

Report to: **Audit Committee**

Date: **4 February 2021**

Title: **Update on Progress on the 2020-21 Internal Audit Plan**

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

Wards Affected: **All**

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

Date next steps can be taken:

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#### **RECOMMENDATION**

**It is RECOMMENDED that the progress made against the 2020/21 internal audit plan, and any key issues arising are noted and approved.**

#### **1. Executive summary**

The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team for 2020/21 to 8<sup>th</sup> January 2021, by:

- Showing the progress made by Internal Audit against the 2020/21 annual internal audit plan, as approved by Full Council in April 2020; and
- Highlighting any revisions to the 2020/21 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 2020/21 was originally due to be presented to the Audit Committee in March 2020. However, due to the COVID-19 pandemic, the meeting was cancelled and the plan was subsequently presented and approved by Full Council on 30<sup>th</sup> April 2020.

Progress in the period up to 8<sup>th</sup> January 2021 has been impacted by the pandemic with Internal Audit resources used to assist officers in the payment of various grants to businesses, in particular the evaluation/reviewing of applications. Out of 363 productive days so far by the audit team, 142 days have been spent on COVID related work. There was therefore a delay in commencing the 2020/21 plan, which included time spent on the completion of work outstanding from 2019/20. As a result of the recent lockdowns in November and since Christmas, at least one of the audit officers has been further engaged in assisting with business grants. A review of the plan took place in December to decide on which audits should go ahead in the remainder of the audit year and those which can be either cancelled or deferred into 2021/22. Any amendment to the plan will be agreed by the Senior Leadership Team and Audit Committee.

I am pleased to inform the Committee that there have been no days reported sickness absence in the year to date.

In addition, the Council, in association with several partner organisations receive funding from the Rural Development Programme for England (RDPE) – Local Action 2015-2020 programme, with £1.5m awarded to the South Devon Coastal Local Action Group (LAG) and £2.0m to the Greater Dartmoor Local Enterprise Action Fund (LEAF). The Council, as the Accountable Body, is responsible for the legal and financial management of the grants awarded to the programmes. Each project is required to submit a grant claim on a quarterly or monthly frequency to draw down funding. 30 days were allocated to this work for the year in the 2020/21 Audit Plan, of which 18 days had been used as at 8<sup>th</sup> January 2021.

### 3. Outcomes/outputs

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

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

As already pointed out, progress against the agreed 2020/21 Internal Audit Plan has been greatly impacted by the COVID-19 pandemic with the Internal Audit resources diverted onto "response" tasks, especially in the first quarter of the year. However, during the summer, as well as completing those audits that remained from the 2019/20 plan, some work commenced on new audits, a number of which have been completed, with draft and final reports issued. For other audits, fieldwork has been completed and draft reports issued and we await responses from management on the content of those reports and the recommendations made. Several audits are planned for the final quarter, and planning for these reviews is underway. A summary of progress is attached at **Appendix A**, and this provides the detailed position for each audit as at 8<sup>th</sup> January 2021.

Overall, and based on work performed to date during 2020/21, Internal Audit is able to provide **reasonable assurance** on the adequacy and effectiveness of the Authority's internal control environment. Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk. (please refer to **Appendix B** for definition).

It should be noted that from 2020/21, DAP has adopted new audit opinion rating systems, ones recently recommended by CIPFA. The first replaces the previous High Standard, Good Standard, Improvements Required and Fundamental Weaknesses ratings that we have used when reporting on each audit assignment. The second replaces the ratings previously used for our overall opinion that appears in our progress reports and annual report. Details are given in **Appendix B**.

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

**Appendix C** provides a summary of work where the planned work is complete but no audit report produced. This includes information with regards Non-Compliance with Contract or Financial Procedure Rules, and Fraud / Irregularity issues reported to Internal Audit during the reporting period.

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

No alternative operation has been considered as the failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations, 2003, 2006, 2011 and 2015.

#### **5. Proposed Way Forward**

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

#### **6. Implications**

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.
Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
Supporting Corporate Strategy	Y	This Progress Report and the work of Internal Audit supports all six of the Corporate Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.

Climate Change – Carbon / Biodiversity Impact	Y	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. The team use an audit management system (Mki) which enables managerial review to take place remotely, thus also saving on the need for travel.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

### **Supporting Information**

#### **Appendices:**

There are three separate appendices to this report; Appendix A, B, and C.

#### **Background Papers:**

Annual Internal Audit Plan 2020/21 as approved by Full Council on 30 April 2020.

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

- Status as reported in 2019-20 Annual Report    ✓ Change to Status since June 2020    ✗ Progress since 1<sup>st</sup> April 2020

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Report Issued in draft	Management comments received	Final Report Issued	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
<b>Work Carried forward from 2019/20</b>										
Housing Benefit 19/20	20	■	■	✓	✓		✓			Final report issued. Extract provided at Appendix B..
Treasury Management 19/20		■	■	✓	✓	✓				Final report issued. Extract provided at Appendix B..
Debtors 19/20		■	✓	✓	✓		✓			Final report issued. Extract provided at Appendix B..
Creditors 19/20		■	■	✓	✓		✓			Final report issued. Extract provided at Appendix B..
Payroll 19/20		■	■	✓	✓		✓			Final report issued. Extract provided at Appendix B..
Employment / Recruitment Checks / Leavers Process 19/20		■	■	✓	✓			✓		Final report issued. Extract provided at Appendix B..
Contract Management 19/20		■	■	✓	✓			✓		Final report issued. Extract provided at Appendix B..
Grounds Maintenance Operations – Follow Up 19/20		■	■	✓	✓		✓			Final report issued. Extract provided at Appendix B..





**Appendix A**

CUSTOMER SERVICE & DELIVERY											
Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Assurance Opinion				Comments	
						Substantial	Reasonable	Limited	No		
ICT Audit – Installation and Healthcheck	23	x	x								
ICT Audit – Incident and Problem Management											Propose to Defer until 2021/22
ICT Audit – Access Management		x	x								
Locality Officers – Management, roles & scheduling	15										Propose to Defer until 2021/22
Development Control – Planning Enforcement	15	x	x								
Building Maintenance – Works Scheduling	10	x	x	x	x				x		Final report issued. Extract provided at Appendix B.
Safeguarding	5	x	x	x	x			x			Final report issued. Extract provided at Appendix B.
HR - Absence Management	5	x	x	x	x	x					Final report issued. Extract provided at Appendix B.







## Summary of Internal Audit Findings 2020/21 – Final Reports

As at 8 January 2021, ten final reports have been issued in respect of 2020/21 work with a further eight final reports relating to audits that were part of the previous 2019/20 Audit Plan. The conclusions from this work are summarised below.

Subject	Audit Findings	Management Response
<b>2020/21 Audit Plan</b>		
Treasury Management 2020/21	<p><b>High Standard</b></p> <p>Based on our review we can confirm that the Councils are adhering to legislative requirements and have appropriate and effective controls in place over the day to day treasury management operations. We noted two minor administrative issues which we have reported verbally and made one recommendation within our report concerning the recording of checks made by officers on counterparty creditworthiness and investment limits for each investment transaction, which is usually recorded on a spreadsheet but this had stopped. Our recommendation was actioned immediately.</p>	<p>The 'Decision Making Process' spreadsheet will be reinstated in order that all the checks are clearly evidenced in one location.</p>
Salcombe Whitestrand Project	<p><b>Reasonable Assurance</b></p> <p>We found evidence that there have been annual consultation events in differing formats, which have involved, variously, the public, Salcombe Town Council, the local Ward members, stakeholders such as Salcombe Harbour Board, representatives of local tourism and marine businesses and leisure water-users. These commenced in Oct 2016 and continued up to the point of the planning application being published in May 2019. In addition, there were also regular updates taken to Salcombe Harbour Board, Salcombe Town Council and District Councillors, all of whom were in a position to cascade this information to the wider public and other interested parties.</p> <p>It is acknowledged that there are some lessons to be learnt from management of the project and some had already been identified,</p>	<p>1. Agreed. Improved governance arrangements are being introduced for bigger projects being managed by the Assets team. The focus is not so much on having a process, as having the right people, with the right skills involved, in order that they can each focus on those areas of concern to themselves and for which they have the expertise.</p> <p>For example, the Engineers bring project management skills, the Estates team bring some legal knowledge etc.</p> <p>This approach is already being put into practice with projects such as Ivybridge Regeneration and Springhill Redevelopment.</p>

Subject	Audit Findings	Management Response
<p>Salcombe Whitestrand Project Contd.</p>	<p>including ensuring that, where appropriate, the project team includes an officer with the necessary experience to understand and interpret covenants or other legal documents and ensuring that there is clarity as to which member of the team is responsible for acting on any advice provided.</p> <p>We have also raised several recommendations around project management and governance, to contribute to strengthening those controls already in place. The principles of some recommendations could be applied corporately and not just to Assets projects. The most significant findings include:</p> <ol style="list-style-type: none"> <li>1. A workflow process could be used to ensure that best practice project management is uniformly followed by all officers, including confirmation of whether or not there are any legal restrictions on a site being developed and the implications of these;</li> <li>2. An officer, who was not a member of the project team, was asked to review the covenant and provide the Project Lead with a summary in October 2015. This highlighted the eight foot height restriction on the Harbour Office. Early consultation with interested parties was also recommended. However, the fact that the deed of release of the covenant related only to the drawings for the existing Harbour Office was not mentioned;</li> <li>3. It is clear from the review of the project process that the deed of the covenant needed to be revisited.</li> <li>4. It was not made transparent to members, who are being asked to approve budget increases for capital schemes, by how much a budget has increased since the very first budget was approved or noting the length of time that has past (which could be a number of years), with reports only stating the change from the most recently approved budget; and</li> <li>5. The budget for the replacement of the Harbour Office and public conveniences at Whitestrand has increased from an original £350k in 2017/18, to £790k in 2020/21. It therefore questions whether the project continues to offer value for money. Whilst it is normal practice,</li> </ol>	<ol style="list-style-type: none"> <li>2. Agreed. This has been addressed by the improved governance arrangements introduced by the Head of Assets, as referred to above.</li> <li>3. Agreed. Whilst the contents of the covenant were understood from a technical and legal perspective, the covenant should be revisited at an earlier stage of the project plan. This has been addressed by the improved governance arrangements introduced by the Head of Assets, as referred to above.</li> <li>4. Agreed. The Finance Practice will need to record such data within the quarterly capital budget monitoring report appendices taken to members. <p>Because the spreadsheet forming the appendix is already quite large, it is proposed to add a note in the 'Notes' column and then draw this to the attention of members within the text of the main report.</p> </li> <li>5. Agreed. The business case for the project was largely focussed around improving customer services offered at Salcombe Harbour, rather than financial incentives. <p>Both the Salcombe Harbour Board and the Executive have been informally appraised of the current status of the project and the issues experienced, but both remain keen for it to continue if possible.</p> <p>Once the project lead has explored all options with the adjacent covenant holder, whether to a satisfactory or an unsatisfactory conclusion, then a formal report will be taken to members making recommendations for the future of the project.</p> <p>Whilst the Constitution requires authority to be sought when a project budget increases by a defined amount, it does not specifically set out that a business case is to be re-visited, though this does happen in practice.</p> </li> </ol>

Subject	Audit Findings	Management Response
	<p>the constitution does not specifically state that the business case is re-visited. The constitution would therefore benefit from clearly stating that this should occur, noting that, in this particular case, there are intangible benefits as well.</p>	<p>This will be considered for inclusion at the next review of the Constitution.</p>
<p>Env Services – Coastal Work (S. Hams)</p>	<p><b>Reasonable Assurance</b></p> <p>We have made several recommendations which may contribute to the effective management of the Council's coastal assets. A couple of these are repeated from a previous audit, the most significant of which is not wholly under the control of SHDC.</p> <ol style="list-style-type: none"> <li>1. Negotiations between SHDC and Dart Harbour Navigation Authority, regarding the management of Dartmouth Southern Embankment and charges for the use of associated infrastructure, should be concluded at the earliest opportunity;</li> <li>2. It should be ensured that the Head of Assets Practice is able to authorise orders, to reduce the instances of those raised by the Assets team needing to be authorised by Support Services and others;</li> <li>3. Raising the limit for obtaining three quotes for engineering projects should be investigated, in order that contracts can be awarded in line with Financial Procedure Rules, but without inefficient use of officer time; and</li> <li>4. A functional coastal assets database should be developed. In addition, a formal policy or plan should be drawn up to guide officers, setting out how the Council intends to respond to the future loss of, or damage to, coastal assets, particularly those which generate significant income, such as car parks.</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. Both the Head of Assets Practice (LW) and the Director of Place and Enterprise (CB) are involved in on-going negotiations. However, these have temporarily ceased whilst the start of a newly appointed Dart Harbour Master is awaited. This means that continued progression is out of the Council's control</li> <li>2. Agreed. The Support Services Senior Case Manager (MB) will be contacted to arrange for the Head of Assets Practice (LW) to be given authority to approve orders on behalf of the Assets team. An appropriate order authorisation limit will be agreed for the Senior Specialist – Engineering (DF) and Support Services asked to arrange the increase</li> <li>3. Agreed. The Director of Strategic Finance (LB) will be contacted to agree an appropriately increased lower limit for obtaining three quotes with respect to engineering projects.</li> <li>4. Agreed. The Head of Assets Practice (LW) and the Senior Specialist – Engineering (DF) have discussed the need for an assets register, which would be used for all assets including those on the coast. This would preferably be map-based and have the ability to document inspections etc. using GIS. The Senior Specialist – Engineering (DF) has been tasked with exploring the options further.</li> </ol> <p>A legal review of all documentation (leases, land ownership etc.) has been commenced, to allow the options at each coastal location where the Council has an interest, to be reviewed and the best course of action determined.</p>

Subject	Audit Findings	Management Response
<p>Building Maintenance - Works Scheduling 2020/21</p>	<p><b>Limited Assurance</b></p> <p>Those officers with responsibility for maintaining the buildings owned and/or leased by the Councils understand the need for a planned maintenance schedule and the benefits this offers.</p> <p>At the time of the audit, the development of a comprehensive schedule was in progress, almost fully completed for WDBC, and partially completed for SHDC. It has not been possible to finish the work in the timescales expected as staff resource has been diverted by responding to requirements resulting from the Covid-19 pandemic.</p> <p>There is no policy to guide the maintenance of Council property, with reliance being placed on the knowledge, experience and personal approach of the Senior Specialist - Assets (ST) and the Senior Case Manager (PC).</p> <p>The Senior Case Manager is very aware of the need to undertake planned works in the most efficient manner, including minimising the travel time of the team, as well as maximising best value from hired equipment such as cherry pickers and scaffolding. However, we understand that due to the small size of the Building Maintenance team, it is very difficult to deliver the planned maintenance schedule alongside those reactive works which arise.</p> <p>The latter are, by their very nature, usually of a higher priority and so take precedence over the planned tasks, which, as a result, fall behind schedule. There are insufficient members of the team skilled in certain trades to allow reactive works and planned works to be undertaken at the same time. The limited staff resource is also exacerbated by the significant amount of travel time required to reach some sites.</p> <p>As a result, contractors are sometimes used to complete tasks such as painting and decorating, often at cheaper hourly rates than the Council's own internal recharges which are shown on a full cost recovery basis and</p>	<p>Agreed – the Planned Building Maintenance Schedule will be completed at the earliest opportunity.</p> <p>Agreed – A Building Maintenance Policy will be drawn up.</p> <p>Agreed – All planned property maintenance schedules will be entered onto Concerto, the system used by the Council to manage most aspects of property maintenance.</p> <p>Agreed – An internal review of the property maintenance service will be done in conjunction with the planned Case Management review of the building maintenance service timetabled for 2021/22. Such an exercise will include a review of Building Maintenance delivery arrangements and processes.</p>

Subject	Audit Findings	Management Response
	<p>include wider council.</p> <p>We have made a number of recommendations which focus on considering how best to develop the most effective means of delivering building maintenance on a timely and efficient basis, considering the existing constraints summarised above and how these may be overcome.</p>	
<p>Safeguarding</p>	<p><b>Reasonable Assurance</b></p> <p>The Councils are largely meeting the statutory duties placed on them with regards to Safeguarding, which are described in this report's Introduction. However, there are some areas where there is scope to strengthen existing arrangements, to ensure that it is considered as part of all day to day activities, including:</p> <ol style="list-style-type: none"> <li>1. Case Management support to allow additional safeguarding activities to be carried out, which will also contribute to the corporate priority of Wellbeing;</li> <li>2. As planned, making a number of training modules on Learning Pool mandatory for all staff;</li> <li>3. Considering additional posts for which Disclosure and Barring Service (DBS) checks should be made and with what frequency;</li> <li>4. As intended, completing the viability study looking at DBS checks for members;</li> <li>5. Continuing to lobby the Devon Children and Families Partnership for guidance around the Section 11 audit;</li> <li>6. Appointing a Key Designated Officer known to the manual operatives based out of the Councils' depots; and</li> <li>7. Requiring safeguarding risks to be considered as part of operational business plans.</li> </ol>	<ol style="list-style-type: none"> <li>1. Disagreed. Statutory safeguarding duties are being delivered effectively at the present time. Unfortunately, the business case is insufficient to warrant additional resource to develop non-statutory elements of the safeguarding function.</li> </ol> <p>The Specialist – Safeguarding (LD) has been asked to keep a record of referrals received each week, in order to monitor the time required. If this does suggest a need for extra resource, the matter will be reconsidered.</p> <ol style="list-style-type: none"> <li>2. Agreed. - HR are to introduce a series called 'theme of the month'. Each month will focus on a different topic and associated courses on Learning Pool will be publicised, some of which it will be mandatory to complete. The first theme will be Safeguarding, and the 'Safeguarding Adults' course will be mandatory.</li> </ol> <p>Staff will be given one month to complete mandatory courses, after which the reporting mechanism in Learning Pool will be used to confirm who has and has not completed these. Managers will be advised of the latter and required to enforce this, by mechanisms to be discussed with ELT.</p> <ol style="list-style-type: none"> <li>3. Agreed. A new policy has recently been drafted, which sets out the Councils' approach to DBS checks.</li> </ol> <p>The Head of HR Practice, in consultation with the relevant Business Manager or Recruiting Manager, will determine whether each new role or vacancy is eligible for a DBS check, and if so, at what level. The <a href="http://www.gov.uk">www.gov.uk</a> on-line eligibility tool will be used to guide this decision.</p>

Subject	Audit Findings	Management Response
Safeguarding Contd.		<p>The document will be amended to require that a record of the decision taken by the Manager will be kept securely on the personnel file of a successful applicant and the recruitment file for the post.</p> <p>It is proposed that DBS checks are repeated every three years for all relevant employees.</p> <p>The draft policy is to be reviewed by the Specialist – Safeguarding (LD) and the Chief Executive (AB) prior to being published.</p> <p>4. Agreed. The viability study will be completed to allow an informed decision to be made as to the need for DBS checks for members.</p> <p>5. Agreed. The matter will be discussed with the Head of Housing, Revenues and Benefits Practice (IB) and the Specialist – Safeguarding (LD) to determine how best to discharge the duty.</p> <p>6. Agreed. An appropriate officer will be identified and trained.</p> <p>7. Agreed. A new Corporate Strategy is to be developed and once this is in place it will inform operational business plans.</p> <p>As well as linking to the Corporate Strategy, each business plan will also include a number of standard items such as health and safety, risk, well-being etc., as well as safeguarding. The degree of consideration to the latter is expected to be proportionate to the tasks being delivered.</p> <p>It is intended that the new Corporate Strategy be adopted in Summer 2021 and operational business plans will be further developed after this date.</p>

Subject	Audit Findings	Management Response
<p>HR - Absence Management</p>	<p><b>Substantial Assurance</b></p> <p>We found evidence of repeated short term absences not being identified and delays in addressing sickness absence in line with the Managing Absence policy, but the instances all arose due to employees not promptly submitting sickness declarations prior to the new reporting and reconciliation processes.</p> <p>Absence management appears to be more effective and timely since new procedures were introduced in March 2020 for the centralised reporting of sickness and in July 2020 for monitoring those sickness days recorded and the submission of sickness declaration forms. The introduction of the new processes should prevent re-occurrences of those issues identified.</p> <p>The Case Management Team Leaders are now responsible for receiving notifications of sickness absence from all employees across the organisation and for ensuring that these are recorded on a central Smartsheet database. The Smartsheet is then used by two dedicated Case Managers and the HR Specialists to ensure that a sickness declaration form or medical certificate is received for all reported absences, that a return to work interview is completed and that absence duration is monitored and accurately recorded. This allows more robust monitoring of sickness absence across the organisation.</p> <p>There is evidence that HR are routinely involved in absence management, supporting managers as necessary. The two Business Managers, supported by the HR Specialists, line managers and team leaders across the organisation, are able to manage employee absences on a timely and informed basis.</p> <p>We have made a small number of recommendations, mostly in support of action already planned by the HR Practice and some which will help to strengthen existing controls. These concerned:</p> <ol style="list-style-type: none"> <li>1. Completion of FlexPlanner, the corporate time recording system used by all employees with computer access, to record hours of work,</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. Officers have been regularly instructed to ensure that extensions of time are requested promptly and before applications go out of time. <p>Joint work with the Business Development Team has resulted in some new models which are being piloted. Unfortunately, they have not been entirely successful and so further work will be required to identify a solution.</p> </li> <li>2. Agreed. The guidance will be reviewed and updated, prior to being published.</li> <li>3. Agreed. Previously regular updates were taken to SLT on long-term absences, disciplinary cases and grievances, but these ceased with the departure of the former Chief Executive. Although the reports are not being taken to SLT, the information is still gathered and is available on request. <p>Regular updates on absences whether COVID-19 related or “general” absences are given to the Incident Management Team which meets at least weekly at the present time.</p> <p>The Head of HR Practice (AW) is due to have a 1-2-1 with the Deputy Chief Executive in late October 2020, to establish what SLT require.</p> <p>Sickness reports for Heads of Practice and the Business Manager – Specialists (CB) have been created and need a</p> </li> </ol>

**Appendix B**

Subject	Audit Findings	Management Response
	<p>annual leave, sickness etc, by staff.</p> <p>2. Updating the Guidance for Managers document to reflect the 2019 version of the Managing Attendance Policy;</p> <p>3. Reporting sickness and absence to SLT and Heads of Practice.</p>	<p>few final tweaks before being regularly produced.</p>
<p>Capital Expenditure and Receipts Follow-Up</p>	<p>Our assurance opinion, after completing follow up work in this area, remains <b>Reasonable Assurance</b>, the equivalent of <b>Good Standard</b>. However, the overall direction of travel for improvement is positive.</p> <p>There are effective procedures in place to allow a robust capital programme to be set for each authority and subsequent progress and expenditure to be controlled and monitored for individual projects. We have made a minor recommendation regarding evidencing authorisation for disposal of assets.</p> <p>Controls over the application, approval and payment of Housing Assistance, including Disabled Facilities Grants, remain broadly unchanged from previous years.</p>	<p>Agreed. A mechanism is required, by which all approvals for disposal can be formally documented, including for those handled by external lawyers. Evidence should be on the legal file as a minimum and not solely on the Councils' network.</p> <p>The most appropriate process will be identified in liaison with the Legal Practice.</p>
<p>Health &amp; Safety Further Follow-Up</p>	<p>Our assurance opinion, after completing follow up work in this area, has increased from <b>Limited Assurance</b>, the equivalent of <b>Improvements Required, to Reasonable Assurance</b>. However, if the recommendations we have made are not implemented, we may need to revise our opinion back to one of 'Limited Assurance'.</p> <p>The Head of Environmental Health Practice (IL) is of the opinion that as a result of the Covid-19 pandemic, there is a much improved health and safety culture and awareness within the organisation, particularly amongst managers. However, there remains a need to improve record keeping, in order to evidence the work being carried out.</p>	<p>The Chief Executive has expressed a personal commitment to ensuring that the Councils meet their health and safety responsibilities. With this in mind, the subject is to be discussed at the Senior Leadership Team meeting, with the aim of identifying what resource is needed to allow this.</p> <p>There is a sharp focus on Health &amp; Safety as a result of COVID-19 and resourcing in this area will be reviewed on a continuous basis.</p> <p>It is to be noted that the introduction of a 'corporate assurance'</p>

Subject	Audit Findings	Management Response
<p>Health &amp; Safety Further Follow-Up Contd.</p>	<p>Also, it needs to be ensured that non-manual staff in particular, are aware of the Health and Safety Statement and associated Codes of Practice (induction procedures generally require manual staff to be made aware of the health and safety requirements of their role).</p> <p>As in previous years, the Head of Environmental Health Practice (IL) continues to maintain a Health and Safety action plan, setting out those tasks which it is desirable to complete, to improve the health and safety culture of the Councils. The tasks are prioritised by risk. However, some tasks rely on other officers to assist in their delivery or require the support of the Senior Leadership Team.</p> <p>In 2018 a temporary Senior Case Manager was seconded to assist in the administration of health and safety amongst other tasks. At the time of our review, the secondment was due to end in September 2020. But should the secondment not be extended or made permanent, we understand that most of the tasks being carried out by the officer would cease, to the detriment of the health and safety function, due to lack of other staff resource.</p> <p>Responding to the Covid-19 pandemic, including related health and safety matters, has placed considerable and unsustainable pressure on the Head of Environmental Health Practice (IL). If the level of input continues to be necessary, then we are advised that additional qualified staff resource will be needed to allow a continued response to Covid-19, as well as management of the day-to-day Environmental Health function.</p> <p>As well as the issues identified above, we have also highlighted several others, including the need to:</p> <ol style="list-style-type: none"> <li>1. Reinstate the meetings of the virtual Health and Safety Community of Practice;</li> <li>2. Ensure that managers review and update all risk assessments on a timely basis; and</li> <li>3. Ensure that quarterly workplace inspections are completed by a competent person(s), particularly for the higher risk functions.</li> </ol>	<p>role is being considered, which would be accountable for ensuring that responsibilities with respect to health and safety, risk, information management etc. are being followed across the organisation.</p> <p>It is felt appropriate to link the health and safety obligations of individuals to their Personal Continuous Improvement commitments. The possibility of taking advantage of the planned 'theme of the month' programme to be delivered by the HR Practice will also be investigated in liaison with the Head of Environmental Health Practice.</p> <p>As far as the specific points raised are concerned:</p> <ol style="list-style-type: none"> <li>1. Agreed. The COP meetings have been reinstated and will be attended by the Director of Governance and Assurance. Health and Safety is very much at forefront of the organisation and is being constantly reviewed by the Covid-19 Incident Management Team.</li> <li>2. Agreed. It is not felt that bespoke software is necessary for this task. Rather, it is preferable to make sure that effective controls are in place to ensure that risk assessments are regularly reviewed and the best means of doing this will be considered.</li> <li>3. Agreed in principle. Whilst having an independent officer make an inspection of a service area is best practice, it is not a statutory requirement.</li> </ol> <p>The manager responsible for delivery in that service area would be expected to have the competency to undertake such inspections themselves.</p> <p>There isn't the spare staff capacity to continue with independent inspections at the present time, but the matter will be discussed at a future Health and Safety COP meeting.</p>

Subject	Audit Findings	Management Response
<p>Climate Change – Governance and Strategy</p>	<p><b>Reasonable Assurance</b></p> <p>We undertook a high level review of the Councils' arrangements for responding to the climate and biodiversity emergency declared by the majority of local authorities in 2019/20, including SHDC and WDBC.</p> <p>Being a relatively new commitment for the Councils, and as such, the first year that Audit have reviewed it, our work focussed on the strategic aims of the two Authorities and those governance arrangements which have been put in place to ensure delivery of the planned Climate Change Strategy.</p> <p>The Councils have recruited a shared Specialist - Climate Change, who commenced in June 2020, initially for two years, to be the Councils' expert advisor on carbon reduction and climate change policy. Key elements of the role include developing the Councils' strategic approach and co-ordinating delivery against the action plans.</p> <p>Although the Councils have yet to produce a Climate Change Strategy, they do each have Action Plans in place and work has commenced on the delivery of some of the actions. There are two Action Plans: operational plans, which address the Councils' own carbon footprints, created in the delivery of services, and outward facing plans, which seek to address district and borough wide issues where the Councils have limited influence. The outward facing plans are generally aligned with the Devon Carbon Plan and thus regional targets and aspirations.</p> <p>It is important that momentum is not lost in addressing the climate and biodiversity emergency, nor in delivering the Action Plans, as a result of the Covid pandemic response and recovery. Indeed, the two should be considered in tandem.</p> <p>For example, the pandemic has demonstrated that it is possible to adapt the delivery of some services, making greater use of electronic tools and reducing the amount of travel required, whether by officers, members or</p>	<ol style="list-style-type: none"> <li>1. Agreed. This work was delayed by the Covid-19 pandemic, but a draft Climate Change Strategy and Action Plan was taken to each Full Council in September 2020. It was recommended that the Climate Change and Biodiversity Working Groups develop a first version of the final Strategy and Action Plans, which was subsequently adopted at the Full Council meetings in December 2020. It is recognised that the nature of the subject means that the Strategy will continue to evolve and develop over time.</li> <li>2. Agreed. The Climate Change and Biodiversity Working Group at each Council have completed a review of the initial Action Plans, using high level cost-benefit analysis, to refine these to a realistic set of actions.</li> </ol> <p>The Climate Change Strategy and Action Plans were adopted by each Full Council in December 2020 and business cases will be developed for those to be taken forward.</p> <ol style="list-style-type: none"> <li>3. Agreed. The proposed actions within each authority's draft Climate Change Action Plan have been reviewed and prioritised, resulting in an updated version of the Action Plans which was approved by each Full Council in December 2020.</li> </ol> <p>Having prioritised those actions to be delivered, the methods of delivery have yet to be determined in detail. It is only once this has been done that targets will be set for those actions where it is appropriate and meaningful to do so.</p> <p>Targets won't be applicable to all actions, as some are outside the Councils' control and they can only seek to influence external partners or the public.</p>

Subject	Audit Findings	Management Response
<p>Climate Change – Governance and Strategy Contd.</p>	<p>the public. Opportunities to retain and indeed, further develop, such changes should be embraced.</p> <p>Also, when looking to facilitate the re-development of the local economy, the focus should be on encouraging clean, sustainable businesses, rather than those which have an environmental impact, whether in terms of development, travel, associated pollution etc., or which are vulnerable to future pandemics.</p> <p>We have made a number of recommendations, the majority of which are in support of actions already planned by officers, the most significant including:</p> <ol style="list-style-type: none"> <li>1. The completion of the Climate Change and Biodiversity Strategy;</li> <li>2. Prioritising the order of delivery of those items within the Action Plans;</li> <li>3. Ensuring that clear performance indicators are in place to measure the Councils' success in reducing carbon emissions; and</li> <li>4. A review of existing strategies and policies to ensure that they complement the Councils' commitment to addressing climate change and increasing biodiversity.</li> </ol>	<ol style="list-style-type: none"> <li>4. Agreed. The Operational Carbon Reduction Plan considers the Councils' own activities or those which they can influence. It is planned to review internal policies and the strategic use of assets, to identify areas where they can be updated to help achieve carbon savings.</li> </ol> <p>In terms of outward-looking strategies and plans, the new Corporate Strategy, to be developed in liaison with members, will be key in considering carbon reduction and biodiversity.</p> <p>Also, the Joint Local Plan (JLP) has a five year review cycle. A first review is being actively pursued with Plymouth City Council as it is now approximately six years since work commenced on writing the JLP and two years since it was adopted.</p> <p>Existing timetables such as this will influence when work can be completed to review current strategies and policies.</p>
<p>Performance Management (Data quality)</p>	<p><b>Limited Assurance</b></p> <ol style="list-style-type: none"> <li>1. The Councils' Data Quality Assurance Strategy is aged, being written in 2013, refers to a previous performance management regime and has not been brought to the attention of staff for some years.</li> <li>2. There is no formal corporate training or awareness raising with respect to the importance of data quality, reliance being placed on the arrangements of individual business areas.</li> <li>3. Whilst the Councils have a performance management system, this is not used to best effect, only being used to record a limited number of performance measures. We understand that replacement risk and performance management software is being actively considered. This</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. The Data Quality Strategy will be updated and promoted to staff.</li> <li>2. Agreed. If there is an existing module in the Learning Pool catalogue, then this will be made available. Otherwise the focus will be on general awareness raising, using the Flash, team meetings etc., to ensure that individuals required to capture data are aware of their responsibilities.</li> <li>3. Agreed. The existing software is likely to be retained for the foreseeable future and is currently used for the recording of key performance indicators which are reported to members.</li> </ol> <p>However, its use will be extended to record other</p>

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Subject	Audit Findings	Management Response
<p>Performance Management (Data quality) Contd.</p>	<p>would offer the opportunity to introduce a new culture of centrally recording all performance measures.</p> <p>4. Responsibility for the reliability and accuracy of data does not sit with one team, but rather, rests with any officer tasked with producing such information. Decisions as to whether data should be validated in any way, are left to the individual or their manager.</p> <p>5. Having reviewed a sample of data published in the draft 2019/20 Annual Reports, we demonstrated that some of this was inaccurate, either due to human error, or not using the most recently available data.</p> <p>6. Audit trails evidencing how a performance measure was calculated from raw data, were not always maintained, and in some instances, it was not possible to readily replicate the data.</p> <p>7. The data published in the draft Annual Reports was not always obtained directly from the officer responsible for producing it, but was sometimes taken from intermediate sources, such as member reports. In these instances, it appeared that there was sometimes a lack of awareness that the data had in fact been manipulated in order to represent a particular issue. This was then presented as if the original, un-manipulated data in the Annual Reports.</p> <p>8. Manual intervention was sometimes necessary in producing the data, but we noted instances where it may be possible to reduce the amount of intervention by better use of system reporting and spreadsheet capabilities.</p>	<p>performance indicators where it is reasonable to do so, such as those included in the Annual Reports.</p> <p>In the first instance a review needs to be made of what data is being captured by services (to be done by 31 March 2021), to allow an informed decision to be made as to which should be recorded on the performance software.</p> <p>A suite of appropriate performance measures will be developed to support the new corporate strategy.</p> <p>4. The need and importance for confirmation of data accuracy will be incorporated into the revised Data Quality Strategy to guide staff as to what level of data validation is expected when obtaining data from various sources.</p> <p>5. Agreed. Links to data sources will be included where possible, but it is now felt necessary to continue to publish figures taken at a fixed point in time. However, in future, the date to which any published data relates to, will also be included and assurance that any data cited represents the period intended e.g a full year rather than six months. This principle will be included in the revised Data Quality Strategy and be actioned in the 2020/21 Annual Reports.</p> <p>Where published data applies across both authorities this will be stated.</p> <p>6. Agreed, any data used to calculate a performance measure will be retained as part of the audit trail supporting the published figure. This will be included in the revised Data Quality Strategy and the staff awareness raising.</p> <p>7. Agreed. This will be included in the revised Data Quality Strategy and the awareness raising and training for staff, emphasising the importance of understanding how data was created or manipulated and the need to record calculation methodologies.</p>

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Subject	Audit Findings	Management Response
Performance Management (Data quality)		<p>Data provided by contractors should, as a minimum, be sense checked. It will also be included in the Contract Management Strategy, currently being developed by the Procurement Officer (RW), that quality and accuracy of data should be confirmed as part of contract management meetings.</p> <p>8. Agreed. Improvements in the report functionality will be investigated for some performance indicators, as will making a more efficient and effective process.</p> <p>This issue could be overcome by the development of automated reporting in current and future system software and a reports dashboard e.g. telephone system software or systems used by Localities Team.</p>
<b>2019/20 Audit Plan</b>		
Housing Benefit 2019/20	<p><b>Good Standard</b></p> <p>The use of on-line benefit claim forms, and the integration of the W360 system with the benefits system, has allowed the benefits service to continue to make best use of the resources available to it and overall it is considered that the procedures and controls within the benefit system remain at a good standard.</p> <p>Based on our testing it appears that benefits processing is generally undertaken accurately and performance against the key indicators of processing speed for new claims and changes in circumstances has been good, with reported performance for both councils being within the target number of processing days during the year.</p> <p>Last year we reported that there had been an increase in housing benefit overpayments created during 2017/18 and 2018/19 due to the DWP fraud and error initiative Real Time Information (RTI), which the Councils voluntarily signed up to. RTI is a data matching service between HMRC and the DWP. However, following the initial surge, it is expected that this service will have reduced the number of overpayments going forward, by</p>	<p>1. Agreed. Since late June 2020 the Senior Specialist – Benefits (LM) and the Specialist – Housing Benefits (DH) have been undertaking quality checks, based on the process which was originally introduced in January 2020.</p> <p>A list of claims processed in the previous week is used to select a random, anonymous sample of claims for checking.</p> <p>A spreadsheet guides the checker through a list of questions which vary depending on the type of check being made. The answers are entered on to the spreadsheet which calculates the error rate.</p> <p>The results are used to provide feedback regarding assessors' performance, to the L6 Senior Case Managers (NU &amp; JS) and the Case Management Team Leader (NC).</p>

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<p>Housing Benefit 2019/20 Contd.</p>	<p>identifying on a more timely basis, the use of inaccurate data provided by claimants or failure to advise of changes.</p> <p>Analysis of the Overpayment Reports (OVR310), taken from the benefits system, showed that for SHDC, at the end of 2018/19 £1.15m overpayments were outstanding, but that at the end of 2019/20, this had reduced to £728k. For WDBC there was also a decrease in outstanding overpayments, with a total of £864k at the end of 2018/19, which had reduced to £702k at the end of 2019/20.</p> <p>Just under half (43%) the overpayments as at 1 April 2020 are being recovered from on-going entitlement for each authority. For the remainder, where the customer is no longer in receipt of any deductible benefits, benefit debtors invoices have been raised. Payment of such invoices is enforced through the normal corporate recovery routes.</p> <p>In reaching our conclusions, we have sometimes had to make assumptions based on the evidence available to us, without further explanation from staff, who were unavailable during the audit due to the unprecedented number of benefit claims being received following the COVID-19 pandemic. It has been clearly stated where this is the case, and a small number of recommendations from last year have been repeated where we have been unable to confirm their implementation.</p> <p>In addition, there are a couple of areas where it is believed that action could be taken to further strengthen existing controls or gain efficiencies, including:</p> <ol style="list-style-type: none"> <li>1. Ensuring that the new arrangements for making effective quality checks of benefit assessors are re-introduced and assessed for effectiveness when the workload due to the COVID-19 pandemic allows; and</li> <li>2. Maximising the use of all available recovery routes for housing benefit overpayments, including enforcement agents and through the courts.</li> </ol> <p>All recommendations are made in relation to business as usual and it is assumed that it will not be possible to consider their implementation until after this point, or a 'new normal', is reached, following the recovery phase</p>	<p>If just one assessor is making an error, they will be provided with individual training. If an error is being made by several assessors, then team training is provided. Following any training, each assessor is required to sign to say that they understand the training received. A library of training documents is being compiled, which the assessors can refer to at any time.</p> <p>The results of the quality checks will feed into performance management for the assessors.</p> <ol style="list-style-type: none"> <li>2. An appropriate workflow process for court cases will be considered once the replacement for W360 workflow system is in place. However, priority will be given to the implementation of processes which are already live in the current software.</li> </ol> <p>A truly corporate debt team could improve recovery rates. At present, the size of the debt team means that officers each focus on one type of income stream and so resource may not always be used to best effect.</p> <p>The principle of introducing enforcement agents as a standard recovery stage is agreed with, but it needs to be addressed once a corporate debt team is in place, allowing efficiencies to be gained for both the Councils and the customers, for example, by amalgamating all debts an individual may owe to the Council into one sum to be recovered, rather than seeking multiple liability orders against an individual.</p> <p>It will be determined who is responsible for making the reviews of enforcement agent performance and then to implement them.</p>

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Subject	Audit Findings	Management Response
	of the COVID-19 pandemic.	
Treasury Management 2019/20	<p><b>High Standard</b></p> <p>Based on our review we can confirm that the Councils are adhering to legislative requirements and have appropriate and effective controls in place over the day to day treasury management operations. We noted a small number of minor administrative issues where we have made recommendations.</p>	
Debtors 2019/20	<p><b>Good Standard</b></p> <p>Recovery and identification of accounts with aged debts has been improved and there is the opportunity to progress this further with better methods of identification, such as broken arrangements reports and additional avenues for recovery action, such as through court action. However, this is dependent on maintaining an efficient process and implementation of additional resources. The need for resources and specialised management of the ongoing debt will be driven by the considerable impact of the pandemic.</p> <p>Our review of the service has identified that controls need strengthening in some areas and that, in a number of instances, action has been taken to address the agreed recommendations within the previous year's audit report. This is largely due to the improved centralised processing and efficiencies of the Support Services Case Management Team.</p> <p>In the case of recovery activity, the use of in-house resources has shown some marked improvements in reducing and stabilising the ongoing aged debt since the start of the centralised processing. Additional resources will be needed to maintain this. See audit report point 4.3.</p> <p>Other issues include:</p>	<ol style="list-style-type: none"> <li>1. With the new Archive system being available soon this should be possible once training has been given.</li> <li>2. Reports are sent from Debtors to Licensing and Assets who carry out their own recovery.</li> </ol> <p>Due to COVID 19 the Strategic Leadership Team (SLT) put a hold on "active" recovery such as court action. The Senior Case Manager Customer Service and Delivery (MB) gets updates from the Director of Strategic Finance (LB) as to when any action can be taken. This has been in the form of reminder letters since March 2020, advising customers that they are in arrears on Council Tax, Business Rates or sundry debts and detailing various sources of advice and help. The Councils have not taken proceedings further to court action in the first six months of 2020.</p> <p>Agreed. This is something that we are planning on reviewing in the coming months as the impact of Covid-19 means that this has changed the financial impact associated with certain debts and this needs to be understood. The Senior Specialist Finance Officer (CS) will be tasked to review the management of corporate debt.</p>

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Debtors 2019/20 Contd.	<ol style="list-style-type: none"> <li>1. Duplicate accounts, redundant accounts, aged data and records are known to exist, but there is no formal review of accounts to identify these and remove those that are no longer required;</li> <li>2. A process is in place to identify debts by service and this needs to be monitored to ensure that the system is effective in ensuring services also recover outstanding debts;</li> <li>3. A more formalised system needs to be implemented to identify and action relevant changes to Project Initiation Documents (PIDs) and related accounts from all services inputting to the process;</li> <li>4. Identifying the key performance of the service in more detail, such as specific collection rates, level of aged debts, number of write offs and related performance of the service to further monitor the performance of the service and to confirm service improvements are working effectively; and</li> <li>5. Review the effectiveness of the service, identify areas for improvement and, where appropriate, further develop the automation of raising and processing of debtors.</li> </ol>	<p>However, it will be difficult to cost evaluate the service and different debt recovery and this will be taken under consideration for the future and when resources are available after the year end.</p> <ol style="list-style-type: none"> <li>3. Further training has already been arranged with Licencing on this was due to take place in October 2020.</li> <li>4. The Senior Specialist Finance Officer (CS) will be tasked to review the management of corporate debt and identify the areas where additional monitoring is required. She will liaise with the services and SSCM team to enable better analysis of corporate debts. Civica have been commissioned to make aged debt report improvements to enable bespoke reporting in this area.</li> <li>5. Agreed this is something that we are keeping a close eye on at the moment and when the ongoing impact of the virus is known, early next year, we will further examine the resources needed for this service in consultation with Finance.</li> </ol> <p>Support Services will input to the finance review of the service to ensure there is an effective understanding of the performance of recovering the different forms of debt.</p>
Creditors 2019/20	<p><b>Good Standard</b></p> <p>We were able to confirm that, generally, controls are in place to manage the payment of creditors, with most payments being made accurately and on a timely basis. Action has been taken, or is in progress, to address many of the recommendations made in 2018/19, although a small number do remain outstanding, some of which are outside the control of the Central Invoicing Team. We have repeated these, and other issues identified during our 2019/20 review, which would contribute to both the strengthening and the enforcing of controls over payments being made,</p>	<ol style="list-style-type: none"> <li>1. Agreed. The Senior Specialist – Accountant Business Partner (RH), in liaison with the Case Management Team Leader (SB), will incorporate this messaging into some refresher training which is already planned for Case Managers.</li> <li>2. Agreed.</li> <li>3. Agreed. A review will be made by the Senior Specialist – Accountant Business Partner (RH).</li> </ol>

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Creditors 2019/20 Contd.	<p>the most significant of which are:</p> <ol style="list-style-type: none"> <li>1. Reminding officers of the requirement to raise a purchase order at the time of commissioning goods or services, rather than after the invoice is received;</li> <li>2. Ensuring that all relevant officers understand the procurement requirements within Contract Procedure Rules, when purchasing goods or services;</li> <li>3. Completing a review of the financial limits imposed on individual users who are able to authorise the ordering of goods and services on behalf of the Councils;</li> <li>4. Reminding members of the Support Services Case Management team of the importance of recording that new or amended creditors' bank details have been independently checked; and</li> <li>5. Investigating the possibility of providing creditors with the option to securely register their personal and bank details on-line, to both provide an improved customer service and to gain efficiencies.</li> </ol>	<ol style="list-style-type: none"> <li>4. Agreed. The team have been reminded of the process and what they need to record.</li> <li>5. Agreed. This function has not been looked at in detail, nor tested. Other authorities have not rolled it out either, which is understood to be because it is not very user-friendly from the customer perspective. If Civica continues to be used in the long term it may be worth investigating further at a future date.</li> </ol>
Payroll 2019/20	<p><b>Good Standard</b></p> <p>The current arrangements for delivering the payroll function are operating effectively as possible, with suitable key controls in the majority of areas.</p> <p>Due to the limitations of the current software, it is not possible to gain further significant efficiencies, for example by removing the need to perform a number of key calculations manually such as starters, leavers and maternity pay. We are aware that officers have been exploring options for new software over the past year, but these have been put on hold as unexpected costs relating to the production of payslips were identified for the system being considered. Meanwhile, the existing software is reliant on a Windows 7 operating system, which is no longer supported by Microsoft, although we understand that the current software.</p>	<p>At the present time there is a desire to keep the payroll function wholly or largely in house and within the Councils' control. There is little appetite for offering a service to other organisations, as there is a lot of competition in this area, including from many far larger companies.</p> <p>We commenced conversations with a neighbouring authority owned company to explore options for them providing a payroll function to South Hams and West Devon. Covid-19 had delayed their own implementation of the system until October 2020 and, at the time of the audit, the Council were waiting for revised timescales for them to take on any additional customers, including ourselves.</p>

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<p>Payroll 2019/20 Contd.</p>	<p>supplier may be in a position to improve their offering in the future. Therefore, there remains the need for continued consideration of alternative payroll software and/or service delivery options, which may contribute to further resource efficiencies.</p> <p>We have made a small number of minor recommendations to strengthen existing payroll controls and several higher priority recommendations which really relate to the recruitment process and have been raised in our 2019/20 review of the Employment, Recruitment and Leavers Checks, see below</p>	<p>In parallel with this, the current payroll system provider, TeamSpirit, has been bought by a larger company, FMP, who are able to offer a new cloud-based solution, Amity. Therefore, this improved system will also be considered.</p> <p>FMP are not on any existing Framework Agreements and so it will be necessary to carry out a procurement exercise, with the assistance of the Procurement Officer (RW), which will, in any case, allow an objective evaluation of the two products.</p> <p><b>Update</b> – the decision has been made to procure an external Payroll/HR solution as a replacement to the existing system. Capital Bids of £15k for each Council will appear in the 2021/22 capital programme.</p>
<p>Employment / Recruitment Checks / Leavers Process 2019-20</p>	<p><b>Improvements Required</b></p> <p>The Councils have a structured and controlled approach to the recruitment of staff, with a strategic overview of manpower resource and its deployment. Procedures are in place to ensure that selection of candidates takes place in accordance with legislation and to ensure that the people best suited to the role and the organisation are appointed. Similarly, there is a process in place to manage those staff leaving the organisation.</p> <p>However, we did note several areas where existing controls would benefit from being strengthened, to increase their effectiveness. The most significant of these include:</p> <ol style="list-style-type: none"> <li>1. Ensuring that references are obtained for all starters;</li> <li>2. Introducing better controls over the engagement of agency staff; and</li> <li>3. Ensuring that managers complete all leaving documentation, in order that Payroll and ICT are aware of departing staff.</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. The recruitment smart sheet now allows the Senior Case Manager (SH) to track the progress of receiving references. Where two references are not received, then a case-by-case judgement is made as to whether or not this is acceptable. For example, if someone has worked for the same employer for many years and only one reference is received, this would probably be accepted. But, if someone has been through numerous short-term jobs, then a second reference may be insisted on.</li> <li>2. Agreed. Existing procedures require that all business cases for the appointment of agency staff are approved through the HR Panel smartsheet process before the manager makes a request in the Comensura portal.</li> </ol> <p>In addition, the Business Manager – Specialists (CB) reviews all requests and ensures that there is sufficient budget for such appointments.</p> <ol style="list-style-type: none"> <li>3. Agreed. It is acknowledged that a more robust process is needed to ensure the completion and submission of the leavers' forms. It is intended to use the new NetCall system to develop an intuitive and automatic system, to ensure</li> </ol>

Subject	Audit Findings	Management Response
		<p>compliance with this requirement, as well as recovering Council equipment.</p> <p>Until a solution can be developed in Netcall, existing methods will continue to be used.</p>
<p>Contract Management Strategy and Process – Follow-Up 2019-20</p>	<p><b>Improvements Required</b></p> <p>We have reviewed how officers oversee the management of a variety of contracts including key areas such as IT.</p> <p>We have found that beyond procurement, the management of contracts is spread across all disciplines of the Authorities and there is no overarching strategy or policy currently in place which outlines guidance on how the Councils should manage contracts nor a shared standard approach to administration and governance.</p> <p>As we have identified in other internal audit reports, although the Councils have various lists of known suppliers and a corporate Contract Register, these records are not linked, the register is not regularly updated and they do not include all contracts or details of agreements held by the Councils.</p> <p>Each service has its own methods of recording contract information, such as contract amendments and performance. There are a variety of officers involved in the process of administering and managing contracts, with a range of contract management skills and experience. However, there is no specific training programme related to contract management or overview.</p> <p>In general, councils spend a significant amount of resources managing all their contracts and this may not be formally recorded or analysed to provide effective costing for future contract requirements or if the service and contracted provisions might change. There is a risk that where contracts are under resourced, due to lack of oversight and controls, that the benefits of the contract may not be wholly realised and ultimately may cost a council more money. This is a common issue for all Local Authorities and the public sector as a whole.</p>	<p>The Director of Governance and Assurance has been discussing the future requirements of contract management with the Chief Executive. Although some of the significant contracts are subject to sufficient governance there is the potential that others may not be appropriately reviewed.</p> <p>Currently reliance is placed on the services procuring the contracts and we are aware that without a comprehensive Contracts Register and adequate resources and capacity for senior officers that performance and governance of some contracts will not be adequate.</p> <p>Although we do capture some of the key contracts there is a need to improve on the Contract Register and use it to identify the higher risk contracts, those that need reviewing and further managing certain contracts.</p> <p>There is a need to capture all of the contracts and agreements held and the use of services such as payments and finance to identify these will be considered.</p> <p>Based on the weaknesses already identified and outlined in the report we will be strengthening the process of recording contracts and their management and during 2021 consider how best to allocate resources to managing contracts better either as a single contract officer or at service level.</p> <p>This will be incorporated into the Organisation Forward Plan.</p> <p>The Council's Procurement Strategy will be reviewed and linked to a Contract Management Strategy that will provide a</p>

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Subject	Audit Findings	Management Response
<p>Contract Management Strategy and Process – Follow-Up 2019-20 Contd.</p>	<p>Services need to be more aware of contract risks and include this in the service and corporate Risk Registers. There is a need to ensure that significant contractors have business continuity plans and that the Councils have evaluated exit strategies should the contract terminate before the end of the agreement.</p>	<p>consistent approach to the management of contracts across the Councils.</p> <p>With the updating of the procurement regulations this would be a good time to remind the Extended Leadership Team (ELT) of the requirements to manage their procured contracts. This will include the importance of recording amendments and recording variations to contracts.</p> <p>Other senior officers are able to maintain and monitor the ICT contracts and reliance is not placed on the ICT HoP.</p> <p>Due to Brexit and more recently with Covid-19, we are regularly reviewing the Council’s resilience with regard supply chains and related contracts and this needs to be formally included in the Council’s Contracts Register and Business Continuity Plan. This will include regular review of supplier’s continuity plans to account for changing circumstances and obtaining assurance from key suppliers that their plans have been regularly tested.</p>
<p>Grounds Maintenance Operations – Follow Up 2019-20</p>	<p>The service has made progress since our last audit review with the introduction of a tree inspection programme for West Devon and inputting the grounds maintenance planned and unplanned work into Concerto and enabling electronic recording of completed jobs.</p> <p>The Council has also enlisted an independent external appraisal of the efficiency and capacity of the service and the report should be fully considered in driving future changes.</p> <p>However, we have identified that the processes regarding the fundamental changes to the service have not been fully realised since our last audit report in May 2019 and so we have reiterated these recommendations, the most significant of which are:</p> <p>1. To use the service reviews to drive a new maintenance plan for the</p>	<p>1. We have now completed the review of grounds maintenance, in conjunction with the external review by the Environmental Services Manager from South Somerset District Council. Using this review a comprehensive business plan will be submitted for Member approval in January 2021.</p> <p>2. Agreed. A robust service specification will be built into the business plan. We have already started reviewing the staff and providing a more stable and sustainable plan for our employees. We are reviewing the training and ensuring that support is provided to those with specialist knowledge.</p> <p>We have started work on a clear structure, to refine the employees’ roles to have a better opportunity to improve their roles and responsibilities. We have initiated in</p>

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Subject	Audit Findings	Management Response
<p>Grounds Maintenance Operations – Follow Up 2019-20 Contd.</p>	<p>service which establishes the work required by the service, for both external and internal clients, which can be updated for future environmental and organisational changes;</p> <ol style="list-style-type: none"> <li>2. That the long-term plan enables effective development of staff, and elimination of single points of failure, and evolution of the service, such as machinery procurement;</li> <li>3. That the services are obtaining the best value for money and that the Council knows how much each aspect of the service, both internally and externally, costs and this drives an accurate budget;</li> <li>4. That the Concerto system is used effectively to record work and the related costs;</li> <li>5. That there are adequate performance indicators set and that these are effective and independently monitored and regularly reported; and</li> <li>6. That the grounds maintenance and tree maps are accurately updated, that this is fed into the maintenance service plan and ultimately available to users for reporting.</li> </ol>	<p>conjunction with Human Resources an incremental improvement plan based on their performance. Additional training has been planned to improve the resilience and functionality of the service.</p> <ol style="list-style-type: none"> <li>3. We are undertaking a comprehensive review of costs, which will include evaluation of other competitors in this area and comparing to industry standards, and we will not be extending beyond the current external contracts until we have fully evaluated the service.</li> </ol> <p>Meetings are currently underway to evaluate the costs associated with these external contracts and how to price for the work provided. Discussions are incorporating factors such as location and the type of work required and devising a matrix of charging schedules to account for the variety of work and areas covered.</p> <ol style="list-style-type: none"> <li>4. When the Concerto system is populated with work completed, we will be using this to evaluate the service performance.</li> <li>5. Agreed we will be undertaking planned inspections and by independent officers and the service graded and performance monitored. This will be linked to the Service Specification. A recent member working group identified that there was positive feedback on the performance of the service.</li> <li>6. A significant amount of the missing data on the mapping system has been updated by Case Management. The future development of the system, including monitoring and reporting, will be developed with the new IT system.</li> </ol>

## Definition of Assignment and Overall Assurance Opinions

The CIPFA Special Interest Group (SIG) for Internal Audit have undertaken to look at the issue of standardising “Engagement Opinions”, which is “the rating, conclusion and/or other description of results of an individual internal audit engagement, relating to those aspects within the objectives and scope of the engagement”

Until recently DAP have used four assignment assurance opinions levels which Members will be familiar with, they are:

<b>High Standard</b>	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
<b>Good Standard</b>	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
<b>Improvements Required</b>	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
<b>Fundamental Weaknesses</b>	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

Based on their analysis of existing practice, the CIPFA SIG have recommended that the following standard internal audit assurance opinions are provided for engagements, as follows:

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

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

Devon Audit Partnership Management Board approved the adoption of the new assurance opinions for all internal audit assignments completed from **2020/21** for all its partners and clients.

## Overall / Annual Assurance Opinions

Further to the above, our progress reports and annual audit report aim to provide a statement for senior management and the Audit Committee (or equivalent) on the overall organisational control environment. Again, there is no prescribed way in which Internal Audit should provide this; Until now, DAP have used four categories for the overall/annual opinion as set out below:

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

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

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

Devon Audit Partnership Management Board approved the adoption of the new overall/annual assurance opinions from 2020/21 for all its partners and clients.

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

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