

Report to: **Audit and Governance Committee**  
Date: **30 June 2022**  
Title: **Internal Audit Annual Report 2021/22**  
Portfolio Area: **Cllr J Pearce – Leader of Council**  
Wards Affected: **All**

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

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## **RECOMMENDATIONS**

**It is recommended that the Audit and Governance Committee**  
**NOTE:**

- 1. that overall and based on work performed during 2021/22, and that of our experience from previous year's audit, the Head of Internal Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.**
- 2. the performance and achievements of the Internal Audit Team during 2021/22.**

## **1. Executive summary**

This report summarises the work undertaken by the Council's Internal Audit team during 2021/22, 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 2021/22 to 1<sup>st</sup> June 2022, by:

- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by Internal Audit against the 2021/22 annual internal audit plan, as approved by this Committee in April 2021, and
- Providing an opinion on the adequacy of the Council's control environment.

## **2. Background**

The Audit and Governance 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 2021/22 was presented to and approved by the Audit Committee in April 2021. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2021/22 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 2021/22 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 2021/22, and that of our experience from previous year’s audit, the Head of Internal Audit’s Opinion is of “Reasonable 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:



<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.

## Key Findings 2021/22

As has been reported previously to Audit and Governance Committee members, the 2021/22 Audit Plan has been impacted by the COVID-19 pandemic with one half of the Internal Audit resources continuing to assist officers in the payment of various grants to businesses throughout the year, in particular the evaluation/reviewing of applications. However, as well as completing those audits that carried over from the 2020/21 plan, the remaining resources have undertaken 2021/22 audits, 13 of which were finished, with final reports issued. For five others, fieldwork has been completed with draft reports issued and we await responses from management on the content of those reports and the recommendations made, including a number undertaken in the final quarter. Throughout the year, conversations have been held with Senior Management to review and amend the original approved plan to reflect on-going issues and resourcing. This resulted in some audits being cancelled or deferred into 2022/23.

As stated above, based on the work that has been carried out, we are able to provide reasonable assurance on the overall internal control framework. During the year, four audit assignments have been completed with final reports issued for which an audit opinion of "Limited Assurance" has been provided. These are:

- Debtors 2021/22 review;
- Council Tax and Business Rates 2021/22 review;
- Estates Property & Rents Follow Up;
- Performance Management (Data Quality) Follow Up.

It is pleasing to report that none of our audit reviews resulted in an audit opinion of "No Assurance" (please refer to appendix B for definitions of the various audit opinions).

We set out below some of the key issues of concern identified in those audits. 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 2021/22 year.

### **Debtors** (previously reported)

Our audit review, the majority of which was conducted in Autumn 2021, concluded that the controls in place provided "**Limited Assurance**".

In general, the raising and issuing of invoices to customers was satisfactory. However, issues remained around the timely and effective recovery of outstanding debts. Some of the matters we noted were reported following our 2019/20 review, but it is acknowledged that many officers have experienced additional work pressures for much of the intervening period, as a result of the Covid pandemic.

There are a number of areas which would benefit from improved controls and, quite often, this would appear to be linked to the available staff resource:

- The monitoring of suppressions placed on recovery;

- Identification and monitoring of 'Broken Instalment' reports;
- Sundry debts had not been sent to the Councils' enforcement agents for recovery but this was being reviewed;
- The opportunity to recover debts through the courts or by means of other legal action had not been utilised, due to a combination of insufficient experience in the Debtors team and insufficient staff resource within the Legal practice. Once again, this was under review by SLT;
- The continued use of the old, unsupported version of the Civica Financials system instead of the replacement web-version of the software which was found to be less user-friendly and so staff had not migrated to its use; and
- The Councils holding a significant amount of aged and/or obsolete data on the debtors system (as well as other Civica Financial modules).

### **Business Rates and Council Tax** (See Appendix B)

The majority of the review was undertaken during November and December 2021 and concluded with an audit opinion of "**Improvements Required**".

The Covid pandemic has impacted heavily on the Revenues team, almost all of whom spent 2020 & 2021 working on Covid Business Support Grants (£85million was paid out to businesses in the South Hams), in addition to delivering day-to-day work. Despite bringing in staff from other teams to assist with the initial grants during 2020/21 (but not 2021/22), there was insufficient staff resource to carry out much more than essential routine revenues work. This has had a continued impact into 2021/22 and it is noted that the team are now responsible for processing the Government's Council Tax Energy Rebate (£150) which will further impact on existing workloads. This is delaying the implementation of some improvements to systems and procedures, as well as creating a backlog of day-to-day work that has had to be cleared in addition to addressing new work coming in. However, Internal Audit recognise the achievements of the team in maintaining core revenues services as well as supporting businesses and residents through the Covid pandemic.

#### *Revenue and Benefits Service Review*

At the request of the Senior Leadership Team, the Specialist - Legal has undertaken a Revenue and Benefits service review, covering all aspects of the teams' work. The review was carried out over a period of months during 2020/21 and 2021/22 resulting in a number of recommendations and the establishment of an Implementation Plan. The officer's secondment to the Revenue and Benefits service has allowed a more in-depth review to be undertaken for some areas of work, including recovery and enforcement, as well as to provide assistance with the implementation of recommendations arising from their review. In terms of our audit review, we looked to avoid duplication of this work, restricting our own review away from where reliance can be placed on the findings of the Specialist - Legal.

#### *Changes to Head of Service*

As a result of the Councils declaring a Housing Crisis, the former Head of Housing, Revenues and Benefits was asked to focus solely on Housing and as such, is now the Head of Housing. This has meant that since September 2021, the Revenues and Benefits teams have been without a Head of Service.

The Business Manager – Specialists has been overseeing the delivery of the Improvement Plan, arising from the Service Review, pending the recruitment of a new Head of Revenues and Benefits, with the successful candidate in post by early September 2022. Inevitably, this has had an impact on the progress of delivering the Improvement Plan and a planned review of capacity.

#### *2021-22 Audit Review Key Findings*

Whilst it is pleasing to see that some of the recommendations that we made in our 2020/21 report have been implemented, a number remain outstanding, almost entirely due to staff being required to work on the Business Support Grants. We repeated these in our latest report as a reminder, as well as raising a small number of new matters. The most significant issues include:

- the effective use of available staff resource and, importantly, the removal or mitigation of risks posed by single points of failure;
- the review of procedures and resources to allow the prompt identification of new and re-purposed properties;
- conducting an on-going programme of review of discounts and exemptions to confirm continued eligibility and;
- the updating of the write off policy and associated procedures.

We are aware that single points of failure will be addressed by the new Head of Service along with the identification of new and re-purposed properties and we support the intention of officers to carry out a detailed review of all aspects of recovery and enforcement, giving consideration to relevant issues raised in our report.

We understand that the majority of the significant recommendations made in our 2021/22 audit report have also been included in the Implementation Plan resulting from the Revenue and Benefits Service Review.

Our recommendations have been aimed at the new Head of Revenues and Benefits, based on the expected start date of September 2022 but in the interim the Business Manager – Specialists will continue to oversee their implementation.

#### **Estates Property & Rents Follow Up** (previously reported)

Our audit review, which was conducted during July 2021, concluded that the controls in place provided “**Limited Assurance**” but with an upward direction of travel with regards improvements since our original audit review in 2019/20.

We acknowledged that improvements had been made over the last two years, but there remained several key areas where working practices could be made significantly more effective and efficient, particularly by better use of existing software, as well controls being strengthened in a small number of areas.

At the time of our previous audit in 2019/20, the Head of Assets post was vacant, with the present postholder commencing shortly after our audit was completed. Having spent some time becoming familiar with the wider SHDC and WDBC portfolios (beyond just investment property) and how these are managed, the Head of Assets

independently identified a number of issues to be addressed, some of which we had raised in our 2019/20 audit report.

There had been improvements in some of the areas we reported on in 2019/20. For example, rent reviews appeared to be largely completed on a timely basis and invoices raised more promptly after Legal had completed a new or revised lease. Tenant arrears were now regularly monitored by the Head of Assets, the Specialist – Estates and the Senior Case Manager – Support Services Finance, whilst the latter also monitors those debtor accounts with a suppression placed on recovery. Enforcement action is decided on a case-by-case basis, where routine reminder letters haven't resulted in a payment.

Limited work had taken place to address other issues identified in our previous review. We therefore repeated a number of our recommendations from 2019/20, but updated those where some improvements had begun to take place, or were already planned by the Head of Assets, these recommendations were:

- Introduction of a planned maintenance programme for those investment properties owned by the Councils;
- Regular reviews to ensure that the property portfolio continues to meet corporate objectives;
- Making better use of the Concerto software to manage the investment property & estate management portfolios, removing the need for spreadsheets;
- Taking advantage of work-flow systems to provide efficiencies in the management of investment & estate management properties and the collection of income;
- Creation of a suite of reports to provide effective management information relating to the property portfolio.

### **Performance Management (Data Quality) Follow-Up** (previously reported)

Following the completion of our audit, which took place during October and November 2021, our audit opinion is one of "**Limited Assurance**" but with a positive direction of travel in terms of improvements to controls and processes since our initial review a year earlier.

Since November 2021, themed performance monitoring reports have been taken to Overview and Scrutiny meetings, as well as annual updates, to allow delivery of the Corporate Strategy Action Plans to be monitored.

Some principles are now in place with respect to performance management and the performance monitoring framework, by virtue of the Corporate Strategies approved in September 2021. However, at the time of our follow-up review, not all the actions associated with the framework had been delivered and so a number of weaknesses persisted. Also, some of the issues we raised in our original review remained outstanding due to other work pressures:

- The Data Quality Strategy had yet to be updated and re-published;
- Awareness raising is required for all officers around data quality, with more in-depth training for those responsible for recording and maintaining data sets. This

should include the need to minimise manual intervention and ensure that data is auditable and validated; and

- There was still a need to review those KPIs which are already being recorded and monitored by business areas for continued relevance.

The external auditor's Annual Reports for 2020/21 for each Council (taken to the October/November 2021 Audit Committees) raised an improvement recommendation with regards performance management arrangements. Whilst data quality is an area that they also feel requires improvement, they did not make any further recommendations as they consider that this was being addressed through those that we raised last year.

The 2021/22 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 and Governance Committee in detail of significant findings since the last report presented in March 2022 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 was completed but no audit report produced.

### **LEAF & LAG Grant work**

23 days have been spent on LEAF (Greater Dartmoor Local Enterprise Action Fund) and LAG (South Devon Coastal Action Group) grant work. An allocation of 20 days had been made in the 2021/22 Audit Plan. Expenditure on these is due to finish at the end of November 2022 and 17 days has been allocated in the 2022/23 audit plan for our work in this area.

### **Non Compliance with Contract or Financial Procedure Rules**

There are no significant issues to bring to the attention of the Committee for 2021/22. Eleven applications for exemptions to Contract/ Financial Procedure Rules were received in the year, nine were accepted and two subsequently withdrawn.

### **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. The last major upload of data to the Cabinet Office occurred in October 2020, followed by a specific upload of Single Person Discount data at the end of 2021. In both cases, lists of potential matches were received and it is recognised that some service areas have struggled to find the resource to complete the review of these data matches. Management have been made aware of the situation and efforts made to ensure this takes place.

## Irregularities

Whilst there were no irregularities to report arising from the day to day operation of the Council, there have been 16 cases (12 South Hams, 4 West Devon) which relate to COVID-19 grant applications. 12 (8 SH, 4 WD) were identified as potential frauds before any payment was made. Of the remaining four cases, two are being investigated by the National Investigation Service and the Council has been supplying information to assist in these investigations. Recovery of payments in the other two cases is taking place.

Any cases identified have been reported to Devon Audit Partnership's Counter Fraud Team and to the National Anti Fraud Network (NAFN).

## PROVISION OF INTERNAL AUDIT AND PERFORMANCE – 2021/22

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

Local performance indicator	2021/22		2020/21
	Target	Actual	Actual
Percentage of audit plan commenced	95%	82% *	77%
Percentage of audit plan completed	95%	78% *	70%
Actual audit days as a percentage of planned	95%	88% **	68%
Customer satisfaction (percentage of customers stating that service is "good" or "excellent")	90%	100%	100%
Draft reports issued within target days	90%	84%	81%
Average level of sickness	2%	0.25%***	0%
Outturn within budget	Yes	Yes	Yes

\* 8 out of 41 audits were either deferred to 2022/23 or not started as at 1<sup>st</sup> June 2022.

\*\* With the diversion of audit resources during the year onto COVID related activities, in particular, one of the audit team spending the whole year assisting with the processing of business rate grants, the number of days available for audit assignment was reduced. However, to counter this, a request from South Hams Audit Committee for additional audit resources was met with the provision of 50 auditor days by Devon Audit Partnership.

\*\*\* It is pleasing to report that there was only one day of sickness recorded within the internal audit team between 1st April 2021 to 31st March 2022.

#### 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.

#### 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	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 no separate appendices to this report.

#### **Background Papers:**

Annual Internal Audit Plan 2021/22 as approved by Audit Committee on 8 April 2021.

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

Projects agreed in the Audit Plan	Fieldwork started	Report Issued in draft	Management comments received	Final Report Issued	Assurance Opinion				Comments
					Substantial	Reasonable	Limited	No	
<b>Work Carried forward from 2020/21</b>									
Housing Benefit 20/21	■	■	■	■		■			Summary presented to Audit Committee in December 2021
Business Rates 20/21	■	■	■	■			■		Summary presented to Audit Committee in December 2021
Council Tax 20/21	■	■	■	■			■		Summary presented to Audit Committee in December 2021
ICT Audit – Access Management 20/21	■	■	■	■		■			Summary presented to Audit Committee in December 2021
COVID-19 – Business Grants – Post Scheme Assurance	■	■	■	■		■			Summary presented to Audit Committee in December 2021
Development Control – Planning Enforcement 20/21	■	■							Awaiting Management Response to draft report







Appendix A

Projects agreed in the Audit Plan	Fieldwork started	Report Issued in draft	Management comments received	Final Report Issued	Assurance Opinion				Comments
					Substantial	Reasonable	Limited	No	
<b>GOVERNANCE &amp; ASSURANCE</b>									
Project Management – Governance and Process	-	-	-	-	-	-	-	-	Defer to 22/23 with agreement of Director of Governance and Assurance
Future IT Project	■	-	-	-	-	-	-	-	On-going work. No formal report
Contract Management – Leisure Management	-	-	-	-	-	-	-	-	Defer to 22/23 with agreement of Senior Leadership Team
Corporate Information Management (Data Protection, Filing System Housekeeping)	■								Fieldwork completed
Change Control – Business Processes	✓	✓							Draft report issued
Climate Change	■	■	■	■		■			Summary presented to Audit Committee in December 2021
Risk Management Review (deferred from 2020-21)	-	-	-	-	-	-	-	-	Defer to 22/23 with agreement of Director of Governance and Assurance





## Definitions of Audit Assurance Opinion Levels

Following their analysis, CIPFA recommended the following standard assurance opinions for individual assignments which Devon Audit Partnership have adopted since 2020/21 for all its partners and clients:

<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.

## Audit Plan 2021/22 – 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.

As at 1 June 2022, 13 final reports have been issued in respect of 2021/22 work and 5 in respect of work completed from 2020/21. The conclusions from final reports issued since the last Audit Committee in March 2022, are summarised below.

Subject	Audit Findings	Management Response
<b>2021/22 Audit Plan</b>		
Main Accounting System (inc Budgetary Control)	<p><b>Audit Opinion - Substantial Assurance</b></p> <p>We were able to confirm that, in general, the setting and subsequent administration of budgets is well managed, with controls in place and operating. There are no new recommendations arising from this year's review, but we repeated the following outstanding recommendation from the previous year which is outside the control of the Finance Team:</p> <p>1. Consideration be given to amending Financial Procedure Rules to create a joint set of virement authorisation requirements for SHDC and WDBC. These could take the most pragmatic aspects of each existing set of rules, possibly being based on a combination of both value and responsible officer/committee, tempered by the practice of retrospectively reporting all virements** to members as part of the following year's budget setting process.</p> <p>** A virement is where a budget is</p>	<p>1. Agreed.</p> <p>Work has been progressing to revise the Councils' Constitutions, including a review of all authorisation levels, which have been discussed with SLT, including the Director of Strategic Finance.</p> <p>A report is to be presented to a future meeting of each Full Council, addressing the Financial Procedure Rules, including virements, amongst other items. This is currently anticipated to be the July 2022 Council.</p>

Subject	Audit Findings	Management Response
	<p>moved from one budget holder (and cost centre) to another, to better reflect where budget responsibility should be held. Virements always net to zero.</p>	
<p>Council Tax and Business Rates</p>	<p><b>Audit Opinion - Limited Assurance</b></p> <p>Whilst some of the recommendations that we made last year have been implemented, a number remain outstanding, almost entirely due to staff being required to work on the Business Support Grants. We have repeated these as a reminder, as well as raising a small number of new matters. The most significant issues include:</p> <ol style="list-style-type: none"> <li>1. Ensuring that effective use is being made of available staff resource and, importantly, that single points of failure are removed or mitigated;</li> <li>2. Procedures should be reviewed, and the resource required determined, to allow the prompt identification of new and re-purposed properties;</li> <li>3. An on-going programme of review of discounts and exemptions should be conducted, to confirm continued eligibility. For Council Tax, the Single Occupancy Discount is most significant in terms of value (approximately £6.5m for SHDC and £4.0m for WDBC in 2021/22). This discount was reviewed in 2019/20, but no reviews have been undertaken of any other discounts or exemptions. The remainder are for much lower values than the Single Occupancy Discount and several are required to be evidenced (such as those relating to Severe Mental Impairment or to Students);</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. The new Head of Revenues and Benefits is expected to carry out a review of staffing requirements.</li> <li>2. Agreed. The Senior Case Manager – Revenues will be asked to review the success of new processes with the Database team.</li> </ol> <p>A new on-line form has also been created and added to the Councils' websites, that allows customers to report new builds or newly completed properties.</p> <ol style="list-style-type: none"> <li>3. Agreed. Unfortunately, there has been insufficient staff capacity to undertake reviews and to carry out day-to-day processing work. Inevitably, the latter is prioritised, to maintain levels of customer service and to avoid complaints. The new Head of Service will need to determine how they want staff resource to be utilised. It may be that officers who sit outside the Revenues team could assist in setting up a review process.</li> </ol> <p>In the meantime, the Councils are looking to engage with an external organisation to review discounts and reliefs.</p> <p>The Customer Service Improvement Manager has indicated that it should be possible to set up a process in Liberty to assist with the reviews, whereby review forms could be automatically issued on anniversary dates, as well as reminders where no response is</p>

Subject	Audit Findings	Management Response
Council Tax and Business Rates (Contd.)	<p>With regard Business Rates, the value of Small Business Rate Relief, which is normally the most significant to the Councils, is approximately £9.1m for SHDC and £3.0m for WDBC. During 2021/22 this has been more or less matched by the total value of the one-off package of Retail Reliefs temporarily awarded to businesses as part of the Government's response to the Covid pandemic (SHDC £7.8m; WDBC £3.3m), which ceased on 31 March 2022;</p> <p>4. We support the intention to make a detailed review of all aspects of recovery and enforcement and this should include consideration of those issues raised in this report, for example, taking prompt action to move on cases with a broken arrangement to pay and using enforcement agents to best effect; and</p> <p>5. An updated write off policy and associated procedures are required, to guide officers as to when it is appropriate to write off debts and so reduce the number of checks required.</p>	<p>received. The frequency of review can be tailored to each type of discount and exemption, based on the likelihood of changes occurring.</p> <p>Using Liberty would also make it easier to require customers to provide a positive response to confirm on-going eligibility, rather than just asking them to inform the Council if they have ceased to be eligible.</p> <p>Once such a process is in place, this would allow for an on-going programme of review, based on anniversary dates of awards made to individual accounts, rather than trying to free up staff resource for a big exercise to review all awards each year.</p> <p>4. Agreed. The work is still on-going and will take quite a long time to complete. The Specialist – Legal and the Senior Case Manager – Revenues are in the process of reviewing all accounts in recovery and enforcement. This is being done one recovery code at a time, with officers currently working on the 'Pend Bailiff' code.</p> <p>Existing recovery procedures include a number of cases which remain if recovery has been unsuccessful. These then require manual intervention.</p> <p>All those cases on the 'Tracing' code have been sent to the enforcement agents, although at some point these will be returned, necessitating further work based on the outcome.</p> <p>The Specialist – Legal has therefore requested temporary additional resource to speed up the process.</p>

Subject	Audit Findings	Management Response
Council Tax and Business Rates (Contd.)		<p>The new Head of Service will be tasked with reviewing processes, capacity and resources going forward.</p> <p>Existing resource and responsibilities within the Revenues team have been reconfigured. This has allowed current recovery to be kept up to date very successfully.</p> <p>5. Agreed. This is one of a suite of policies and processes to be reviewed, supported by appropriate training provided to staff.</p> <p>In the short term, the Specialist - Legal is to process the write off requests, partly to assist the Senior Case Manager – Revenues, but also because it will be useful to see the reasons for write off and the values involved, when writing a policy and procedure for the process. It will also provide an indication of the success of the revised recovery procedures.</p>
Housing Benefit	<p><b>Audit Opinion – Reasonable Assurance</b></p> <p>As last year, we have given our Audit Opinion despite there being several high priority recommendations, particularly with respect to quality checks of assessors’ work and proactive recovery and enforcement. Both of these areas have suffered as a result of other work pressures placed on staff due to the Covid pandemic, although managers have endeavoured to maintain existing controls as far as possible, even if at a much reduced level. Plans are still in place to address both issues, although these link, to a large degree, to the delivery of the Revenue</p>	<p>1. Agreed. Whilst quality checks never wholly ceased, they have not been formally recorded nor as numerous as desired due to other work pressures over the last couple of years.</p> <p>A new programme of formal quality checking has been set up, with regular random checks of a sample of claims to be made by the Senior Specialist – Benefits and the Specialists – Benefits. The Senior Case Managers – Benefits are to quality check telephone calls with customers.</p>

Subject	Audit Findings	Management Response
Housing Benefit (Contd.)	<p>and Benefits service review recommendations made by the Specialist – Legal. The new Head of Service will be responsible for the implementation of the Service Review recommendations.</p> <p>There are some areas where action may be taken to further strengthen existing controls or gain efficiencies. The most important of these relate to the re-commencement of those procedures which have been suspended or reduced as a result of other work pressures created by the Covid pandemic, including:</p> <ol style="list-style-type: none"> <li>1. The re-introduction of regular quality checks of the benefit assessors work, to ensure that accuracy targets are being met;</li> <li>2. Ensuring that sufficient staff resource is available to recover overpayments on a timely basis; and</li> <li>3. Adopting alternative methods of overpayment recovery where current processes have failed, including making best use of enforcement agents, as identified by the Specialist - Benefits.</li> </ol> <p>We understand that these and a number of other recommendations made in this audit report have also been included in the Improvement Plan resulting from the Revenue and Benefits Service Review, the Plan cross-referencing to the detail within the audit reports.</p> <p>Our recommendations have been made to the new Head of Revenues and Benefits, based on the</p>	<p>A record will be kept of all checks made and any issues noted, as well as the action taken.</p> <p>If the work of an individual officer gives cause for concern, they are provided with additional training, as required, and their claims are more frequently reviewed over and above the random sample. As with the programme of quality checks, this work never wholly ceased but, more recently, it was not being formally recorded.</p> <ol style="list-style-type: none"> <li>2. Agreed. The new Head of Revenues and Benefits is expected to carry out a review of staffing requirements across the Revenues team and all the functions that it performs.</li> <li>3. Agreed. A review of HB Overpayment recovery procedures is on-going. A test case has been sent to the enforcement agents to establish the value of any assistance they can offer with respect to recovery.</li> </ol> <p>However, it is not intended to set up new, formal processes until the enforcement agent contract has been awarded. These will be reviewed in more detail with the successful tenderer.</p> <p>Arrangements for monitoring of performance are to be included in the new contract.</p>

Subject	Audit Findings	Management Response
Housing Benefit (Contd.)	expected start date of September 2022 but in the interim the Business Manager – Specialists will continue to oversee their implementation.	
ICT – Change Management	<p><b>Audit Opinion – Reasonable Assurance</b></p> <p>Since our previous audit in 2019/20, when we gave an Audit Opinion of 'Improvements Required', there have been improvements to the controls around the ICT change management process, particularly for non-standard changes. These improvements address several issues raised in our previous audit report, although a small number do remain unresolved.</p> <p>Procedures are in place to allow scrutiny, consideration of the risks, mitigations and roll back plans. Whilst they still do not wholly align to those prescribed by ITIL, they are proportionate to the size of the organisation and do appear to allow for appropriate control over any requests for change.</p> <p>However, there are opportunities to further improve controls and to create efficiencies when recording and managing requests for change. We have raised several recommendations with respect to these matters, some of which are repeated from our previous audit report. We acknowledge that most of the issues raised have not been addressed due to limited staff resource or other work priorities:</p> <ol style="list-style-type: none"> <li>1. Ensuring that business teams understand the appropriate prioritisation of upgrades to key software on which they rely to deliver their day-to-day work;</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed in principle. However, the approach to implementing system upgrades and replacements has been amended. Rather than the ICT team acting as project lead, which required their staff resource to be spent co-ordinating communications and project planning on behalf of the relevant business area and the software supplier, the emphasis has been moved to encouraging the business owner to liaise directly with the software supplier. The ICT team now act in a facilitator role, being brought in as needed, for example to co-ordinate access to the Councils' network or to provide advice. This is similar to the model already in place for Revenues and Benefits and recently used for the new HR/payroll system.</li> </ol> <p>The Head of ICT continues to remind business owners of any deadlines that may dictate when system upgrades or replacements need to be completed by, to avoid loss of service.</p> <ol style="list-style-type: none"> <li>2. Agreed. Due to the limitations of the existing service desk software, Sunrise, Requests for Change (RFCs) have to be recorded as an incident. It was the intention to categorise them as a specific type of incident to allow ready identification but this proved impractical due to how Sunrise operates. This means that it isn't possible to effectively analyse either incidents or RFCs as the two cannot be readily distinguished.</li> </ol>

Subject	Audit Findings	Management Response
ICT – Change Management (Contd.)	<ol style="list-style-type: none"> <li>2. Recording and administering all Requests for Change (RFC), both Standard and Non-Standard, within one location;</li> <li>3. Keeping the IT Maintenance and Update Schedule up to date on the intranet;</li> <li>4. Carrying out post-implementation reviews in order to formally identify and record lessons learned;</li> <li>5. Completing customer surveys to allow further areas for improvement to be identified.</li> </ol>	<p>The ability to record and administer RFCs will be a consideration of any new service desk software. Although work has commenced to consider alternative solutions, selection and implementation will be dependent on other work priorities.</p> <ol style="list-style-type: none"> <li>3. Agreed. The Schedule is to be maintained in Teams where any member of the ICT team can update it, removing the need to place reliance on a single officer with limited spare capacity. <p>A link to the Schedule will be issued regularly to all staff, for example, as part of the weekly Flash message.</p> </li> <li>4. Agreed. The requirement for a post-implementation review will be highlighted on the RFC pro forma and will be added to the standard agenda for CAB meetings to prompt discussion whenever a non-standard or emergency change has been completed.</li> <li>5. Agreed. The Senior Case Manager – Service Desk will be asked to co-ordinate a survey, to assist in identifying areas where service might be improved and how best this can be achieved.</li> </ol>

## Planned Audit 2021-22 – 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 2021 Audit Committee was the internal audit opinion providing assurance that the Council's systems contain a satisfactory level of internal control.</p> <p>In addition, there is a requirement for the Council to prepare an AGS statement. Internal Audit were available to provide support and challenge, as appropriate, to the Senior Leadership Team as they drafted the statement in respect of the 2020/21 financial year.</p> <p>The S151 Officer presented the 2020/21 AGS to the Audit Committee on 2 September &amp; 28 October 2021.</p>
<b>Exemptions to Financial Procedure Rules</b>	<p>Eleven applications for Contract / Financial Procedure Rules were received in the year, nine were accepted and two withdrawn.</p>
<b>Fraud / Irregularity</b>	<p>There have been no irregularities to report regarding the day-to-day operation of the Councils.</p> <p>However, there have been 16 cases (12 South Hams, 4 West Devon) which relate to COVID-19 business grant applications. 12 (8 SH, 4 WD) were identified as potential frauds before any payment was made. Of the remaining four cases, two are being investigated by the National Investigation Service and the Council has been supplying information to assist in these investigations. Recovery of payments in the final two cases is taking place.</p> <p>Any cases identified have been reported to Devon Audit Partnership's Counter Fraud Team and to the National Anti-Fraud Network (NAFN).</p>
<b>Covid 19 - MHCLG Lost Sales, Fees &amp; Charges Compensation Scheme</b>	<p>Internal Audit were asked to undertake review and challenge of the returns prepared by officers when claiming under the Govt scheme, the first in May 2021 and more recently, in October 2021. In both cases, Internal Audit were able to confirm the accuracy of the Government returns and provide substantial assurance on the two submissions.</p>
<b>Future IT Project and New Payroll/HR system</b>	<p>Internal Audit kept a watching brief, providing advice on system controls and project management where appropriate. This included attendance at Payroll Project Team meetings.</p>