

Report to: **Audit Committee**
Date: **25 June 2020**
Title: **Internal Audit Annual Report 2019/20**
Portfolio Area: **Cllr J Pearce – Leader of Council**
Wards Affected: **All**

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

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RECOMMENDATION

It is RECOMMENDED that:

- 1. The Audit Committee note that overall and based on work performed during 2019/20, and that of our experience from previous year's audit, the Head of Internal Audit's Opinion is of "Substantial Assurance" on the adequacy and effectiveness of the Authority's internal control framework.**
- 2. Members note the performance and achievements of the Internal Audit Team during 2019/20.**

1. Executive summary

This report summarises the work undertaken by the Council's Internal Audit team during 2019/20, reviews the performance of the Internal Audit service and provides an audit opinion on the adequacy of internal control. The report is particularly relevant to the preparation of the Authority's Annual Governance Statement which is required under the Accounts and Audit (England) Regulations 2015.

This report is to inform members of the principal activities and findings of the Council's Internal Audit team for 2019/20 to 31st March 2020, by:

- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by Internal Audit against the 2019/20 annual internal audit plan, as approved by this Committee in March 2019, and
- Providing an opinion on the adequacy of the Council's control environment.

2. Background

The Audit Committee, under its Terms of Reference contained in South Hams District Council's Constitution, is required to consider the Head of Internal Audit's annual report, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 require that all Authorities need to carry out an annual review of the effectiveness of their internal audit system and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2019/20 was presented to and approved by the Audit Committee in March 2019. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2019/20 and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

3. Outcomes/outputs

The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to present an annual report providing an opinion that can be used by the organisation to inform its governance statement.

In carrying out our work, Internal Audit assess whether key, and other, controls are operating effectively within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report. Final audit reports, will if applicable, include an agreed action plan with responsible officers and target dates to address any control issues or recommendations for efficiencies identified.

Details of Internal Audit’s opinion on each audit review carried out in 2019/20 have been provided to relevant members of the Senior Leadership Team to assist them with compilation of their individual annual governance assurance statements.

Overall and based on work performed during 2019/20, and that of our experience from previous year’s audit, the Head of Internal Audit’s Opinion is of “Substantial Assurance” on the adequacy and effectiveness of the Authority’s internal control framework.

This assurance statement is in line with the definitions below and will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement

The above statement of opinion is underpinned by our consideration of:



Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.
Substantial Assurance	Risk management and the system of internal control are generally sound and designed to meet the organisation’s objectives. However, some weaknesses in design and/ or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.
Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and/ or inconsistent application of controls, put the achievement of the organisation’s objectives at risk in a number of areas reviewed.
No Assurance	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result/ has resulted in failure to achieve the organisation’s objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

Key Findings 2019/20

As stated above we are, overall, able to provide substantial assurance on the internal control framework. During the year a number of audit assignments have been completed for which an audit opinion of "improvements required" has been provided. It is pleasing to report that none of our audit reviews resulted in an audit opinion of "fundamental weaknesses" (please refer to appendix B for definitions of "fundamental weaknesses" and "improvements required").

We set out below some of the key issues of concern identified. It should be noted that agreed management actions plans are in place to address the weaknesses, and we consider that if such actions are completed promptly then the control issue will be addressed. Many of the findings have previously been reported at audit committee meetings during the 2019/20 year.

Business Continuity – (previously reported)

Given this area remained as "Fundamental Weaknesses" after a follow-up review in 2018/19, a further follow-up exercise was undertaken by Internal Audit during 2019/20. This year's review confirms that more improvements have been made since the previous review, the most important being that operational Business Continuity Plans are now in place, with on-going work timetabled throughout the coming months. We have therefore amended our audit opinion to "**Improvements Required**".

Commercial Property (See Appendix B)

Our audit review acknowledges that the Estates team have made significant improvements to the processes and procedures for managing investment properties owned by the Councils in the last year or so. with the gradual introduction of more efficient working practices. The Councils purchased a piece of software, Concerto, several years ago, which is specifically designed for all aspects of asset management. The Property Maintenance and Grounds Maintenance teams have been using this for some time and the Estates team are now making much greater use of it, with a view to managing the Councils' property portfolios principally within the software.

We are not suggesting that the Councils' investment property portfolio is poorly managed, but there is potential to create efficiencies and other improvements in existing procedures for several aspects of the property management and associated income collection. These include a planned maintenance programme, continued implementation of processes and data population of systems such as Concerto, W360 and its successor, creation of management reports, process for production of leases and a policy for the escalation of Estates debt recovery.

Time has been allocated in the 2020/21 Audit Plan to carry out a follow-up review, to measure progress with the implementation of the recommendations made in our report.

Health and Safety (previously reported)

Following the completion of our latest follow up work, in July 2019, our audit opinion remains as '**Improvements Required**', due to several recommendations which remain in progress, as well as the need to review arrangements since the loss of some posts which previously had key responsibilities for health and safety. However, the overall direction of travel is considered to be positive.

The Head of Environmental Health Practice (IL) has made good progress in co-ordinating the delivery of the Health and Safety action plan, originally drawn up in 2016/17, particularly in those areas for which he had taken direct responsibility, for example, raising health and safety awareness for non-manual staff, clarifying headquarters first aid arrangements, providing lone working training, delivering health and safety training for the Senior Leadership Team (SLT), the Extended Leadership Team (ELT), other team leaders and supervisors and increasing awareness of the need to report accidents and incidents.

However, for those areas where delivery was reliant on other managers, it appears that, even if the initial action was delivered, for example, ensuring that risk assessments had been carried out for all functions, there is no evidence that these tasks continue to be repeated or reviewed at appropriate intervals, often, we understand, due to limited staff resource.

At the time of our previous audit in 2018, SHDC was using in-house resource to deliver the waste collection and street and public toilet cleansing services. However, these functions were contracted out on 1 April 2019, as they had been at WDBC. Whilst this has reduced the number of high risk tasks for which the Councils are responsible, a number do remain in-house, principally building maintenance, grounds' maintenance, car parking, the Dartmouth Lower Ferry and Salcombe Harbour. The Councils continue to operate a fleet of over sixty vehicles to deliver these functions.

Two key posts within the former Commercial Services no longer exist, each of which had key responsibilities for health and safety and, at the time of the follow-up review, it was understood that these responsibilities have been, or are in the process of being, transferred to other officers.

The Environmental Health COP Lead (IL) had drawn up a work plan of necessary actions and deliverables to ensure that appropriate procedures and practices were in place within waste and transport. Most of these responsibilities have now passed to the contractor, but a number do still remain with the Councils. We understand that the Head of Environmental Health Practice (IL) is to assist Environment Services Practice by drawing up a work programme of areas which need to be addressed.

Our review identified issues with identifying and recording health and safety training needs; ensuring managers regularly review all risk assessments and associated Safe Systems of Work and carry out monthly workplace and premises inspections as well as ensuring that the quarterly workplace inspections by a competent person(s) continue to be completed in line with the planned programme, particularly for the higher risk functions within Environment Services, as well as for Dartmouth Lower Ferry and Salcombe Harbour.

Internal Audit are due to carry out a further follow up review as part of the 2020/21 Audit Plan to measure progress with improvements and the results of our review will be included in a 2020/21 Audit Plan Progress Report that will be presented to members at a future meeting of the Audit Committee.

ICT – Change Management (previously reported)

Following the completion of our follow up work, our revised audit opinion remains **Improvements Required**. Although the culture of caution and an understanding of change management has been considerably strengthened within the ICT COP and a robust change control process for major or high impact changes is in place, there is further work needed to formalise procedures and to ensure that comprehensive audit trails are in place for all other categories of change.

Controls over both lower priority non-standard changes and standard changes are less well-developed. Such changes are often not being documented and, arguably, those controls that do exist work largely due to the diligence of ICT staff, rather than because there are effective formal controls in place which prevent all changes from being made without following due process.

Whilst senior officers within the ICT COP acknowledge that rigorous change management is desirable as best practice for all types of change, we understand that there is felt to be insufficient staff resource to achieve this. It is therefore attempted to strike a balance between managing and documenting all risks created by changes and actually implementing the changes in a timely manner.

This conflicts with the expectations of senior management and the demands of the business, whereby all changes would be fully controlled, documented and implemented in a timely manner, as part of business as usual.

We have obtained confirmation that some of the recommendations which we made in 2018/19, largely around standard change requests, have been, or are in the process of being, implemented. Those recommendations which remain outstanding or incomplete focus on change management delivery; ICT staff capacity; standard change request models; "Roll Back" plans for standard changes; post-implementation reviews & customer satisfaction survey redesign.

ICT Asset Control (See Appendix B)

Following the completion of follow up work in 2019/20, our audit opinion remains as **Improvements Required**. Our review this year demonstrated that, whilst additional work has taken place, or has commenced, since our previous audit, to further improve the controls over the management of IT hardware assets, there remain a number of shortcomings, largely because existing procedures do not appear to be working as intended, because they are not being followed by officers. Some of our more significant findings include failings in the HR & IT leavers process including how the return of IT equipment is managed and inaccuracies in the IT hardware asset register.

Purchase Cards (See Appendix B)

Following a presentation at audit awareness training attended by Members in October 2019, Internal Audit were asked to review the adequacy and effectiveness of internal controls and procedures operating in the area of purchasing cards.

The review found the processes in place for the management of purchase cards and the system for administering expenditure were generally satisfactory but highlighted areas where improvements could be made. These included the issue, amendment and cancellation of cards, ensuring compliance with Council guidelines on usage, the retention of receipts, separation of duties when approving expenditure and prompt coding of expenditure to the general ledger.

As a result, an audit opinion of "**Improvements Required**" was given.

Council Tax – (See Appendix B)

Council Tax bills are accurate and the system is operating with generally satisfactory controls. We acknowledge that improvements have continued to be made over the last year, with a significant amount of staff time spent in improving recovery procedures and the customer-council interface, with further improvements planned for implementation during 2020. However, there remain some key areas where controls can still be strengthened, principally around training, reducing reliance on the knowledge and experience of certain members of staff, the identification of new properties, confirming continued eligibility to discounts and exemptions.

Business Rates – (See Appendix B)

The billing and collection of Business Rates sits in the same service area as Council Tax and therefore face similar resource challenges. Areas that require improvement include the monitoring and review of account suppressions and broken arrangements. Assurance can be given that bills are raised and calculated correctly.

Insurance – (previously reported)

The insurance cover held by the Councils appears to be largely in line with that recommended by insurance providers, including the Local Government Mutual who may be considered to be unbiased as not seeking to make a commercial return. There is some degree of review of the level of insurance cover each year, as well as those items and activities insured.

However, our review returned an audit opinion of "**Improvements Required**" in light of our findings and the recommendations made which should contribute to the more effective management of insurance. The areas highlighted include seeking impartial external advice, ensuring that only appropriate property, activities or services are covered as required and that the value and level of insurance is appropriate. In addition, the review identified a need to strengthening links with the risk management

process, putting an insurance strategy in place and consideration of alternative external insurance providers, other than commercial organisations.

Time has been allocated in the 2020/21 Audit Plan to carry out a follow-up review to measure progress with the implementation of the recommendations made in our report.

Stores Follow Up – (See Appendix B)

The audit opinion of “**Improvements Required**” remains unchanged since the last follow up review in 2018/19. The key recommendations continue to relate to improvements of the stock control arrangements. The ability to make improvements to Concerto (the store system) is dependent on a significant change in the current software and/or migration to a completely different stock management system. It should be noted that the software supplier has updated the system, and management are aware that further action is needed to address the stock control issues. Should these issues be addressed then it is likely that our assurance opinion will be updated accordingly.

The 2019/20 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the latest position for each audit.

The reporting of individual high priority recommendations is set out at **Appendix B**. This is an ongoing part of the report to advise the Audit Committee in detail of significant findings since the last report presented in January 2020 and confirm that the agreed action has been implemented or what progress has been made. It should be noted that the management responses are as given at the time of the audit and that some actions may have been delayed due to the COVID-19 pandemic.

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

Non Compliance with Contract or Financial Procedure Rules

There are no significant issues to bring to the attention of the Committee for 2019/20. Ten applications for exemptions to Contract / Financial Procedure Rules have been received, all were accepted with the exception of one where it was deemed that an exemption was not required.

Fraud Prevention and Detection and the National Fraud Initiative

Counter fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Cabinet Office runs a national data matching exercise (National Fraud Initiative – NFI) every two years. The NFI exercise identifies potentially erroneous or fraudulent payments in areas such as housing benefits, awards of council tax single person’s discounts and creditor payments. In October 2018, a number of data sets of information were provided to the Cabinet Office and a list of potential matches were received. It is recognised that some service areas have struggled to find the resource to complete the review of the data matches received. Management have been made aware of the situation.

Irregularities

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 2015.

5. Proposed Way Forward

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

PROVISION OF INTERNAL AUDIT AND PERFORMANCE – 2019/20

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

Local performance indicator	2019/20 Target	2019/20 Actual
Percentage of audit plan commenced	95%	96%
Percentage of audit plan completed	95%	91%
Actual audit days as a percentage of planned	95%	94%*
Customer satisfaction (percentage of customers stating that service is "good" or "excellent")	90%	100% **
Draft reports issued within target days	90%	85%
Average level of sickness	2%	1.2%***
Outturn within budget	Yes	Yes

* In addition to the planned work, 33 days have been spent on LEAF (Greater Dartmoor Local Enterprise Action Fund) and LAG (South Devon Coastal Action Group) grant work. An initial allocation of 30 days had been made in the 2019/20 Audit Plan and the same has been allocated for 2020/21.

** During the period we issue client survey forms with our final report and it is pleasing to note that auditees considered that the team continue to provide a good or excellent service.

***Sickness relating to officers within the combined internal audit team equates to 6 days in the period 1st April 2019 to 31st March 2020.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	<p>There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.</p>
Risk	Y	<p>The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.</p>
Supporting Corporate Strategy	Y	<p>This Annual Report and the work of Internal; Audit supports all six of the Corporate Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.</p>
Climate Change – Carbon / Biodiversity Impact	Y	<p>None directly arising from this report. However, the Internal Audit function, managed by Devon Audit Partnership is very mindful of the need to minimise travel in completing the internal audit plan. Where possible, desk-top review of documents, and the use of electronic records, is used to obtain evidence to support the audit process, although it is inevitable that on-site verification may be required at times.</p> <p>The team use an audit management system (Mki) which enables managerial review to take place remotely, thus also saving on the need for travel.</p>
Comprehensive Impact Assessment Implications		

Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

Supporting Information

Appendices:

There are no separate appendices to this report.

Background Papers:

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

■ Status as reported in previous Progress Reports ✓ Change to Status since 1st January 2020

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	
COMMERCIAL SERVICES										
Salcombe Harbour (S.Hams)	10									
Contract Management – Waste Collection and Street Cleansing Contract	10	■	■	■	■	■				Summary presented to Audit Committee in January 2020
Car Parks – PCN and Appeals Process	10	■	■	■	■		■			Summary presented to Audit Committee in October 2019
Dartmouth Lower Ferry (S.Hams)	8	■	■	■	■		■			Summary presented to Audit Committee in January 2020
Environmental Services – Enforcement Process (Fly Tipping, Abandoned Vehicles etc) – Follow-Up	3	■	■							
Grounds Maintenance Operations– Follow Up	3	✓	✓							
Grounds Maintenance & Car Parking Permits – invoicing of external clients (S Hams)	5	■	■	✓	✓		■			Additional request by SHDC members. Assurance required that all invoicing takes place as expected.
Depots & Stores Follow-Up (S.Hams)	3	■	■	✓	✓			■		Final report issued. Summary in Appendix B below.
Commercial Services	52									Planned days increased by 5 days re Grounds Maintenance invoicing

Projects agreed in the	Planned	Fieldwork	Issued	Management	Final	Opinion				Comments
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■ Status as reported in previous Progress Reports ✓ Change to Status since 1st January 2020

Appendix A

Audit Plan	Number of Days	started	in draft	comments received			High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
CUSTOMER FIRST											
Planning (Applications) – Follow-Up	5	■	■	■	■			■			Summary presented to Audit Committee in October 2019
Use of Social Media	5	■	■	■	■			■			Summary presented to Audit Committee in October 2019
Section 106 agreements (follow up)	5	■	■	✓	✓			■			Final report issued. Summary in Appendix B below.
Commercial Property & Rents (Tenancies, Reviews, Collection) Inc Industrial Units and Investment Properties.	10	■	■	✓	✓				■		Final report issued. Summary in Appendix B below.
Duplicate Data Entry and Processes	5										Audit postponed. Time used for Grounds Maintenance review of invoicing- SHDC (see above)
Customer First	25										Original plan was 30 days. 5 days removed for Duplicate Data Entry resulting in revised plan of 25 days

■ Status as reported in previous Progress Reports ✓ Change to Status since 1st January 2020

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	
SUPPORT SERVICES										
ICT Audit - Use of Email and Internet	25									
ICT Audit – Change Management Follow-up		■	■	■	■			■		Summary presented to Audit Committee in October 2019
ICT Audit - Asset Control - Follow-Up		■	■	✓	✓			■		Final report issued. Summary in Appendix B below.
Corporate Information Management (Data Protection)	15	Deferred								Deferment to 2020-21
Capital Expenditure and Receipts	10	■	■	■	■		■			Summary presented to Audit Committee in October 2019
Insurance – Review of Cover	8	■	■	■	■			■		Summary presented to Audit Committee in January 2020
Online Payments	7									
Employment / Recruitment Checks / Leavers Process	7	✓	✓							Will be incorporated into Payroll Audit

■ Status as reported in previous Progress Reports ✓ Change to Status since 1st January 2020

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	
SUPPORT SERVICES (Contd)										
Elections – Post May Election Review	5									Agreed with Management, No Longer Required
V.A.T. – Sample Check Income Transactions	5	■	✓	✓	✓		■			Final report issued. Summary in Appendix B below.
Recharging – test of re-charge calculations	5	■	■	✓	✓		■			Final report issued. Summary in Appendix B below.
Business Continuity Follow-Up (inc BCP exercises)	5	■	■	■	■			■		Summary presented to Audit Committee in January 2020
Comments and Complaints – Follow-Up	5	■	■	■	■		■			Summary presented to Audit Committee in January 2020
Purchasing Cards	0	■	■	✓	✓			■		Request by Section 151 Officer following issues raised at DAP Audit Member training. Final report issued. Summary in Appendix B below.
Support Services	95									
Projects agreed in the	Planned	Fieldwork	Issued	Management	Final	Opinion				Comments

- Status as reported in previous Progress Reports ✓ Change to Status since 1st January 2020

Planned Audit 2019/20 – Final Reports

The following tables provide a summary of the audit opinion and main issues raised in the reports issued to managers. In all cases (unless stated) an action plan has been agreed to address these issues.

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 2019/20 – Final Reports

As at 31 May 2020, 23 final reports have been issued in respect of 2019/20 work and 2 in respect of 2018/19 work. The conclusions from final reports issued since the last Audit Committee in January 2020, are summarised below.

Subject	Audit Findings	Management Response
2018/19 Audit Plan		
GDPR	<p>Audit Opinion - Good Standard</p> <p>It is essential that the Councils' manage their use of personal data and information in accordance with GDPR.</p> <p>We have raised a number of recommendations that will strengthen the controls already in place and below is a summary of the recommendations, which include;</p> <ol style="list-style-type: none"> 1. To effectively manage the use of data and information and enable the Councils to become more effective and efficient, it is essential to know what data is held and how it is used. This means finalising the completion of the Information Asset Register (IAR) and the Record of Processing Activities (RoPA); 2. Following the analysis of data, the Councils can develop further the progression of a comprehensive data retention and processing system to ensure that all information that is no longer required is deleted or disposed of; 3. We have recommended improving the current procedures for managing the handling of data when there are changes to processes and systems; this may 	<ol style="list-style-type: none"> 1. We will need to resource the completion of both the Information Asset Register (IAR) and the Record of Processing Activities (RoPA) and potentially Case Managers will complete the process of updating the records. Plans are to have a robust IAR in place by May 2020. <p>Following implementation of the register we will then review data mapping in conjunction with new systems, although this will require careful consideration.</p> <ol style="list-style-type: none"> 2. The completion of the IAR will drive the process of reviewing data held by the authorities and will identify the areas that need further action. This will be developed following the IAR completion in May. We are currently implementing a new email policy and retention that is due to implemented in April. <p>Data indexing will be developed during 2020 in conjunction with the IAR. The need to manage data will be included in</p>

APPENDIX B

Subject	Audit Findings	Management Response
<p>GDPR (continued)</p>	<p>need a review of current and future contracts and information sharing agreements;</p> <p>4. A review of the Councils procedures, for ensuring that consent is appropriately retained and updated for the use of data that is collected, identified that this was not operating as effectively as it should; we have recommended a comprehensive review of privacy notices, acceptance forms and data records;</p> <p>5. The introduction of the new process for managing Freedom of Information requests has been effective, although now is a good opportunity to review the process to ensure that it is efficient and is providing the correct information;</p> <p>6. Along with managing data, we have requested that the Council is effectively controlling video, sound and photographic information that it obtains; and</p> <p>7. That sufficient training and awareness is provided to all staff and members to ensure they are aware of their requirements under the Data Protection Act.</p>	<p>implementation of new systems such as replacement for W2 and the migration of existing data records.</p> <p>3. Agreed we are reviewing the project approach and Data Protection Impact Assessments will be incorporated into the required projects.</p> <p>4. We have undertaken work to improve the privacy notices provided when collecting data and additional work is planned to review all forms on the Councils websites. A full review is planned by March and an action plan will be devised. With the introduction of the new online supplier, Northgate, the application process for Council Tax and Benefits now includes the required controls and is compliant</p> <p>5. Agreed. The FOI management process will be reviewed and where appropriate improvements will be implemented.</p> <p>6. Action has been taken to review and update the consent forms and process to ensure all officers and members are aware of the requirements when individuals are captured in photographs and on video.</p> <p>7. The online training has been rolled out to officers and new employees are required to complete the appropriate training. Additional high-level targeted training will be considered for services and officers directly</p>

APPENDIX B

Subject	Audit Findings	Management Response
GDPR (continued)		<p>responsible for handling personal data and this will be actioned in the second half of the year.</p> <p>Members have received direct, face to face training but not the online training as yet.</p>
Cyber Security	<p>Audit Opinion - Good Standard</p> <p>It is pleasing to report that the systems, processes and procedures used to mitigate Cyber Security risks and threats were of a good standard. A robust control environment has layers of protection and the review identified this was true of the Cyber Security protections in place.</p> <p>The IT Service currently employ an experienced IT security specialist and this contributes to the ability of the organisation to understand the prevailing threat environment. The service utilises a range of technical, procedural and human controls to mitigate Cyber Security risks, supplemented by a range of software tools that add value to the control environment and in meeting its own operational requirements.</p> <p>The level of information security awareness training and guidance provided by the Information Security specialist to staff was found to be of a high standard which goes some way to mitigating the very real "human" risk.</p> <p>Our review highlighted the following issues:</p>	<ol style="list-style-type: none"> 1. Domain Admin accounts will be reviewed at least a minimum of every six months and rationalised where necessary. 2. IT Business continuity plan is in place which covers various scenarios including loss of building access, network, data, people and pandemic. <p>Our technical response and documentation for recovery of systems will continue to evolve as we repeatedly rehearse a recovery situation at our secondary data centre.</p> <p>The plan includes communication lines into a corporate communications plan.</p> 3. Reminder issued in January 2020 stating all firewall changes are subject to a Standard Change procedure.

Subject	Audit Findings	Management Response
Cyber Security (continued)	<ol style="list-style-type: none"> 1. The number of "high privilege" Active Directory administrative and service accounts. 2. The lack of corporate business continuity plans impacting on the IT Service's ability to ensure that business needs are fully met in the event of a significant incident. 3. Anyone within the ICT infrastructure team can create or modify firewall rules without review. 	
2019/20 Audit Plan		
Main Accounting System (inc Budgetary Control)	<p>Audit Opinion - Good Standard</p> <p>We were able to confirm that, in general, the setting and subsequent control of budgets is well managed, with controls in place and operating. We have made several recommendations which would contribute to 'good housekeeping' or to the strengthening of existing controls, including:</p> <ol style="list-style-type: none"> 1. Educating officers in the importance of the correct and accurate use of commitments, to enhance the reliability of budget monitoring; 2. Determining the best way to resolve several balancing items on the bank reconciliations which have been caused by timing issues when the bank interface software was changed; and 3. Reviewing the continued need for those petty cash floats still in existence. 	<ol style="list-style-type: none"> 1. The review of commitments was primarily to allow the introduction of automated accruals, which won't be put in place for another year or so. It does not hinder any other work and so is quite a low priority. 2. Agreed. The Support Services Case Manager (SW) has now combined the ICON and Adelante bank reconciliations, which has resolved some of the issues. The Case Manager (SW) is to meet with the Senior Specialist – Accountant Business Partner (RH) to review the reconciliation and discuss any remaining problems. 3. Agreed. All remaining petty cash floats will be reviewed, with the intention of removing them and using alternative payment methods.

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	<p>We were also able to confirm that the recommendations we made in 2018/19 have been implemented, except a couple relating to longer term, lower priority projects.</p>	
<p>ICT – Asset Control – Follow-Up</p>	<p>Original Opinion – Improvements Required</p> <p>Revised Opinion – Improvements Required</p> <p>Although additional work has taken place, or has commenced, since our previous audit, to further improve the controls over the management of IT hardware assets, there remain a number of shortcomings, largely because existing procedures do not appear to be working as intended, because they are not being followed by officers. 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 IT Leavers process, to routinely inform the Service Desk when a member of staff is leaving the Councils; 2. The return of IT equipment issued to leavers, including Councillors, is not always managed correctly, with the result that the Service Desk may be unaware of its whereabouts; and 3. Inaccuracies in the IT hardware asset register. 	<ol style="list-style-type: none"> 1. Agreed. A further reminder will be issued to ELT and managers, emphasising the need to complete the HR and IT Leavers forms. In addition, the agency leaver reports are now being sent to the Service Desk each quarter. 2. Agreed. This is on the agenda for an ELT meeting. 3. Agreed. The Customer Support Advisor (RB) has now written a procedure note regarding the updating of the IT asset register. <p>An email informing the Service Desk Team as to how the asset register should be maintained is to be issued in early January.</p> <p>The Customer Support Advisor (LT) is presently working on a data cleanse of current devices recorded within the IT asset register, to correct any inaccurate entries. It is hoped this will be completed in early January.</p>
<p>Recharging</p>	<p>Audit Opinion - Good Standard</p> <p>The recharging of salary and related costs between the two authorities continues to be calculated correctly and</p>	

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	<p>promptly. The costs identified were found to be accurately recharged between the relevant ledger codes for each Council; the rationale for the apportionments applied to the various costs is logical and reflects the deployment of resources.</p> <ol style="list-style-type: none"> 1. There is opportunity to further streamline the process if the payroll system were able to process the allocation of recharges and automatically upload the related shared costs to the general ledger, thereby reducing the reliance on manual input and completion. 2. Whilst processes are in place to identify other expenditure, at source, and allocate costs accordingly, including during the ordering process, our work has confirmed that this is not performed for all orders raised by services. This places additional resources on other services to review and reallocate costs after the initial order is placed. There is the opportunity to further remind officers of the importance of identifying expenditure that should be shared across the authorities, at the stage of putting on a purchase order and ensuring that this is captured by effective service processes to ensure that it is allocated promptly, efficiently and accurately. 	<ol style="list-style-type: none"> 1. Agreed. We would support that any future new or updated systems include the ability to allocate costs directly. 2. A new process will be undertaken to include shared costs in a control account to identify those areas that have been shared or require recharging. <p>Orders will only be raised where the shared split is known. Analysis of the control account will be completed monthly and recharged at the end of the month to enable accurate budget monitoring.</p> <p>This will be controlled jointly between Support Services Case Management and Specialist Accountants.</p> <p>Training for Case Managers and related officers to identify and account for this shared expenditure is planned for March 2020.</p>
<p>Commercial Property & Rents (Including Council Owned Industrial Units)</p>	<p>Audit Opinion – Improvements Required</p> <p>The Estates team have made significant improvements to the processes and procedures for managing investment properties owned by the Councils in the last year or so. They are also aware that there remains a number of other areas where improvements can be made and work is on-</p>	<ol style="list-style-type: none"> 1. Agreed. The Estates team consider a planned maintenance programme to be very important, but quite a lot of reliance must be placed with the Property Team, who actually carry out the maintenance work, led by the Specialist – Assets (ST). There was a recognised need for the two teams to work much more closely and

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<p>and Investment Properties).</p> <p>Commercial Property & Rents (continued)</p>	<p>going as other priorities allow. We are making a number of recommendations, some supporting action already planned, which will contribute to more efficient and, in some cases more effective, working practices:</p> <ol style="list-style-type: none"> 1. Introduction of a planned maintenance programme for those investment properties owned by the Councils; 2. Continued implementation of processes on W360, to assist in the management of investment properties e.g a process for the vacation of properties; 3. Continued population of Concerto with data relating to estates property management and ensuring that this is reliable; 4. Creation of a suite of reports to provide effective management information relating to the property portfolio; 5. Expedite the creation of a W360 process for the drawing up and issuing of leases, from instructing the Legal team through to the subsequent raising of invoices by the Debtors team; 6. Introduction of a policy to define parameters for the escalation of Estates debt recovery, to ensure that this happens promptly; 7. Ensuring that all members of the Estates team are working coherently and taking a unified approach to the management of the commercial properties, for instance when liaising with the Debtors team; 	<p>this has significantly improved since early November 2019.</p> <p>A series of maintenance programmes are now being developed and delivery has commenced where they have been produced.</p> <ol style="list-style-type: none"> 2. Agreed. The new Tenancy Applications process is working well in W360. Further processes continue to be developed, but reliance is placed on assistance from the Business Development team who have limited time. <p>The work remains on-going to develop additional processes and will continue following the replacement of W360, but the timeframe is somewhat out of the control of the Estates team.</p> <ol style="list-style-type: none"> 3. Agreed. Issues with Concerto still need to be resolved – although at present it is unclear if they are technical issues or if it is actually a lack of understanding as to how Concerto operates. Once resolved, this will contribute to removing the need to use the ‘Tenancy Schedule’ spreadsheet. <p>A Rent Review process is to be developed in W360 and this will include the requirement to update Concerto with the outcome, including where this is ‘no action’.</p> <ol style="list-style-type: none"> 4. The management reporting facility within Concerto is already used occasionally, but additional reports are to be further

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<p>Commercial Property & Rents (continued)</p>		<p>investigated, as well as an understanding of what Concerto can offer. Those reports run to date did prove useful in highlighting some data gaps within commercial property records on Concerto.</p> <p>The aim is to be able to place reliance on Concerto and remove the need for the 'Tenancy Schedule' spreadsheet. However, the reliability of data within Concerto is somewhat dependent on the availability of Case Management resource in order to be able to regularly update the system.</p> <p>The reporting facilities of Concerto, in terms of day to day property management, will be investigated and put to use as appropriate.</p> <p>The setting up of a report in Concerto to monitor any outstanding rent reviews will be included for consideration as part of the work described in the paragraphs above, to develop a suite of reports relating to day to day commercial property management. This also applies to the running of a reliable report of vacant lettable units that would allow ready monitoring of those units which do not appear to be attractive to prospective tenants, allowing timely management decisions to be taken regarding their future.</p> <p>5. Agreed. A workflow process for leases was created in W2, but some of the teams involved in issuing new leases did not find that it created efficiencies for them and so its use was</p>

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<p>Commercial Property & Rents (continued)</p>		<p>discontinued. It may be beneficial to investigate a revised workflow process once the replacement for W360 is in place. However, priority will be given to the implementation of processes which are already live in the current software.</p> <p>6. Agreed. It is important to commence debt recovery within two months, especially for the small companies and sole traders who make up a large proportion of the Councils' tenants. A significant amount of work was carried out with the Corporate Debt Recovery team about a year ago. This included agreeing a policy as to when recovery action should commence and be escalated to the next stage etc. However, it appears that following a change of responsibilities within the Debt Recovery team, the process has ceased to be effective. The matter therefore needs to be addressed again.</p> <p>Tenants do need to be aware that legal action will be taken where deemed necessary and has proved effective in recovering debts.</p> <p>It would be useful to give Legal advance notice of when their assistance may be required for potential cases and to agree the necessary timings between the two teams. It may be that earlier involvement of the Legal team would emphasise the serious intent of the Councils, should payment not be forthcoming.</p> <p>7. Agreed. Processes are being developed, e.g. a regular inspection regime, an annual review of</p>

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		<p>each estate, etc., which will prompt staff to work in a more uniform manner.</p> <p>There is currently a mixed approach by individual Specialists, but as discussed above, procedures are to be put in place which will align working methods across the team. These will require the Estates officers to regularly liaise with the Debtors team, for example.</p>
<p>Section 106 Agreements (Follow-Up)</p>	<p>Revised Audit Opinion – Good Standard</p> <p>Previous Audit Opinion – Improvements Required</p> <p>Following our previous audits there have been some significant changes in the managing of the funds surrounding S106 Agreements and this has enabled our audit opinion to be raised to Good Standard. These changes include:</p> <ul style="list-style-type: none"> • Notification to the S106 Officer of Agreements and variations. • Direct liaison with other services, such as Land Charges. • Updating the S106 Register Smartsheet with key information and enabling automated reminders. • Direct communication with developers to obtain updates on progress of building completions. • Arranging for developers to pay funds direct to Devon County Council and other related third parties. • Ongoing reconciliation of funds between spreadsheets and General Ledger, • Closer liaison with related Council services. 	<ol style="list-style-type: none"> 1. Case Management are recording on the agreement files confirmation of the logged obligation from Land Charges. <p>Case Management will ensure that the process for recording Agreements continues to be the most effective.</p> <ol style="list-style-type: none"> 2. The Head of Development Management Practice will undertake a six-month review to evaluate the resources required to monitor all types of agreements and use this to evaluate future fees charged. 3. Agreed, Case Management will ensure that that where the Section 106 obligations are not met that money is returned to the appropriate party. <p>There are procedures in place to ensure that services are able to commit and spend all of the funds available.</p>

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Subject	Audit Findings	Management Response
<p>Section 106 Agreements - Follow-Up (continued)</p>	<ul style="list-style-type: none"> • Prompt raising of invoices and coding of funds received. • Calculation and recovery of monitoring fees. • Monthly and quarterly reporting of funding, by parish, and publication on the Councils website. • Providing support for the S106 Officer in their absence. <p>Following our review of the current process we have raised recommendations to further improve the process, and these include;</p> <ol style="list-style-type: none"> 1. That Legal have a robust system to confirm that Land Charges have registered all obligations; 2. That the justification for the Monitoring Fee is fair and justified and is allocated across all Agreements; 3. Whilst it is noted that there has been only one instance where the Council has had to return Section 106 monies, it is recommended that a strict procedure is in place to determine unspent funds and that they are returned where required in line with the S106 Agreements; and 4. That the Councils further improve on the information available to the general public with regard to the level of funds received, available and spent. 	<p>The Director of Governance and Assurance will remind Heads of Practice of the need to ensure that funds are recorded and committed in the required timeframes.</p> <p>4. Agreed. The reports and information that is available will be reviewed and discussions held with services over the option to include this on the website.</p>
<p>Business Rates</p>	<p>Audit Opinion – Improvements Required</p> <p>Whilst we acknowledge that a number of the recommendations made in 2018/19 have been implemented, there are some which have either not yet commenced or been completed, largely due to limited staff</p>	<p>1. Agreed. A review of SBRR awards is to be made, with work commissioned in conjunction with some of the partners of the Devon Business Rates Pool. It will be carried out in a similar way to the review of Single Person Discounts for council tax, with the data being</p>

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Subject	Audit Findings	Management Response
Business Rates (continued)	<p>resource and other work pressures. A significant amount of staff time has been spent in improving recovery procedures and the customer-council interface, but so far this work has largely focussed on council tax, with very limited comparable work undertaken in relation to business rates. Therefore those recommendations have been repeated as a reminder. The most significant issues include:</p> <ol style="list-style-type: none"> 1. No programme of reviews of reliefs and exemptions to confirm continued eligibility. The combined cost of the most significant to the Councils, the Small Business Rate Relief (SBRR), is approximately £7.9m for SHDC and £2.6m for WDBC; 2. No regular review of broken arrangements to identify those accounts where customers have defaulted on special arrangements to pay; 3. The Northgate 'bailiff portal', used to provide an interface between the Councils and the appointed enforcement agents, needs to be installed to allow efficient transmission of data between the two parties; 4. Debts returned by the enforcement agents as unenforceable are often left on accounts as there is limited resource to address them. There is currently no policy or resource to determine how these should be routinely dealt with; and 	<p>provided to an external company who will analyse it and categorise the cases as 'low' to 'very high' risk. The Visiting Officer has visited some businesses in receipt of more significant value exemptions, to confirm on-going eligibility. As a result, the most significant areas have been, or will be, reviewed.</p> <ol style="list-style-type: none"> 2. Agreed. The Specialist – Revenues (JL) is to look at this issue, to try and identify a solution. For example, it may be possible to automatically progress cases to the enforcement agent. 3. Agreed. This is to be progressed as other work priorities allow. 4. Agreed. Now that there are three enforcement agents operating under the new contract, in the first instance it will be possible to send 'Bailiff Return' cases from one enforcement agent to another agent. <p>However, subsequent monitoring and administration of such cases is reliant on the amount of staff resource within the recovery and enforcement team, so this will be considered as part of overall review of recovery and enforcement resource and processes.</p>
Council Tax	Audit Opinion – Improvements Required	<ol style="list-style-type: none"> 1. Agreed. The Revenues Case Manager (KS) has already commenced training those Case

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Subject	Audit Findings	Management Response
<p>Council Tax (continued)</p>	<p>Despite the Audit Opinion of Improvements Required, we would like to emphasise the significant amount of work that has taken place since our previous review, both to introduce more effective working practices and to improve the customer offering. There are also a number of additional improvements either already commenced or planned for delivery in the coming months, which will contribute to addressing some of the recommendations we have made.</p> <p>Whilst we acknowledge that a number of the recommendations made last year have been implemented, there are some which have either not yet commenced or been completed, largely due to limited staff resource and other work pressures. A significant amount of staff time has been spent in improving recovery procedures and the customer-council interface, with further improvements planned for implementation during 2020.</p> <p>Those recommendations from 2018/19 which are not yet complete, or otherwise resolved, have been repeated as a reminder, as well as highlighting several additional issues, including:</p> <ol style="list-style-type: none"> 1. It should be ensured that staff, particularly within the Contact Centre and Case Management, are adequately trained to complete those tasks expected of them, with on-going quality checks to confirm the accuracy of work completed; 2. Consideration should be given to how to remove the 'single point of failure' with respect to the revenues knowledge and experience held by the Specialist - Revenues (SH), particularly in relation to business rates 	<p>Managers within the team, particularly those who have transferred from the Contact Centre, to allow them to undertake more revenues tasks than previously. They are all to receive initial training in time for the 2020/21 annual billing and this will be followed by a rolling training plan which has been devised.</p> <p>It is thought that the greater understanding of revenues processes will allow those dedicated call-handlers within the team to feedback to the 'back office' Case Managers when processes used by the latter impact on the work of the former.</p> <p>Under the new Case Management Structure, the Revenues Supervisory Case Manager (SM) will monitor the work of other Case Managers within the team as part of her duties.</p> <p>A rolling programme will be introduced to prompt the regular review of a sample of random accounts updated by each team member. These will be assessed for accuracy and quality of work, which will feed into the performance management for each individual.</p> <ol style="list-style-type: none"> 2. Agreed. The most pragmatic and effective use of the Specialist - Revenues staff resource, including to remove the single point of failure, is already being discussed with the Director of Strategic Finance, in order to identify an acceptable solution for both the Revenues and the Finance teams.

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Subject	Audit Findings	Management Response
<p>Council Tax (continued)</p>	<p>modelling, which also impacts on the staff resource available to deliver customer service improvements;</p> <p>3. The need to establish the most effective and prompt way of identifying new properties;</p> <p>4. A full programme of review of all discounts and exemptions, to confirm continued eligibility, has yet to be delivered;</p> <p>5. The Northgate 'bailiff portal', used to provide an interface between the Councils and the appointed enforcement agents, needs to be installed to allow efficient transmission of data;</p> <p>6. The recovery and enforcement strategy and process needs to be further reviewed, to ensure that the system is working as expected, being used to best effect, automating as many tasks as possible and ensuring that staff resource is being used effectively for the remaining manual tasks; and</p> <p>7. There is no policy or associated procedures to determine when a debt should be written off, to avoid investing limited staff resource in attempting to recover debts where it may be no longer cost-effective to do so.</p>	<p>3. Agreed. The Visiting Officer (MR), who has been in post about eight months, has found ad hoc new properties, but there is scope to review procedures across the Councils, as the Revenues team are not the only one who have need of such information, nor receive relevant information. It extends to Street Naming & Numbering, Waste, Development Management etc. Enquiries will be made through the Devon Benefits & Revenues Officers Group as to how other authorities address this matter, but based on previous information, it is suspected that each authority takes a slightly different approach.</p> <p>It is not felt that development of such procedures should rest solely with the Revenues team, but the matter will be raised with other relevant managers and a corporate approach taken forward from there. It may be that the Business Manager - Case Management (SM) is well placed to identify where there is information and procedural overlap between teams and therefore how best a corporate process might be developed.</p> <p>Processes for identifying the point of completion of new properties have improved over previous years, with information now received from Street Naming & Numbering (SNN), but it may be that other teams within the Councils are aware of new properties before SNN.</p> <p>The Specialist – Council Tax (SD) did go out to the new Sherford development to seek out</p>

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Subject	Audit Findings	Management Response
Council Tax (continued)		<p>completed properties and to confirm reports received of properties which had already been completed. However, it was often found that properties perceived to be complete, were not for council tax purposes.</p> <p>The developers responsible for Sherford and other significant new developments, have been contacted, explaining what responsibilities they have in terms of informing the Councils when a property is complete, but this does require staff resource to monitor compliance and there are currently other work priorities.</p> <p>4. Agreed. A full review of Single Persons Discount was completed in 2019/20 with the work funded in partnership with Devon County Council. Targeted reviews will be implemented for other discounts and exemptions where there is the greatest risk of the Councils not being informed of changes, for example, Disabled Band Relief and Nursing Home Exemptions. It would not be cost-effective to carry out reviews for all discounts or exemptions, such as where there are only a limited number awarded, or where it is likely that the information will be received anyway.</p> <p>The Specialist – Revenues (SH) did introduce this practice of making a routine year on year comparison of values of discounts and exemptions following a previous audit recommendation, but it ceased due to other work pressures. It should be quite straight forward to reintroduce it as part of the annual</p>

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Subject	Audit Findings	Management Response
<p>Council Tax (continued)</p>		<p>exercise to complete the CTB1 government return.</p> <p>5. Agreed. This is to be progressed as other work priorities allow.</p> <p>6. Agreed. Currently, the number of courts for revenues has been reduced, as each one requires considerable staff resource to carry out the administration required beforehand, and it is felt to be more efficient to have fewer courts, each with a greater number of cases. However, once the recovery package is fully up and running, it may be that this approach needs to be reviewed and a greater number of courts may be preferable to help the enforcement process flow better. It would be helpful if Case Management were to review the recovery and enforcement processes across the Councils, to identify where existing processes can be improved and made more efficient, as this affects multiple teams.</p> <p>The review of the revenues recovery process, which was to be led by the former Support Services Case Management Manager (SP), was never completed due to the ELT restructure. In addition, a delay is beneficial whilst the revenues recovery software and associated automation is introduced, to allow the impact of this to be understood.</p> <p>7. Agreed. Other work priorities have prevented this from being addressed so far, but it is acknowledged that it needs to be done, in part</p>

Subject	Audit Findings	Management Response
		to bring about improved efficiencies in administering write offs.
Purchase Cards	<p>Audit Opinion – Improvements Required</p> <p>The process surrounding the use of purchase cards, and the system for administering expenditure, is generally satisfactory but there are areas where improvements can be made. Overall, we found that cardholders were using the purchase cards to pay for goods and services that related to their service requirements and there were no unfitting transactions. Following our audit review and the restructure of the Council’s Extended Leadership Team (ELT), responsibility for purchase cards moved from Support Services Case Management to the Finance Specialist Team.</p> <p>The audit review identified the following issues:</p> <ol style="list-style-type: none"> 1. Non-compliance with Council guidelines with regard the sharing of cards and card information and that card details are amended when officers leave the Council. 2. A substantial amount of the expenditure examined was not supported by corresponding receipts, a total of £16,401. It is probable that these receipts are held in emails, or in cardholders’ own records, but they are not evident in the Support Services monthly reconciliation files. Information on the monthly statements does not indicate that this expenditure was 	<ol style="list-style-type: none"> 1. Finance Specialists will review the policies, guidance and controls currently in place. This will include a review of the limits for the cards and discussions on setting category restrictions and spending limits where appropriate. <p>As part of the review of the process Finance will ensure that only authorised users have access to the purchase cards.</p> <ol style="list-style-type: none"> 2. Agreed, this is important and will be raised with the Case Management Team Leader, Customer First (SB) to ensure that officers obtain valid VAT receipts for all transactions. 3. Agreed, this is important and will be raised with the Case Management Team Leader, Customer First (SB) to ensure that officers obtain valid VAT receipts for all transactions. Where possible, allowing for resources, we will consider recovering VAT for past transactions. 4. Agreed, during the review of procedures officers will take into account who has access to the cards and ultimately confirms and reconciles the expenditure.

Subject	Audit Findings	Management Response
Purchase Cards (continued)	<p>inappropriate but does highlight the potential risks of excessive or uncontrolled use of purchase cards.</p> <p>3. VAT, totalling £7,768 across both Councils, could not be recovered; this further highlights the potential weaknesses of using purchase cards and the surrounding controls which can, ultimately, make use of purchase cards more costly for the Councils.</p> <p>4. There is no process for the cardholder to formally evidence approval of the expenditure and the officer reconciling the expenditure may also be responsible for the procurement.</p> <p>5. Monthly expenditure was slow to be coded to the general ledger, and so reconciled by services and independently verified by Support Services, and the process should be further improved. Following the completion of the audit we are aware that coding of expenditure has now been brought up to date on the ledger.</p>	<p>5. It is understood that the Support Services Case Management undertake the reconciliation and this process will be reviewed to ensure that is undertaken effectively and promptly. During the review officers will ensure that expenditure is loaded to the ledger monthly and that services are reminded to submit receipts promptly. In addition, they will discuss how the reconciliation of purchases and receipts could be completed more online using the card provider's services, where available.</p>
V.A.T.	<p>Audit Opinion - Good Standard</p> <p>The process surrounding the recording and accounting for VAT is generally satisfactory but there are areas where improvements can be made and these are summarised below.</p> <p>1. The understatement of VAT due to HMRC in one monthly VAT Return was an isolated incident but has identified a number of weaknesses that have been</p>	<p>1. a. Agreed. Finance have added additional compensating controls to help identify errors where system data may not have been loaded correctly from systems.</p> <p>Finance have also strengthened independent check by the Senior Specialist Finance to compare the ledger and related VAT Returns.</p>

Subject	Audit Findings	Management Response
V.A.T. (continued)	<p>fully or partially addressed by the Council and these include:</p> <ol style="list-style-type: none"> a. Ensuring that the transfer of information from external to internal financial systems is automated, with the ability to eradicate or limit any single point of failure; b. Ensuring reconciliations of systems and monitoring of the partial exemption and VAT position of the Councils are adequate and remain subject to independent scrutiny; and c. Provision is made for any possible penalties and recovery of the additional interest paid to HMRC in this case. <ol style="list-style-type: none"> 2. That additional resources are employed on ensuring that the VAT is accurately recovered from purchase card transactions (in excess of £7,700 across both Councils for 2019), that all expenditure is accurately supported by a VAT receipt and recharges are accurately completed across the authorities; and 3. A suitable process is put in place and resources are allocated to ensure that officers specialising in projects with VAT implications obtain prompt and accurate VAT advice. 	<p>Discussions will be held with other services to further improve automated processing of transactions.</p> <ol style="list-style-type: none"> b. Improvements have been made to reconciliations and checks on transactions and VAT to compare values against previous months and years. <p>We have also strengthened independent check by the Senior Specialist Finance to compare the ledger and related VAT Returns.</p> <ol style="list-style-type: none"> c. Officers have contacted HMRC on the required channels regarding the error and interest paid and at present have not received any reply. If needed, we can recover the overpaid interest on the VAT Return should there not be any future response. <ol style="list-style-type: none"> 2. Agreed, officers are aware of the issues and plans are in place to review the system and provide guidance and improved controls over the recording and recovery of VAT relating to these purchases. 3. This process should sit with the service and during project development highlighted during the project management. Officers will be reminded of the importance of highlighting this area to the VAT Specialist promptly. At the same time, the Section 151 officer is part of the project team set up for larger projects and ensures that VAT is identified as an issue.

Subject	Audit Findings	Management Response
		<p>Early notification of projects that may have financial implications are necessary to determine the VAT impact.</p>
<p>Car Park Permits</p>	<p>Audit Opinion - Good Standard</p> <p>Permit applications are accurately and promptly processed. However, there is a potential weakness in some of the controls regarding the management of the blank and issued permits and these include:</p> <ol style="list-style-type: none"> 1. The holding of blank permit paper; 2. The risk of printing unauthorised permits; 3. Lack of independent stock records held to reconcile unused and used permit paper to actual permit issues; and 4. No overall independent reconciliation of the total permits issued to income received and coded to the general ledger. <p>All permit and customer information is retained in the database held on Toranto and customers are able to access and update this data. However, following an issue earlier this year, where permits were not received by a customer, the process has been improved to send all permits by recorded delivery.</p>	<ol style="list-style-type: none"> 1. Blank permits are now held securely and only available to authorised officers. 2. See above. 3. Agreed, officers will keep a register of the permits held and agree this to those issued and this will be checked by an independent officer. 4. Officers will confirm the income entered onto the general ledger. 5. It is hoped that improvements to the parking system software might improve the search facilities. <p>Officers will review the risks of the current process and look at the operational requirements and controls proposed around replacement and cancelled permits.</p> <ol style="list-style-type: none"> 6. See 5 above.

Subject	Audit Findings	Management Response
Car Park Permits (continued)	<p>The following issues were identified:</p> <ol style="list-style-type: none"> 5. The re-use of the original permit number on a replacement permit and the original permit not being cancelled on the parking system. Although replacement permits are marked as such, reliance is placed on the parking inspector identifying if the original permit is still in use. 6. The parking system, used by parking inspectors to check permits, is unable to be used to check for cancelled permits using the permit number and relies more heavily on the vehicle registration, which is not recorded for business permits. 	
Peer Review Action Plan	<p>Audit Opinion - High Standard</p> <p>In response to the LGA report, and in order to address the recommendations of the Peer Challenge Team, the two Councils created a Joint Working Group of members and officers, to develop a Peer Review Action Plan. Indeed, several LGA recommendations relate to ensuring effective joint working to ensure future financial sustainability and to set a clear direction for both authorities.</p> <p>The audit review found the majority of actions already implemented or else in progress, and therefore our review only made a small number of recommendations where there is further opportunity to demonstrate the Councils' commitment to delivering the improvements, or where delivery has been consciously delayed. These include:</p>	<ol style="list-style-type: none"> 1. Agreed. <p>SHDC and WDBC are already working on a joint infrastructure plan with PCC and Devon County Council, which focuses on unlocking potential housing and economic sites and the infrastructure requirements needed to achieve this.</p> <ol style="list-style-type: none"> 2. This is being carried out as part of the Future IT (FIT) project. Service mapping will take place in line with the migration of services to the new IT, being prioritised by service. All key services should be migrated by 31 January 2021, whilst remaining services will be migrated over the following six months.

APPENDIX B

Subject	Audit Findings	Management Response
Peer Review Action Plan (continued)	<ol style="list-style-type: none"> 1. Consideration of a joint investment strategy between SHDC, WDBC and possibly Plymouth City Council; 2. Completion of the mapping of all end-to-end services; 3. Enhancement of existing plans to improve customer communication and engagement; 4. Joint Waste Partnership Working Group; 5. Publication of Member Commitments; 6. Trade Waste Offering Target Date; 7. Relationship with DNPA. 	<ol style="list-style-type: none"> 3. Agreed. This is on-going work, which is a continuous cycle of improvement and review, and also links to the FIT project. Both underpin the role of Customer Service Improvement Manager, which was created as part of the ELT restructure and whose remit is to drive improvements in customer satisfaction. 4. Agreed. A joint Waste Partnership Working Group is now in place. 5. Agreed. The Democratic Services Manager (DW) will be asked to build this into the lessons learned action plan arising from the 2019 local councillor elections, in order that it can be implemented for the next such elections. 6. Agreed. Further opportunities now won't be considered until after the new waste arrangements being introduced in the South Hams have bedded in. 7. Agreed. The Deputy Chief Executive (SM) is currently trying to arrange a meeting with both the Chief Executive and the Elected Chair of DNPA, in order to progress a closer working relationship between the two authorities.
Stores Follow-Up	Revised Audit Opinion – Improvements Required	

Subject	Audit Findings	Management Response
Stores Follow-Up (continued)	<p>Previous Audit Opinion – Improvements Required</p> <p>There have been limited developments since our last audit, as additional controls and management are heavily reliant on an improved stock control system. Management are aware that this will require significant investment in the related systems.</p> <p>1. The following minimum functionality within the stock control system is recommended:</p> <ul style="list-style-type: none"> • Improved efficiencies in reducing manual input and duplication of processing. • Functionality to enable evaluation of the total value of stock held. • Functionality to determine the stock usage, over a given period, based on opening, closing and movement of stock. • Improved reporting functions to evaluate data by date and transaction value or usage. • Suitable management reports to compare stock use to jobs, assets and operatives over defined periods. <p>2. Currently there is no evidence to support independent checks of the stocks and stores and no reconciliation of the value of items purchases and recharged to services, recorded on Concerto and the General Ledger.</p> <p>The stock system should be robust enough to enable suitable independent reconciliations and auditable evidence to confirm;</p>	<p>1. Reporting has significantly improved and we are now able to extract more data from the system. This has improved in the last month with the ability to run more reports for year-end stock values.</p> <p>We are aware that there are still some limitations with the system and will liaise with the provider to obtain improvements, but there are limitations on whether all of the improvements recommended can be achieved.</p> <p>2. Agreed</p> <ol style="list-style-type: none"> a. We undertake independent checks of the stock records and there is the potential of using other staff, such as localities, in the future. b. We do undertake a review of unusual usage or redundant stock.

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Subject	Audit Findings	Management Response
	<ul style="list-style-type: none"> a. That independent checks are completed and evidenced of stocks and significant variances are investigated; b. That the level of stock use is reasonable and in agreement with the value and quantity of work executed; c. That there is a separation of duties between financial controls, ordering, issue and management of stock and where this is not possible that checks and governance are sufficiently robust; and d. The annual Concerto stock usage value agrees to purchases, issues, the value of jobs completed and that this is reconciled regularly to the General Ledger, at least quarterly. 	<ul style="list-style-type: none"> c. Where possible we ensure that stock records are checked another officer. d. We do complete reviews of the work completed for unusual activity and investigate any anomalies.

Planned Audit 2019/20 – Work Complete (No Audit Report)

Subject	Comments
<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 2018/19 financial year. The S151 Officer presented the 2018/19 AGS to the Audit Committee on 20 June 2019.</p>
<p>Exemptions to Financial Procedure Rules</p>	<p>11 applications for Contract / Financial Procedure Rules have been received in 2019/20, one was cancelled, the remainder accepted.</p>
<p>Fraud / Irregularity</p>	<p>There have been no irregularities to report.</p>