

Report to: **Audit Committee**

Date: **31 January 2019**

Title: **Update on Progress on the 2018-19
Internal Audit Plan**

Portfolio Area: **Support Services – Cllr N Hopwood**

Wards Affected: **All**

Relevant Scrutiny Committee: Overview and Scrutiny Panel

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

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

Contact: dominic.measures@swdevon.gov.uk **01803 861375**
Robert.hutchins@swdevon.gov.uk **01392 383000**

RECOMMENDATION

It is RECOMMENDED that the progress made against the 2018/19 internal audit plan, and any key issues arising, be 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 2018/19 to 31 December 2018, by:

- Showing the progress made by Internal Audit against the 2018/19 annual internal audit plan, as approved by this Committee in March 2018; and
- Highlighting any revisions to the 2018/19 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 2018/19 was presented to and approved by the Audit Committee in March 2018. A Progress Report for the period from 1 April to 14 September 2018 was presented to the Audit Committee last October and this latest Progress report covers the period up until 31 December 2018. Progress has been in line with expectations. 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 2018/19 Audit Plan. As at 31 December, 19 days have been spent and it is estimated that another 7 days, on top of that allocated in the plan, may be required for the remainder of the financial year. This will be kept under review.

In response to the possible 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 7 days required.

The 2018/19 audit plan currently includes two audits that utilise additional Devon Audit Partnership resources. These are:

- a. Business Continuity within the Supply Chain – this audit fieldwork has been completed and a draft report issued. Responses from management on the recommendations made are awaited.
- b. Cyber Security – this audit is currently in progress.

These audits are to be funded from officer time spent on and claimed against LAG and LEAF administration in this financial year.

3. Outcomes/outputs

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

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

Overall, and based on work performed to date during 2018/19, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

The 2018/19 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the position for each audit as at 31 December 2018.

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.

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. 5 applications for exemptions to Contract / Financial Procedure Rules have been received in the year to date, all were accepted.

Irregularities

Other than the theft of money occurred at the Lower Dartmouth Ferry office in June 2018 and which was included in the last Progress Report in October, there have been no further irregularities to report. The matter was reported to the Police and Internal Audit assisted management in their investigation of this incident. This included carrying out a specific review of cash handling procedures which came up with a number of recommendations that should strengthen the controls in place. The Council has been successful in recovering the vast majority of the stolen money through its insurers.

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	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:

Appendix A: The 2018/19 Internal Audit Plan;
Appendix B: Planned Audit 2018/19 – Final Reports; and
Appendix C: Planned Audit 2018/19 – Work Complete (No Audit Report).

Background Papers:

Annual Internal Audit Plan 2018/19 as approved by the Audit Committee on 22 March 2018.

Planned Audit 2018/19 – Final Reports

As at 31st December 2018, 15 final reports have been issued in respect of 2018/19 work. Eight of these, together with one report finalised in the current year in respect of the 2017/18 audit plan, were reported to the Audit Committee in October. Final reports issued since 14th September 2018 are included below.

Subject	Audit Findings	Management Response
<p>Housing - Homelessness</p>	<p>Audit Opinion - Good Standard</p> <p>Conclusions</p> <p>Recent changes to homelessness legislation do not represent a significant change for South Hams or West Devon Councils, as the focus has always been on homelessness prevention due to limited temporary accommodation being available in which to place those whom the Councils have a statutory duty to house.</p> <p>Processes and procedures are in place to manage homelessness applications, as well as the resultant Relief of Prevention Duty, where this is determined as applicable. We confirmed that these are in line with current legislation and best practice.</p> <p>There are also procedures in place to administer the payment of rent on behalf of clients for whom a Relief Duty exists, as well as the recovery of related costs from either the client or via housing benefit as appropriate.</p> <p>However, there are several areas where action could be taken to strengthen controls and gain efficiencies, including:</p> <ol style="list-style-type: none"> 1. Completing the planned review of Homelessness-related policies, to ensure that they reflect current legislation; 2. Reviewing the Risk Assessments, both within “Jigsaw”, the dedicated software used to record and manage homelessness applications and referrals, and within separate referral documents, to ensure that officers do not need to duplicate these; 	<ol style="list-style-type: none"> 1. Agreed, existing housing option policies will be reviewed to ensure that the current legislation is adequately reflected. 2. Agreed, Officers now only complete the risk assessment within Jigsaw and share this with partner organisations, except in those cases where the partner requires that their own version of the risk assessment be completed. 3. Agreed. <ol style="list-style-type: none"> a. All relevant staff have been trained in the completion of the Homelessness Case Level Information Collection (H-CLIC) report fields; b. The Jigsaw checklists have been purged of unnecessary fields and customised; c. The software supplier to remove duplicate fields; d. The first H-CLIC upload, which has a built in check to identify errors, has been completed for each Council and both were error free. e. Statutory letter templates have been improved and the process simplified, so that they are all downloaded and uploaded in the same way. f. All Housing officers have been trained in the completion of statutory letters and as many missing ones as possible have been located and attached to the relevant cases on Jigsaw.

Appendix B

Subject	Audit Findings	Management Response
	<p>3. Addressing several issues regarding the consistent completion of fields within Jigsaw, which will contribute to both completeness of records and efficiency of processing;</p> <p>4. Review of the recharging of WDBC clients for temporary accommodation costs where appropriate;</p> <p>5. Re-introduction of the review of Deposit Guarantees, in order to monitor the potential liability to the Council; and</p> <p>6. Reviewing how Rent Deposits and Rents in Advance are recorded, to allow the payment and recovery of these to be more readily monitored.</p>	<p>4. Agreed in principle. Systems are now in place which will allow customers to be recharged for the cost of temporary accommodation within West Devon. But, due to limited staff resource, officers are currently considering the balance between the costs of administering such recharges versus the value of contributions received. Following a review of the 2018/19 workload, it may be that recharges are made for that temporary accommodation owned by WDBC (currently one property), with a view to bringing in recharges for privately-owned temporary accommodation used by the Council in the future, as staff resource allows.</p> <p>5. Agreed in principle. However, there is insufficient staff resource to contact landlords to confirm whether or not tenants are still present. The risk to the Council that the total value of DGBs issued at any one time would all be claimed in full in one year is felt to be very low, particularly when compared to the diversion of staff resource which would be required to contact all landlords individually. It is written into the DGB contracts that landlords must advise the Council when a tenant vacates the accommodation. Also they must make any claim against the bond within 21 days of the termination of the tenancy.</p> <p>6. Disagreed. Given the limited staff resource, it is felt more important to successfully prevent homelessness, than to maintain records which duplicate information available from other sources. The majority of Rent in Advance/Rent Deposits are provided as grants and so recovery would not be sought. In the few cases where a loan is made, the Accountants are able to provide Housing staff of the financial position and any debt recovery is carried out by Support Services.</p>

Appendix B

Subject	Audit Findings	Management Response
<p>Environmental Services Food Safety – Progress with Food Standards Agency Action Plan</p>	<p>Audit Opinion - Good Standard</p> <p>Conclusions</p> <p>The Food Safety team have made notable improvements in the delivery of the food safety service since our previous audit of 2015/16. Whilst many of the recommendations we made have been implemented, and most of the recommended actions identified by the FSA in their 2017 audit have been completed, some remain outstanding, largely due to other work pressures. The majority are of relatively low priority, with the most significant being:</p> <ol style="list-style-type: none"> 1. The continued need to monitor the timeliness of food business interventions, to ensure that these are carried out within the target dates, as far as possible; 2. Processes and procedures should continue to be reviewed, in order that the food safety service is not delivered at the expense of other areas of responsibility; 3. The Business Development Team should be reminded of the importance of seeking an acceptable mobile software solution in order to gain efficiencies; and 4. The Database Procedure needs to be formally documented, to include the management of records on Civica APP, and brought to the attention of all relevant staff. 	<ol style="list-style-type: none"> 1. Agreed. Efforts are made to ensure that interventions are completed on a timely basis, but, with limited staff resource, it is unlikely that this will be achieved for 100% of the annual programme. There is a need to be pragmatic, and although the team have been asked to clear older cases, there remains a need to prioritise high risk premises. Also, the geography of West Devon in particular, means that there will always be a need to amalgamate visits which are relatively close together, and so some visits will be completed early and others late. Without this approach a disproportionate amount of officer time would be spent travelling, further reducing the time available to be spent on completing interventions. 2. The Food Hygiene Inspection Procedure (FS004) to be updated, to incorporate the currently separate guidance on Emergency Prohibition Notices, Voluntary Closures, Approvals etc, in order that these are all available in a single document; and the Infectious Disease and Foodborne Illness Procedure (FS011) to be updated with reference to Campylobacter and those changes of responsibility under the new Memorandum of Agreement with Public Health England. In addition, Locality Officers are asked to advise the Food Safety team of any food businesses which appear to open, close or change hands, which they may observe in the course of their duties. 3. The Business Development Team has continued to work on a mobile solution and have been liaising with the Senior Specialist – Environmental Health (KP) regarding the population of forms within Civica APP from the mobile devices. Completion has been reliant on ICT and the Business Development Team completing testing and security checks. Trials of the

Appendix B

Subject	Audit Findings	Management Response
		<p>solution started in December with only limited functionality but this is seen as a big step forward that will increase the speed that visits are put onto the system by case management. Further progress with improving the populating of information from mobile to back office is dependent on ICT resources.</p> <p>4. Agreed. The Database Procedure will include:</p> <ol style="list-style-type: none"> a. Closure of records and how this should be done where a premises has more than one facet associated with it; b. Setting up of new records for each different owner of a premises; and c. How and when "F-codes", (used to define inspection and visit types), should be removed. <p>A copy of the Database Procedure will be made available to all relevant staff and training provided as necessary.</p>
<p>Environmental Services – Enforcement Process (Fly Tipping, Abandoned Vehicles etc)</p>	<p>Audit Opinion - Good Standard</p> <p>Conclusions</p> <p>Using the systems and processes provided, the Councils are undertaking their duties with regard to environmental enforcement. In general our review of records has confirmed that cases are supported by the required information.</p> <p>We have however highlighted that the customer experience on reporting issues online, both at the beginning and end of the process, could be improved to enable better interaction and more efficient direct automated processing and self-service. Weaknesses highlighted with the system included:</p> <ul style="list-style-type: none"> • No recording of data protection requirements for data use; • No online information to users on other reported cases resulting in duplicated reporting; 	<ul style="list-style-type: none"> • It is recognised that work needs to be completed on a robust method of informing those who report incidents on how information they provide is used and stored by the Councils, including online forms. • Officers are to discuss improving the customer experience. Reliance is placed on the systems available and development by the software supplier and ICT. This will be raised further with ICT and business development team. Additional information will also be considered for the website. • It is agreed there is a need to review processes and where possible reduce duplication. The Councils are limited by the functionality of W2 and need to complete the supporting records. It will require

Appendix B

Subject	Audit Findings	Management Response
	<ul style="list-style-type: none"> • No direct self-service system for customers; • Data held in numerous systems, rather than a single database, resulting in incomplete records and a duplication of work; • Reliance on manual data input and handling rather than automated processing; and • Limited automated customer replies and information on progress and closing of cases. <p>Examination of a number of other local authority websites indicated that customers elsewhere have a more interactive, self-serve type connection and that other Councils published more information for customers, for example a comprehensive table of reported issues, such as abandoned cars or lost dogs, and other associated performance information relating to environment enforcement services.</p> <p>One of the authorities' goals is to reduce the number of reported incidents and especially lessen the duplication of reported cases. Currently the software and systems used do not reduce the duplicated reporting and manual input of data.</p> <p>The Councils are committed to reducing the number of reported offences and proactively targeting 'hotspots', where work can be undertaken such as visible patrols. Staff have also suggested that additional training might be appropriate to aid in undertaking more vigorous investigations and related prosecutions.</p> <p>It may be beneficial to include more procedure and legal information for customers, such as how to identify abandoned vehicles, information relating to Council policies and legislation and especially surrounding how the authorities will undertake prosecutions and recovery of debts.</p> <p>The Councils could do more to promote the work they currently do on issues such as fly tipping and dog fouling. The information relating to fly tipping, such as the videos on South Hams website, should also be updated for West Devon. Services should promote and publish data/information on the work they do, such as inspections and patrols undertaken or other related enforcement. There are plans to use the enforcement and locality officers, who will be Accredited officers, to undertake a more formal approach to patrols and enforcement. Where possible information obtained from the various services should be actively shared and the data, such as the number of fines issued or active patrols, made available to the public and members.</p>	<p>significant work to understand the processes and although this is needed, will require additional resources so will have to be done in the new year.</p> <ul style="list-style-type: none"> • There are limited resources available to undertake performance reviews but it is agreed that this should be completed to enable accurate target and performance setting. • There are plans to review the level of investigations undertaken by the Councils as currently there are limited resources within the service and potentially across the authorities. This is a long term plan and so will be scheduled for next year. • The provision of more procedure and legal information for customers will be reviewed and actioned where appropriate. The website information is usually updated by Communications and so enforcement services will liaise with them. The improvements to reporting will be raised with ICT. There is limited information produced on the service performance and this will have to be considered whether appropriate to include as public information given the limited resources available to produce this volume of information. • Agreed, the Councils need to be better at sharing knowledge and resources and this has already been discussed with the Localities Team Leader. Further work will be undertaken in association with Localities when there is the opportunity and resources in the new year.

Appendix B

Subject	Audit Findings	Management Response
<p>Depots & Stores Follow-Up (S.Hams)</p>	<p>Previous Audit Opinion - Improvements Required</p> <p>Updated Audit Opinion – Improvements Required</p> <p>Conclusions</p> <p>Security</p> <p>Leading up to our last audit review there were a number of break-ins at the Council’s depots and additional work was required to improve the security. Additional security measures, such as improved gates, have been implemented, which have enhanced the security but while completing this audit another theft was reported at Ivybridge depot. Further security measures have again been implemented following the latest theft. However, large scale changes, such as improved perimeter fencing, may have to wait until a decision is made on the future role and use of the depots. Investing in CCTV is also currently deemed to be an expense that will not provide the most effective return on investment.</p> <p>Stock System</p> <p>Stock controls are reliant on the Concerto software and there have been limited developments since our last audit Management are aware that this will require significant investment in the related systems, and so we have repeated the points raised with the understanding that the Senior Specialist, Maintenance and Facilities Management (ST) has been tasked to develop the system further.</p> <p>A summary of the issues surrounding the stock system are;</p> <ul style="list-style-type: none"> • It is not able to provide adequate stock control, • It is not auditable for standard stock use such as deliveries, issues, movement, adjustments etc., • It does not provide adequate protection to officers who are responsible for stock control and is unable to assist in providing a clear separation of duties and identification of transactions, • There are insufficient reports to clearly support areas such as stock movement and closing stock analysis and other exception analysis such as higher than 	<p>Security</p> <p>As has been previously highlighted, until a decision is made regarding the resources required under the waste procurement contract it is unclear the future roles and requirements of the depots and so additional changes are limited.</p> <p>However, steps have been taken to limit the potential opportunities for theft, such as improved security and pre-emptive measures, and this will continue.</p> <p>Stock System</p> <p>The Council has met with Concerto and plans are in place to improve the software, currently this is in conjunction with work required by the grounds maintenance team. If this does not progress Concerto will be contacted again to determine if improvements to the stores system could be undertaken independently. Officers will liaise with Internal Audit as necessary.</p> <p>Action will be taken to address system issues relating to cost reports. The monthly costing analysis is now completed promptly and supplied to the Specialist accountants. Reviews are undertaken of the costs analysis.</p> <p>The current manual processing of monthly data is operating effectively and the time required to produce</p>

Appendix B

Subject	Audit Findings	Management Response
	<p>expected use,</p> <ul style="list-style-type: none"> • It is not possible to accurately compare stock movement with work and jobs that have started or are completed, • High levels of duplication of effort and manual manipulation of data prior to input into various financial systems, and • The monthly reports on use of stock are cumulative returns and it not possible to run bespoke reports based on specific periods. <p>It is essential that management have an understanding of the actual costs associated with the work or jobs that are undertaken. These costs should be comparable to actual stock used and to the actual expenditure through the general ledger. Management should undertake regular reconciliations of the actual use to the general ledger to confirm the accuracy of both.</p> <p>Currently the Concerto and Civica financial systems are separate and do not automatically share information and data. Orders and invoices are processed by the Civica system and deliveries manually input to the Concerto system. Additional costs, such as skips, which are not entered into stores, are not directly input into the Concerto system and so have to be accounted for at month or year-end through the Civica financial system.</p> <p>Fuel Stock</p> <p>The fuel system in operation does provide suitable reported data to enable reconciliation of the fuel costs and usage, by period and asset. However, the accuracy of fleet vehicle odometer readings and recording of miles per gallon needs to be reviewed and updated by management to confirm that the data recorded is accurate.</p> <p>Other</p> <p>Officers have addressed the high risk health and safety concerns related to the management and storage of gas cylinders and related stacking shelves by removing these from the depot yard.</p> <p>There are still areas relating to use of the forklift, storage of open paints and general</p>	<p>the information has been reduced. It would be difficult to align all the codes to enable direct uploading of data at present.</p> <p>We are aware that there is the potential to enable direct uploading of data to the ledger but that this would require additional resources from the related IT services. We are not sure that this would be efficient use of resources at present.</p> <p>Fuel Stock</p> <p>Efforts to ensure the Merridale system is promptly updated to show the correct odometer reading values for all vehicles are underway and planned to be completed by the end of 2018. The resulting miles per gallon figures will be regularly examined to identify unusual entries or exceptions.</p> <p>Other</p> <p>The storage of hazardous materials has been rearranged and the volumes held reduced. The required notices will be displayed.</p> <p>Improvements have been made to the loading area and</p>

Appendix B

Subject	Audit Findings	Management Response
	storage that we believe will be addressed in the future.	use of the forklift and this will continue to be reviewed. However, the amount of structural work that can be completed is limited and the use of the area may change with development of the waste contract.
Administration of Member Expenses	<p>Audit Opinion - Good Standard</p> <p>Conclusions</p> <p>We were able to confirm that controls over the payment of Members allowances and travel and subsistence claims are generally in place and operating as expected, subject to a degree of reliance being placed on the record keeping of Councillors with respect to those journeys for which costs are claimed, but where there may be no evidence of the meeting taking place or being attended. However, this is the same principle as applied to officers travel claims.</p> <p>No significant issues were noted, but we made a small number of recommendations of relatively low priority or else offered an opportunity to create efficiencies. These included:</p> <ol style="list-style-type: none"> 1. Aligning records and key documentation across SHDC and WDBC; 2. Ensuring that annual statistics regarding Member attendance at formal meetings and allowance and travel and subsistence payments, are published on a timely basis; and 3. Considering aligning the annual increase in the Basic Allowance with the changes to Special Responsibility Allowances, to be effective from Annual Council each year. 	<ol style="list-style-type: none"> 1. Agreed. Members' Allowance Schemes falls in the second part of the Constitution which is currently being reviewed. The two Schemes will be aligned as far as possible in terms of content, look and feel. 2. Agreed. The annual attendance statistics have been collated and just need to be checked prior to publication. Similarly figures on allowance, travel and subsistence payments made to each Member have been collated and require a final check before publication. 3. Agreed. The alignment of the annual amendment to the Basic Allowance and Special Responsibility Allowances will be introduced in 2019/20, from the May 2019 Annual Council meeting.

Appendix B

Subject	Audit Findings	Management Response
<p>Contract Management – Leisure Contract</p>	<p>Audit Opinion - Good Standard</p> <p>Conclusions</p> <p>Using the systems and processes provided, the Councils are undertaking their duties with regard to managing the leisure facilities through the Design, Build, Operate and Maintain (DBOM) Contract. However, our review of records has confirmed that there are gaps in the evidence to support this management and that there are potential issues to consider in future contractual payments.</p> <p>Weaknesses highlighted during the audit review are summarised below;</p> <p>Collateral Warranties</p> <p>As part of the building works undertaken at the facilities, the Council should ensure that the following conditions are met;</p> <ul style="list-style-type: none"> • That signed Collateral Warranties are received from the Building Contractor; • That the financial considerations are paid to execute the Building Contract Warranty; • That the correct insurances are in place from the Building Contractor to cover the period of works and for 12 years after service availability; and • The Council holds copies of the building contract should this be needed in the future to act upon any Warranties. <p>Insurance</p> <p>The Contractor is responsible for insuring and operating the facilities and with additional cover from the Councils. We had noticed weaknesses in managing this and these included;</p> <ul style="list-style-type: none"> • Obtaining confirmation from the Contractor that valid insurances were in place; • That the insurances obtained agreed to the Contract requirements; • That a process be in place to manage the review of Base Insurance costs by the contractor and any changes to them. Under Clause 62, such reviews are due every two years and may result in a Joint Insurance Cost Report that the 	<p>Collateral Warranties</p> <ol style="list-style-type: none"> 1. Officers will ensure that copies of the Collateral Warranties were signed and held by the Contractor. 2. The Specialist Assets will check with Legal whether payments are required to approve the Warranties. Although most of the building works have now been completed. 3. The principal contractor is Fusion and therefore the Councils need to confirm annually that their insurance is sufficient and this will be added to the yearly checklist. 4. Officers have copies of the building contracts and these will be checked and included in the leisure file. <p>Insurance</p> <p>Agreed, the Councils have confirmed that Fusion have provided the insurance certificates for the current year. Officers will also ensure that this is obtained from the Contractor annually and form part of the annual review checklist.</p> <p>The insurance levels as required under Schedule 14 of the contract will be confirmed with Legal.</p> <p>An assessment is being undertaken of the requirements</p>

Appendix B

Subject	Audit Findings	Management Response
	<p>Councils must agree within 15 working days; and</p> <ul style="list-style-type: none"> The lack of a Joint Insurance Account being set up as stipulated in the contract. <p>Performance Bond</p> <p>The current Performance Bond available expired on 30/04/18. The Council has not received evidence of its renewal or of a new Bond being put in place. In addition, there is the ongoing risk that reliance is placed on the Contractor being able to obtain a Bond.</p> <p>The Councils will need a business continuity plan should the contract need to be terminated or there is a failing in the Contractors performance.</p> <p>Income and Payments</p> <p>The Contractor is due to pay a Capital Finance Fee, to repay the Capital Loan of £7.8m, (£6.3m South Hams), an on-going Management Fee and potentially a share of any operating surplus, based on the agreed Contract Schedules and Payment and Performance Monitoring System. These will require varying amounts of understanding of the Contract, technical knowledge and input from relevant Council officers to ensure that the payment mechanism has been correctly applied by the contractor.</p>	<p>of the Contract and insurers on what should be insured in terms of fixture and fittings and plant. This will be confirmed with all parties by the end of the financial year.</p> <p>Clause 62 will be reviewed with assistance from the Specialist Accountant and actioned should the Councils receive a Joint Insurance Cost Report.</p> <p>The Councils will confirm with the Contractor the requirements of maintaining the joint account and this will be reviewed annually.</p> <p>Performance Bond</p> <p>Officers are currently following up the renewal of the current Performance Bond with the Contractor and this issue will also be included in the annual review checklist.</p> <p>Agreed, there will be a workshop to assess the business continuity risks in the event of contractor failure or under performance.</p> <p>Income and Payments</p> <p>Officers have the knowledge and capacity to calculate the contractor payments. The various expected payments will be added to the checklist and confirm this to the Contract Schedules.</p>

Appendix B

Subject	Audit Findings	Management Response
<p>ICT Audit Asset Control (Follow-Up)</p>	<p>Audit Opinion – Improvements Required</p> <p>Updated Audit Opinion – Improvements Required</p> <p>Conclusions</p> <p>Following the completion of our follow up work our audit opinion remains as Improvements Required. There has been some work to improve the recording and management of IT assets since last year, but a number of recommendations in our 2017/18 audit have not been implemented, or in some cases, were actioned, but revised procedures have not been wholly effective and require further consideration.</p> <p>It is acknowledged that for part of the intervening period, there were resource issues within the Service Desk team, due to long term sickness.</p> <p>Some of our more significant findings include:</p> <ol style="list-style-type: none"> 1. A failure of both the HR Leavers process and the more recently introduced ICT Leavers process, to routinely inform the Service Desk when an officer is leaving the Councils; 2. Inaccuracies in the IT hardware asset register; 3. The IT hardware asset register does not record data to contribute to the management of insurance cover for IT assets. 	<ol style="list-style-type: none"> 1. HR will send an e-mail to all line managers reminding them and team leaders that whenever a Council employee, for whom they are responsible, leaves, they must complete a HR Leavers Form (Parts1 & 2) as well as an ICT Leavers Form for any individual who has been issued with IT equipment or who has access to the Councils' IT systems. 2. The Service Desk team have been reminded of the correct procedures for updating the asset register with updates to be made at the time an asset is issued or received. A document has been drawn up, recording how items should be added/edited/decommissioned on the asset register, and this has been saved to the Service Desk procedures area. This has been brought to the attention of the Service Desk team and raised at a recent team meeting. As far as an ongoing review of the asset register, it would be too time consuming to carry out a single exercise to review the entire asset register and so this is to be done over a period of time as staff have cause to seek assistance from the Service Desk and as items are brought in or issued. 3. Disagreed. The recording of purchase value against each item in the IT asset register is felt to be of limited benefit. Many individual items, such as laptops, are of lesser value than the insurance excess and so would not be claimed for in any case. Should there be a more significant loss, for example due to fire, then purchase records would be used to identify the value of any equipment to be claimed on the insurance.

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 2018/19 – Work Complete (No Audit Report)

Subject	Comments
<p>Waste Collection and Front Line Services Procurement</p>	<p>Internal Audit have provided support and challenge to the project team established to oversee the selection of a suitable contractor to undertake waste collection, street cleansing and the cleaning of public conveniences.</p> <p>Audit have attended regular Project Team meetings, was present at the receipt and opening of Detailed Solutions & Final Tenders from bidders as well as the subsequent moderation of evaluators scores. In addition, Audit has taken part in “dialogue sessions” with bidders which form part of the “Competitive Dialogue” procurement process. Audit will continue its role during the mobilisation phase until the start of the contract in April 2019.</p>
<p>System of Internal Control (SIC), and Annual Governance Statement (AGS)</p>	<p>Included within the Internal Audit Annual Report presented to the June Audit Committee was the internal audit opinion providing assurance that the Council's systems contain a satisfactory level of internal control.</p> <p>In addition, there is a requirement for the Council to prepare an AGS statement. Internal Audit provided support and challenge, as appropriate, to the Senior Leadership Team as they drafted the statement in respect of the 2017/18 financial year. The S151 Officer presented the 2017/18 AGS to the Audit Committee on 21 June 2018.</p>
<p>Exemptions to Financial Procedure Rules</p>	<p>5 applications for Contract / Financial Procedure Rules have been received in the year to date, all were accepted.</p>