31<sup>st</sup> December 2017. The figures are broken down by the year in which they were raised. This can then be compared to Table 3, which was presented to Audit Committee last September. It highlights a reduction in the debt levels of more recent years.

Table 2: South Hams Age of Debt Profile as at 31 Dec 2017



Source: Sundry Debtor System Reports

Table 3: South Hams Age of Debt Profile as at 31<sup>st</sup> August 2017



Source: Sundry Debtor System Reports

## **APPENDIX D**

The level of staff resource available to administer sundry debts had decreased between 2014 and 2016, from 2.5FTE to 0.5FTE. Coupled with the introduction of the Dartmouth BID, this effectively created nil resource for normal sundry debtor work. Some re-arrangement of resources, plus closure of the Dartmouth BID in September 2016, allowed some debt recovery work to be undertaken in late 2016/17, including targeted work to clear large debts.

We understand that there are now seven Case Managers who are trained in debt recovery.

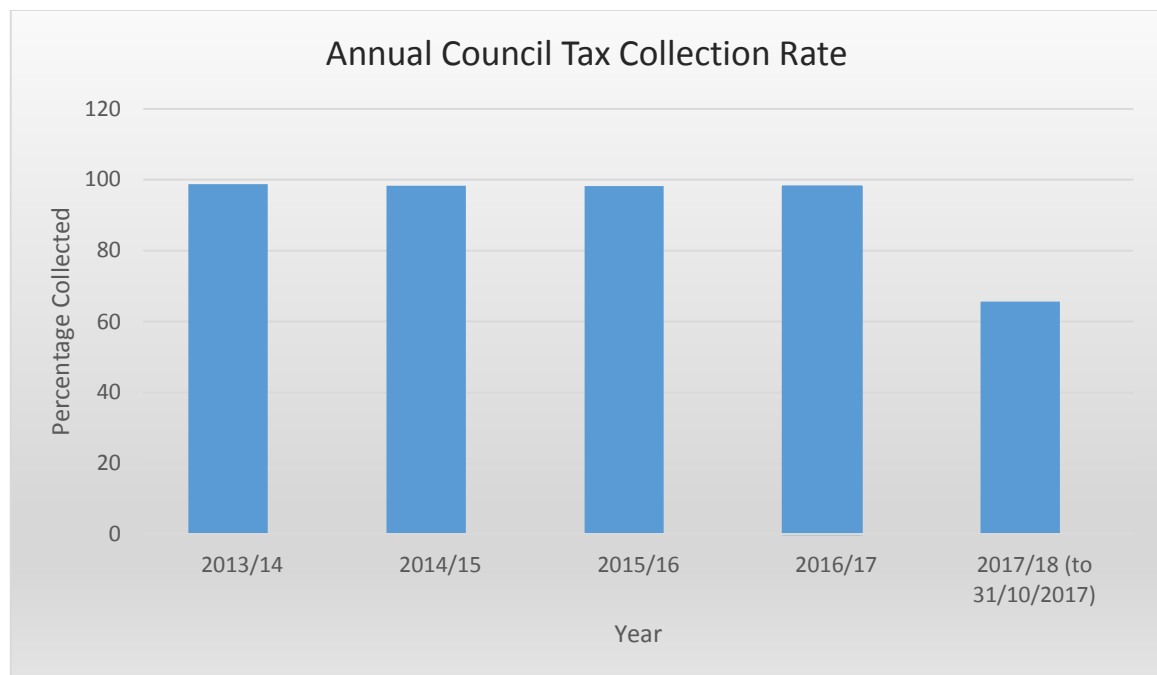
**Council Tax**

The Council Tax collection rate for the Authority is shown in Table 4. Recovery rates as at the end of 2016/17 compare well to both the national and the shires averages of 97.2% and 98.1% respectively.

Between 2015/16 and 2016/17 the South Hams collection rate reduced by 0.05% compared to 2015/16. This is partly attributed to the fact that since 2015 a contribution to Council Tax is payable by those residents of working age who are in receipt of Council Tax Reduction and also there were delays in issuing the first bills of 2016/17 which will have had a knock on effect on instalment due dates.

The most recent data available for 2017/18 at the time of writing is to 31<sup>st</sup> October 2017. At this point 65.60% of South Hams Council Tax has been collected against a target of 65.7%. The target collection rates are based on the actual collection rates for the equivalent month in the previous year.

Table 4: South Hams Annual Council Tax Collection Rate at 31<sup>st</sup> Oct 2017



Source: Covalent performance indicator data

The amount of staff resource available to recover unpaid Council Tax had reduced slightly since the organisational restructure.

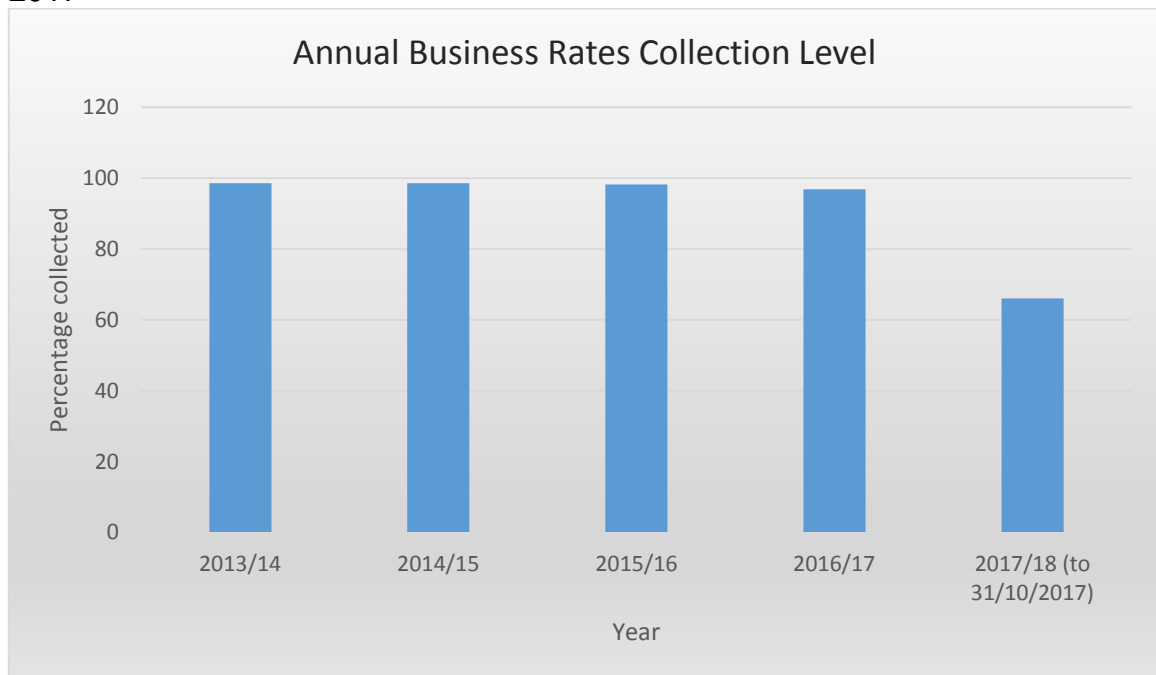
### Business Rates

The Business Rates collection level for the Authority is shown in Table 5. This was reasonable as at the end of 2016/17, falling only slightly under both the national and the shires averages of 98.2% and 98.4% respectively.

The collection rate reduced from 2015/16 to 2016/17 by 1.35%. This is attributed to several causes. A mid-year national revaluation of medical centres led to a significant number of over-payments having been made. For South Hams, a few large companies have paid their rates later than expected, including one with whom it has been agreed that the 2016/17 debt could be cleared in 2017/18.

The most recent data available for 2017/18 at the time of writing is to 31<sup>st</sup> October 2017. At this point 66.10% of South Hams Business Rates has been collected against a target of 65.40%. As for Council Tax, the target collection rates are based on the actual collection rates for the equivalent month in the previous year. Given that the collection rates were a little suppressed for 2016/17, it would be anticipated that, all things being equal, collection rates exceed targets in 2017/18.

Table 5: South Hams Annual Business Rates Collection Levels at 31<sup>st</sup> Oct 2017



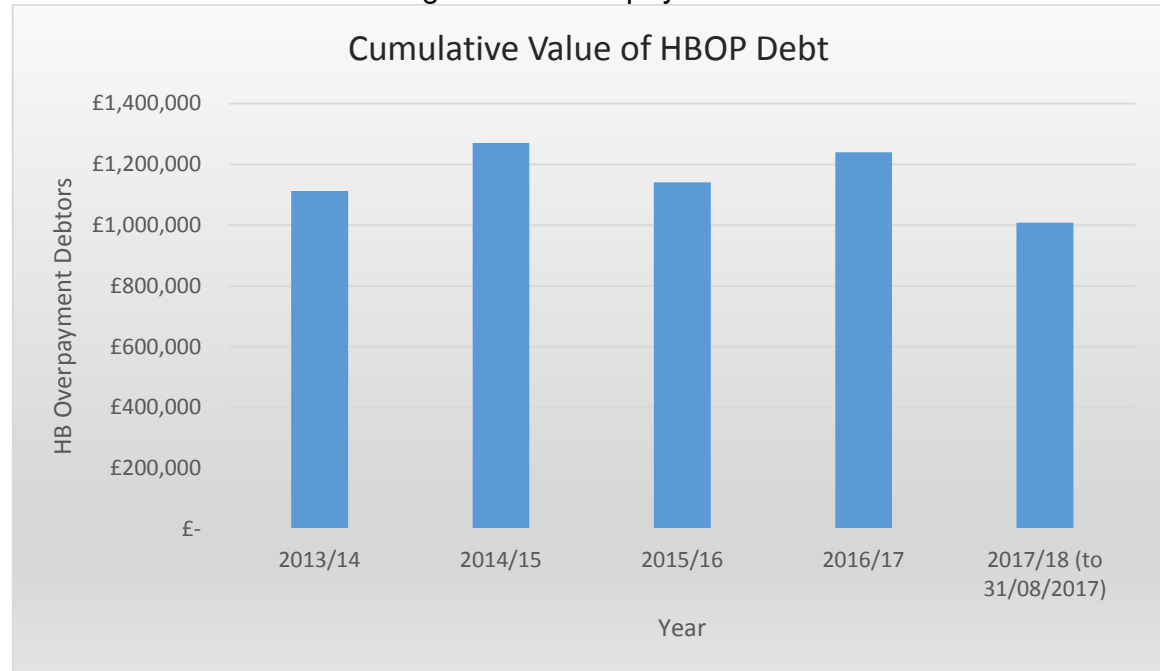
Source: Covalent performance indicator data

The same team responsible for Council Tax recovery have also been responsible for Business Rates recovery.

### Housing Benefit Overpayments (HBOP)

Table 6 shows levels of HBOP debt since 2013/14 to 31<sup>st</sup> December 2017. The reduction in HBOP debt from 2014/15 to 2015/16 may in large part be due to a significant number of write offs that were made in that period. We understand that HBOP debt levels may have increased in 2016/17 partly due to the use of RTI (real time information). This has identified unreported changes of circumstances which have resulted in overpayments.

Table 6: South Hams Housing Benefit Overpayments at 31<sup>st</sup> Dec 2017



*Source: Accounts Closedown working papers and Benefits system reports*

South Hams HBOP debt increased by 8.67% between 2015/16 and 2016/17, The level of staff resource to recover HBOP debts increased from one part time officer during 2013/14 and 2014/15, to one full time officer since 2015/16, with an experienced officer being engaged since early 2016/17 to work solely on HBOP recovery.

This will have contributed to the decrease in HBOP for each authority during 2017/18. However, whilst there is an overall decrease, the level of HBOP debts outstanding as at 31<sup>st</sup> December 2017 has increased since our previous report in September 2017, from £744k to £1m. It is understood that extra resource from within the existing team have been allocated to active collection of debt since beginning of December and the benefits of this are expected to be seen over the next quarter.