

# Public Document Pack

## Mid Devon District Council

### Audit Committee

**Tuesday, 21 September 2021 at 5.30 pm**  
**Exe Room, Phoenix House, Tiverton**

**Next meeting**  
**Tuesday, 16 November 2021 at 5.30 pm**

**Important** - this meeting will take place at Phoenix House, but members of the Public and Press can and should attend via Zoom only. Please do not attend Phoenix House without prior agreement. The attached Protocol for Hybrid Meetings explains how this will work.

Join Zoom Meeting

<https://zoom.us/j/91244847504?pwd=eEZkYUo2ZUdlSWRTWTdyeTBtSVZldz09>

Meeting ID: 912 4484 7504  
Passcode: 803732

One tap mobile

08000315717,,91244847504#,,, \*803732# The United Kingdom Toll-free

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Dial by your location

0 800 031 5717 The United Kingdom Toll-free

0 800 260 5801 The United Kingdom Toll-free

0 800 358 2817 The United Kingdom Toll-free

Meeting ID: 912 4484 7504  
Passcode: 803732

## Membership

Cllr W Burke  
Cllr Mrs C Collis  
Cllr N V Davey  
Cllr S J Penny  
Cllr A Wyer  
Cllr A White  
Cllr A Wilce



# AGENDA

*Members are reminded of the need to make declarations of interest prior to any discussion which may take place*

1. **Apologies**  
To receive any apologies for absence.
2. **Protocol for hybrid meetings** (Pages 5 - 12)  
To note the protocol for hybrid meetings.
3. **Public Question Time**  
To receive any questions relating to items on the Agenda from members of the public and replies thereto.
4. **Declaration of Interests under the Code of Conduct**  
Councillors are reminded of the requirement to declare any interest, including the type of interest, and reason for that interest, either at this stage of the meeting or as soon as they become aware of that interest.
5. **Minutes of the previous meeting** (Pages 13 - 18)  
Members to consider whether to approve the minutes as a correct record of the meeting held on 27 July 2021.
6. **Chairman's Announcements**  
To receive any announcements that the Chairman may wish to make.
7. **Performance and Risk** (Pages 19 - 64)  
To receive a report from the Operations Manager for Performance, Governance and Health & Safety providing Members with an update on performance against the Corporate Plan and local service targets for 2021-22 as well as providing an update on the key business risks.
8. **Annual Governance Statement** (Pages 65 - 98)  
To receive a report from Group Manager for Performance, Governance and Health & Safety, presenting the Committee with the finalised Annual Governance Statement and Action Plan (Appendix A) and accompanying Corporate Governance Framework (Appendix B) for 2020/21.
9. **PSAA Consultation - Briefing Note** (Pages 99 - 108)  
To receive a briefing paper regarding the Public Sector Audit Appointments Ltd (PSAA) Consultation.
10. **Redmond Review of Local Authority Financial Reporting and Audit Overview** (Pages 109 - 122)  
To receive a briefing paper regarding the Redmond Review of Local Authority Financial Reporting and Audit Overview.



11. **Internal Audit Progress report 2021-22** (*Pages 123 - 132*)  
To receive a progress report from the Devon Audit Partnership for 2021-22.
12. **Grant Thornton - Draft Audit Findings Report** (*Pages 133 - 162*)  
To receive the draft Audit Findings Report from Grant Thornton reflecting the current position.
13. **Audit Committee size**  
Members to discuss whether there is a need to increase the number of Members on the Audit Committee. If Members consider there is a need then a recommendation will need to be made to the Standards Committee.
14. **DAP representation**  
The Committee to appoint a second person from within the committee membership to attend DAP Board meetings alongside the Chairman.
15. **Identification of items for the next meeting**  
Members are asked to note that the following items are already identified in the work programme for the next meeting:
  - Performance and Risk
  - Annual Governance Statement – Action Plan update
  - Internal Audit Progress Report
  - Final Accounts for 2020 – 2021 for approval
  - Grant Thornton – Audit Findings Report
  - Grant Thornton - Letter of Representation
  - 3 Rivers Development Ltd Business Plan (tbc)

Note: This item is limited to 10 minutes. There should be no discussion on the items raised.

**Stephen Walford**  
Chief Executive  
Monday, 13 September 2021

### Covid-19 and meetings

From 7 May 2021, the law requires all councils to hold formal meetings in person. However, the Council is also required to follow government guidance about safety during the pandemic. The Council will enable all people to continue to participate in meetings via Zoom.



You are strongly encouraged to participate via Zoom to keep everyone safe - there is limited capacity in meeting rooms if safety requirements are to be met. There are restrictions and conditions which apply to those in the building and the use of the building. You must not attend a meeting at Phoenix House without complying with the requirements in the new protocol for meetings. You must follow any directions you are given.

Please read the new meeting protocol which is available here: [Hybrid Protocol - September 2021.pdf \(middevon.gov.uk\)](#)

If you want to ask a question or speak, email your full name to [Committee@middevon.gov.uk](mailto:Committee@middevon.gov.uk) by no later than 4pm on the day before the meeting. This will ensure that your name is on the list to speak and will help us ensure that you are not missed – as you can imagine, it is easier to see and manage public speaking when everyone is physically present in the same room. Notification in this way will ensure the meeting runs as smoothly as possible.

If you would like a copy of the Agenda in another format (for example in large print) please contact Sarah Lees on:

E-Mail: [slees@middevon.gov.uk](mailto:slees@middevon.gov.uk)

Public Wi-Fi is available in all meeting rooms.



## Mid Devon District Council – Hybrid Meeting Protocol

### 1. Introduction

Remote meetings via Zoom have been used during the Covid-19 pandemic in accordance with the temporary legislation. That legislation ceases to apply from 7 May 2021. However, Covid-19 legislation and guidance continues in place and this places specific requirements for meetings in relation to health and safety, risk assessments and related matters.

The Council has therefore put in place temporary arrangements which will enable meetings to take place in compliance with legislation, whilst providing alternative participation opportunities to maintain a Covid-19 safe environment. All are asked to remember that the Council's offices at Phoenix House are not just meeting rooms – they are the place of employment for many and there are implications beyond just how the meetings are held.

The arrangements set out in this Protocol will apply to meetings from 7 May 2021 until further notice. At the date of this Protocol, it is expected that arrangements may change later this year – because the Government may change the law, the Covid- 19 pandemic may have further receded and/or the Council makes alternative arrangements.

### 2. Hybrid arrangements – how will they work?

The primary objective is to ensure that meetings can continue as safely as possible and that the rights of Members and the Public are not diminished simply because the meeting is being held through a mix of online and face-to-face means. The Chairman will retain control and discretion over the conduct of the meeting and the Zoom host will provide administrative support to facilitate the meeting.

Please note that, exceptionally, meeting arrangements may change – in response to legislation, court decisions, or risk. This may include a meeting being postponed, or the hybrid arrangements changing or being withdrawn. We ask that you check the arrangements in advance of joining or attending the meeting.

#### (a) Members (councillors) entitled to vote

All Members entitled to vote in a meeting must be present in the same room – if they are to be classed as 'present' (count towards the quorum) and to cast a vote. If a Member entitled to vote is not in the room, they may still participate via Zoom (see below), but they will not be present (quorum) nor be able to vote.

#### (b) Other Members, Officers and the Public

The Council will use Zoom to enable all other Members, officers and the Public to attend and participate in meetings safely. Zoom will be enabled in all public meetings. Those attending the meeting physically will be able to see and hear Zoom participants via the existing large TV/monitor screens in the meeting rooms.



Those on Zoom will be able to hear Members in the room and see them – although this will be a whole room view and there will be no zooming in on individual members. It is essential therefore those Members present in the room use the microphones at all times and identify themselves before speaking.

There will be some Officers in the room – the Committee Administrator, the Zoom host and, at times, an additional support officer. There may also be a meeting room host to manage the safety of the meeting. All other Officers should use Zoom, unless they are specifically invited into the room by the Chairman of the meeting.

### **3. Zoom**

Zoom is the system the Council will be using for those attending Hybrid meetings remotely. It has functionality for audio, video, and screen sharing and you do not need to be a member of the Council or have a Zoom account to join a Zoom meeting.

### **4. Access to documents**

Member Services will publish the agenda and reports for committee meetings on the Council's website in line with usual practice. Paper copies of agendas will only be made available to those who have previously requested this and also the Chair of a meeting.

If any other Member wishes to have a paper copy, they must notify Member Services before the agenda is published, so they can arrange to post directly – it may take longer to organise printing, so as much notice as possible is appreciated.

The Public should continue to access agendas via the Council's website - and are encouraged to do so even after the offices at Phoenix House are fully open again.

### **5. Setting up the Meeting for Zoom attendance**

This will be done by Member Services. They will send a meeting request via Outlook which will appear in Members' Outlook calendar. Members and Officers will receive a URL link to click on to join the meeting. The Public will use the Zoom details on the front of the agenda. The telephone dial-in via Zoom will also be available.

### **6. Public Access and Participation**

#### **(a) Public Access:**

Members of the Public will be able to use a web link and standard internet browser. This will be displayed on the front of the agenda. Members of the Public should attend a meeting via Zoom, unless there are circumstances justifying attendance in person.



If any member of the Public still wishes to attend in person, they must notify Member Services **at least 3 working days before the meeting**. Notifications must be sent by email to:

[Committee@middevon.gov.uk](mailto:Committee@middevon.gov.uk)

Day of meeting	Notice given by
Monday	Previous Wednesday
Tuesday	Previous Thursday
Wednesday	Previous Friday
Thursday	Monday
Friday	Tuesday

This will ensure that the meeting rooms do not become overcrowded.

(b) Public Participation (speaking):

Public questions will continue in line with the Council's current arrangements as far as is practicable. However, to ensure that the meeting runs smoothly and that no member of the public is missed, all those who wish to speak must register **by 4pm on the day before the meeting**. They should email their full name to [Committee@middevon.gov.uk](mailto:Committee@middevon.gov.uk). If they wish to circulate their question in advance, that would be helpful.

At public question time, the Chair will ask each registered person to speak at the appropriate time. In the normal way, the public should state their full name, the agenda item they wish to speak to **before** they proceed with their question. Unless they have registered, a member of the public may not be called to speak, except at the discretion of the Chairman.

If a member of the public wishes to ask a question but cannot attend the meeting for whatever reason, there is nothing to prevent them from emailing members of the Committee with their question, views or concern in advance. However, if they do so, it would be helpful if a copy could be sent to [Committee@middevon.gov.uk](mailto:Committee@middevon.gov.uk) as well.

## 7. Arrangements for any person attending meetings at Phoenix House

Anyone attending a meeting in person must observe the following requirements:

- (a) For non-voting members, officers and the Public – are there exceptional circumstances to justify attending? If so, please notify in advance and in paragraph 6 above. It is essential that the Council knows who is attending and how many will be in the room.



- (b) Do not attend if you: have any symptoms of Covid-19; are self-isolating (with or without a positive Covid-19 test); or are in a period of post-travel quarantine.
- (c) Use the hand sanitiser which is available in the building.
- (d) Follow the directions for entering, moving around and exiting the building. Follow the instructions of any Officer present to manage the safety of the meeting and/or the Chairman.
- (e) Sign into the meeting if requested to do so – you may be asked to leave contact details
- (f) Enter and leave the building promptly – do not gather inside after the meeting has finished, or during any break in the meeting
- (g) Bring your own water/refreshments, as these will not be available for the time being.

## 8. Starting the Meeting

At the start of the meeting, the Member Services Officer will check all required attendees are present and that there is a quorum. If there is no quorum, the meeting will be adjourned. This applies if, during the meeting, it becomes inquorate for whatever reason.

The Chair will remind all Members, Officers and the Public attending via Zoom that **all microphones must be muted**, unless and until they are speaking. This prevents background noise, coughing etc. which is intrusive and disruptive during the meeting. The Hosting Officer will enforce this and will be able to turn off participant mics when they are not in use.

## 9. Declaration of Interests

Members should declare their interests in the usual way. A Member with a disclosable pecuniary interest is required to leave the room. If they are attending via Zoom, they will be moved to the waiting room for the duration of the item.

## 10. The Meeting and Debate

- (a) For Members and Officers physically present

Each member should raise their hand to indicate a request to speak. When called, they must identify themselves for the recording and for the benefit of those attending via Zoom. The microphone must be used when speaking – standing will make it difficult for those on Zoom to hear and is discouraged, including at meetings of Full Council.

- (b) For any person attending via Zoom

The Council will not be using the Chat function. The Chairman will call speakers



in accordance with the usual rules i.e. either at Public Question Time, or for Members and Officers, when they raise their Zoom hand to speak.

No decision or outcome will be invalidated by a failure of the Chair to call a member to speak – remote management of meetings is intensive and the Hybrid arrangements are likely to be more so. It is reasonable to expect that some requests will be inadvertently missed from time to time.

When referring to reports or making specific comments, Members and Officers should refer to the report and page number whenever possible. This will help all present or in attendance to have a clear understanding of what is being discussed.

## **11. Voting**

Voting for meetings in person is normally through a show of hands. The Member Services Officer will announce the numerical result of the vote for the benefit of those attending via Zoom.

## **12. Meeting Etiquette Reminder for Zoom attendees**

- Mute your microphone – you will still be able to hear what is being said.
- Only speak when invited to do so by the Chair.
- Speak clearly and please state your name each time you speak
- If you're referring to a specific page, mention the page number.

## **13. Part 2 Reports and Debate**

There are times when council meetings are not open to the public, when confidential, or “exempt” issues – as defined in Schedule 12A of the Local Government Act 1972 – are under consideration.

If there are members of the public and press attending the meeting, then the Member Services Officer will, at the appropriate time, remove them to a waiting room for the duration of that item. They can then be invited back in when the business returns to Part 1.

Please turn off smart speakers such as Amazon Echo (Alexa), Google Home or smart music devices. These could inadvertently record phone or video conversations, which would not be appropriate during the consideration of confidential items.

## **14. Interpretation of standing orders**

Where the Chairman is required to interpret the Council's Constitution and procedural rules and how they apply to remote attendance, they may take advice from the Member Services Officer or Monitoring Officer prior to making a ruling. However, the Chair's decision shall be final.

## **15. Disorderly Conduct by Members**



If a Member behaves in the manner as outlined in the Constitution (persistently ignoring or disobeying the ruling of the Chair or behaving irregularly, improperly or offensively or deliberately obstructs the business of the meeting), any other Member may move 'That the member named be not further heard' which, if seconded, must be put to the vote without discussion.

If the same behaviour persists and a Motion is approved 'that the member named do leave the meeting', then (if attending via Zoom) they will be removed as a participant by the Member Services Officer.

#### **16. Disturbance from Members of the Public**

If any member of the public interrupts a meeting the Chairman will warn them accordingly. If that person continues to interrupt or disrupt proceedings the Chairman may ask the Member Services Officer to remove them as a participant from the meeting.

#### **17. Technical issues – meeting management**

If the Chairman, the Hosting Officer or the Member Services Officer identifies a problem with the systems from the Council's side, the Chairman should either declare a recess while the fault is addressed or, if the fault is minor (e.g. unable to bring up a presentation), it may be appropriate to move onto the next item of business in order to progress through the agenda. If it is not possible to address the fault, the meeting will be adjourned until such time as it can be reconvened.

If the meeting was due to determine an urgent matter and it has not been possible to continue because of technical difficulties, the Chief Executive, Leader and relevant Cabinet Member, in consultation with the Monitoring Officer, shall explore such other means of taking the decision as may be permitted by the Council's constitution.

Where any Member, Officer or the Public experience their own technical problems during the course of a meeting e.g. through internet connectivity or otherwise, the meeting will not be automatically suspended or adjourned.

#### **18. Technical issues – Individual Responsibility (Members and Officers)**

Many members, officers and the Public live in places where broadband speeds are poor, but technical issues can arise at any time for a number of reasons. The following guidelines, if followed, should help reduce disruption.

- Join public Zoom meetings by telephone if there is a problem with the internet. Before all meetings, note down or take a photograph of the front page of the agenda which has the necessary telephone numbers. Annex 1 to this protocol contains a brief step-by-step guide to what to expect
- Consider an alternative location from which to join the meeting, but staying safe and keeping confidential information secure. For officers, this may mean considering whether to come into the office, subject to this being safe and practicable (childcare etc.)



- Have to hand the telephone number of someone attending the meeting – and contact them if necessary to explain the problem in connecting
- Officers should have an 'understudy' or deputy briefed and on standby to attend and present as needed (and their telephone numbers to hand)



## Phone only access to zoom meetings

(Before you start **make sure you know the Meeting ID and the Meeting Password**) – Both of these are available on the agenda for the meeting

**Call the toll free number** either on the meeting agenda or on the Outlook appointment (this will start with 0800 -----)

(Ensure your phone is on 'speaker' if you can)

A message will sound saying *"Welcome to Zoom, enter your meeting ID followed by the hash button"*

- **Enter Meeting ID followed by #**

Wait for next message which will say *"If you are a participant, please press hash to continue"*

- **Press #**

Wait for next message which will say *"Enter Meeting Password followed by hash"*

- **Enter 6 digit Meeting Password followed by #**

Wait for the following two messages:

*"You are currently being held in a waiting room, the Host will release you from 'hold' in a minute"*

**Wait.....**

*"You have now entered the meeting"*

### Important notes for participating in meetings

Press **\*6** to toggle between **'mute' and 'unmute'** (you should always ensure you are muted until you are called upon to speak)

If you wish to speak you can **'raise your hand'** by pressing **\*9**. Wait for the Chairman to call you to speak. The Host will lower your hand after you have spoken. Make sure you mute yourself afterwards.



## MID DEVON DISTRICT COUNCIL

**MINUTES** of a **MEETING** of the **AUDIT COMMITTEE** held on 27 July 2021 at 5.30 pm

**Present**

**Councillors**

W Burke, Mrs C Collis, N V Davey, F W Letch, S J Penny,  
A White and A Wilce

**Apology**

**Councillor**

A Wyer

**Also Present**

**Councillors**

G Barnell, R M Deed, R Evans, R F Radford and B G J Warren

**Present**

**Officers**

Andrew Jarrett (Deputy Chief Executive (S151)), Paul Deal  
(Corporate Manager for Finance), Catherine Yandle (Operations  
Manager for Performance, Governance and Health & Safety),  
Paul Middlemass (Audit Manager), Kieran Knowles  
(Accountant), Carole Oliphant (Member Services Officer) and  
Sarah Lees (Member Services Officer)

**Also**

**In attendance**

Grace Hawkins (Grant Thornton)

1. **ELECTION OF CHAIRMAN (CHAIRMAN OF THE COUNCIL IN THE CHAIR)**

**RESOLVED** that Cllr S J Penny be elected as Chairman of the Audit Committee for the municipal year 2021/2022.

2. **ELECTION OF VICE CHAIRMAN**

**RESOLVED** that Cllr A White be elected Vice Chairman of the Audit Committee for the municipal year 2021/2022.

3. **APOLOGIES**

Apologies were received from Cllr A Wyer who was substituted by Cllr F Letch.

4. **PROTOCOL FOR HYBRID MEETINGS**

The protocol for hybrid meetings was noted.

5. **PUBLIC QUESTION TIME**

There were no questions from members of the public.

6. **DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT**

No interests were declared under this item.



## 7. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 23 March 2021 were confirmed as a true record and signed by the Chairman.

## 8. CHAIRMAN'S ANNOUNCEMENTS

The Chairman informed the Committee that David Curnow from the Devon Audit partnership would be retiring shortly. Mr Curnow had supported the Audit Committee and had been the Internal Audit lead since 2017. He wished to thank him for all his help and support during that time. On behalf of the Committee he wished him a long and happy retirement.

## 9. START TIME OF MEETINGS

The Committee **AGREED** to continue to meet on Tuesday evenings at 5.30pm.

## 10. PERFORMANCE & RISK OUTTURN REPORT 2020/21 (00:10:00)

The Committee had before it, and **NOTED**, a report \* from the Chief Executive providing Members with the outturn on performance against the Corporate Plan and local service targets for 2020/2021.

The contents of the report were outlined and discussion took place regarding:

- The Council aimed to work with Community Land Trusts and other organisations to deliver homes retained in perpetuity for local need.
- It was confirmed that the Tiverton WiFi project was being progressed.
- The Deputy Chief Executive (S151) would provide the Audit Committee with an update on the creation of the South West Mutual Bank following the meeting, the precise details were not to hand during the meeting itself. Following this, if there were issues that Members wanted to discuss they could be brought before this Committee at the next meeting.
- The Council had received funding of £534,410 to specifically help adversely affected individuals through Hardship funding and for Self Isolation payments. Payments had continued to be made against both funds to date. An officer had been specifically appointed to signpost those in need to apply to this fund.

Note: \* Report previously circulated; copy attached to the signed minutes.

## 11. DRAFT ANNUAL GOVERNANCE STATEMENT & CORPORATE GOVERNANCE FRAMEWORK (00:20:00)

The Committee had before it, and **NOTED** the draft \* Annual Governance Statement and Action Plan and accompanying Corporate Governance Framework for 2020/2021.

The Committee were asked to consider whether there were any comments they wished to make regarding the draft document, did anything need to be added, removed or amended? The following comments were made:

- An explanation was requested regarding the 'Evolve' project which was described as several HR workstreams; to monitor performance management



on-line, a new competency framework and which could also facilitate a skills audit, this was yet to be completed and had not met the deadline in the Action Plan.

- As a result of more hybrid working proposals, a significant investment and upgrade of the Council's IT arrangements would need to take place and this would take some time with a completion date of 30 September 2022 in the Action Plan.
- It was confirmed that there was no backlog of data entry work as a result of the pandemic. A system called 'Citizen Access' had been brought in to help customers pay council tax promptly on-line. Other arrangements for paying were still in place for those people who were not so IT competent.
- Concern was expressed regarding the number of empty Council homes in the district. However, it was explained that the Council could simply not take back houses where there were outstanding legal issues. There was a process to go through via the courts and due to the Covid situation the courts were taking longer than usual to process cases.

Note: \* Report previously circulated; copy attached to the signed minutes.

## 12. **DRAFT STATEMENT OF ACCOUNTS FOR 2020/2021**

The Committee had before it, and **NOTED**, the draft version of the annual Statement of Accounts. The final set of accounts and the audit opinion would be presented to the September Committee.

Consideration was given to:

- A review of the impairment provision against 3 Rivers Developments Ltd had concluded that no further or indeed reduction in impairment was required. It was explained that there was significant opportunity for the company to repay the loans before they were due. Small loans were being issued post impairment but repayments were being made.
- A request was made to provide Members with full details in relation to the cumulative lending for 3 Rivers operating costs as well as a repayment schedule. The Deputy Chief Executive (S151) that he would be happy to meet with any Member having concerns in this area to go through the detailed accounting in relation to this issue.
- The meaning of a 'smoothing' reserve.
- Concerns regarding the pensions liability. It was forecasted that a higher contribution rate would need to be paid in the future.

Note: \* Draft accounts previously circulated; copy attached to the signed minutes.

## 13. **INTERNAL AUDIT PROGRESS REPORT 2021 - 2022 (00:55:00)**

The Committee had before it, and **NOTED**, a report from the Devon Audit Partnership presenting a summary of the work undertaken by internal audit to date.

A summary of the contents of the report was provided and reference was made to:

- Overall, based on work performed during 2021/2022 and experience from the current year progress and previous years' audit, the Head of Internal Audit's



Annual Opinion at this time was one of 'Reasonable Assurance' on the adequacy and effectiveness of the Council's internal control framework.

- The number of audit recommendations had increased slightly as a result of recent audits.
- The Corporate Debt Recovery Policy would be reviewed in the coming year to see if it was being implemented effectively.
- 

Note: \* Report previously circulated; copy attached to the signed minutes.

#### 14. **DAP ANNUAL REPORT FOR 2020 - 2021 (01:02:00)**

The Committee had before it, and **NOTED**, the DAP Annual Report \* updating it on the work performed by internal audit during the financial year 2020/2021. This should be considered alongside the Council's own Annual Governance Statement.

The contents of the report were outlined with particular reference to the following:

- The opinion of 'Reasonable Assurance' was explained as being a good outcome during a pandemic.
- DAP were satisfied that adequate controls had been maintained.
- Details included in the assurance map indicated some trends the Council needed to focus on such as 3<sup>rd</sup> party resilience and governance, fraud, input processing and output controls. It had been identified that perhaps a more proactive approach needed to be taken to identify and address areas of weakness.
- Internal audit assessments could be discussed with any Member of the Council so long as confidential elements were respected.

Note: \* Report previously circulated; copy attached to the signed minutes.

#### 15. **EXTERNAL AUDIT PROGRESS REPORT (01:15:00)**

The Committee had before it, and **NOTED**, a report \* from Grant Thornton providing an update on progress in delivering their responsibilities as the Council's external auditors.

The following was highlighted within the report:

- It was confirmed that they had received the draft accounts and their audit had commenced in the previous month.
- There was still work to do in relation to the Devon Pension Fund, however, their audit findings would be presented to the September Committee.
- The concept of 'Management over-ride of controls' was described as being the processes and controls in place in areas such as journals and estimates to prevent management intentionally misstating transactions. The external auditors would be undertaking a review of this area to assess whether there had been any management bias.

Note: \* Report previously circulated; copy attached to the signed minutes.



16. **EXTERNAL AUDIT PLAN 2020/2021 (00:18:00)**

The Committee had before it, and **NOTED**, a report \* from Grant Thornton providing an overview of the planned scope and timing of the statutory audit of Mid Devon District Council's accounts for 2020/2021.

Consideration was given to the following within the report:

- A new code in relation to Value for Money arrangements.
- Analysis of accounting estimates and control of risk would play a key part in the external audit.
- An increase in the audit fee and how this was justified? It was explained that the Redmond Review had highlighted that there had generally been an undercharge of audit fees nationally but an increase in the number of regulations that needed to be complied with by external auditors.

Note: \* Report previously circulated; copy attached to the signed minutes.

17. **EXTERNAL AUDIT - ACCOUNTING ESTIMATE MANAGEMENT SUMMARY (01:25:00)**

The Committee had before it, and **NOTED**, a report \* from Grant Thornton setting out queries in relation to some accounting estimates in the financial statements and the MDDC management response.

Note: \* Report previously circulated; copy attached to the signed minutes.

18. **EXTERNAL AUDIT - PSA INFORMING THE AUDIT RISK ASSESSMENT 2020-21 (01:27:00)**

The Committee had before it, and **NOTED**, a report \* from Grant Thornton setting out what was needed with regard to the two way communication process between them and the Council's Audit Committee in matters where risk needed to be assessed.

Note: \* Report previously circulated; copy attached to the minutes.

19. **ACCESS TO INFORMATION - EXCLUSION OF THE PRESS AND PUBLIC (01:28:00)**

Prior to considering the following item on the agenda discussion took place as to whether it was necessary to pass the following resolution to exclude the press and public having reflected on Article 15 15.02 (d) (a presumption in favour of openness) of the Constitution.

**RESOLVED** that: under section 100A (4) of the Local Government Act 1972 the public be excluded from the next item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 respectively of Part 1 of Schedule 12A of the Act, namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

(Proposed by the Chairman)



## 20. LESSONS LEARNED FROM THE DISPOSAL OF PARK NURSERY

The Committee had been requested by the Cabinet to undertake a 'lesson learned' review of the sale of Park Hill nursery and to report back having considered the financial and 'other' impacts from the process followed and to provide recommendations for future such endeavours.

Following consideration of the briefing paper provided, it was confirmed that the Committee's observations and recommendations would be taken back to the Cabinet for their consideration.

The meeting returned to open session.

Note: \*Briefing paper previously circulated.

## 21. IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:42:00)

In addition to the items listed in the work programme the following was requested to be added to the agenda for the next meeting:

- The need for a second member of the Committee to volunteer to attend DAP Board meetings alongside the Chairman.
- To discuss a potential increase of numbers on the Audit Committee.

(The meeting ended at 7.15 pm)

**CHAIRMAN**



## AUDIT COMMITTEE 21 SEPTEMBER 2021

### PERFORMANCE AND RISK REPORT

**Cabinet Member** Cllr Bob Deed  
**Responsible Officer** Catherine Yandle, Operations Manager for Performance, Governance and Health & Safety

**Reason for Report:** To provide Members with an update on performance against the corporate plan and local service targets for 2021-22 as well as providing an update on the key business risks.

**RECOMMENDATION:** That the Committee reviews the Performance Indicators and Risks that are outlined in this report and feeds back any areas of concern.

**Relationship to Corporate Plan:** Corporate Plan priorities and targets are effectively maintained through the use of appropriate performance indicators and regular monitoring.

**Financial Implications:** None identified

**Budget and Policy Framework:** Produced in accordance with the Risk and Opportunity Management Strategy.

**Legal Implications:** None

**Risk Assessment:** If performance is not monitored we may fail to meet our corporate and local service plan targets or to take appropriate corrective action where necessary. If key business risks are not identified and monitored they cannot be mitigated effectively.

**Equality Impact Assessment:** No equality issues identified for this report.

**Impact on Climate Change:** No impacts identified for this report.

#### 1.0 Introduction

- 1.1 Appendices 1-5 provide Members with details of performance against the Corporate Plan and local service targets for the 2021-22 financial year.
- 1.2 Appendix 6 shows the higher impact risks from the Corporate Risk Register. See 3.0 below.
- 1.3 Appendix 7 shows the risk matrix for the Council.
- 1.4 All appendices are produced from the Corporate Service Performance And Risk Management system (SPAR).
- 1.5 When benchmarking information is available it is included.



## 2.0 Performance

**Please note that for all areas of the Council performance remains impacted by the effects of the Covid 19 pandemic. There are specific comments on the attached appendices reflecting this.**

### Environment Appendix 1A

- 2.1 Regarding the Corporate Plan Aim: Increase recycling and reduce the amount of waste; Covid 19 has had an impact on the amount of waste created by households. Both the recycling rate and residual waste rate are slightly below target. The number of missed collections for recycling is slightly below target due to staffing difficulties during July.

### Climate Change Appendix 1B

- 2.2 The electric car charger usage is now well above the target now that lockdowns have been eased. The retro fitting measures are all showing favourable results for the year to date.

### Homes Portfolio - Appendix 2

- 2.3 Regarding the Corporate Plan Aim: Deliver Housing: The targets for annual housing completions of most types have been updated to reflect the Local Plan targets.
- 2.4 Regarding the Corporate Plan Aim: Private Sector Housing: Bringing Empty homes into use is below target for the first time for 6 years. This reflects the diversion of resources to the Covid pandemic response.
- 2.5 Regarding the Corporate Plan Aim: Council Housing: repairs are at or above target as are complaints. In terms of gas servicing compliance we are just below target at 99%.
- 2.6 Regarding the Corporate Plan Aim: Support and grow active tenancy engagement: Work will commence on an engagement strategy soon which will be informed by the outcome of last year's tenant census.

### Economy Portfolio - Appendix 3

- 2.7 Regarding the Corporate Plan Aim: Identify strategic and tactical interventions to create economic and community confidence and pride in the places we live. This includes a continued focus on Town Centre Regeneration: Empty shops; for the retail units owned by MDDC, occupancy rates are reasonable. The Pannier market occupancy rates have improved and are now just below target.



#### Community Portfolio - Appendix 4

- 2.8 The KPIs identified are mostly new PIs and performance on most has been affected by Covid 19. It is unlikely that much progress will be seen over the next few months.
- 2.9 Several of the corporate plan aims will require partnership working with Devon County Council, the NHS and Town and Parish Councils and lobbying activity. Targets for these remain to be developed.
- 2.10 All Covid business grant schemes are now closed but support continues through Hardship funding and self isolation payments, applications for these have increased during the "Pingdemic" but it is hoped they will reduce after 16 August.

#### Corporate - Appendix 5

- 2.11 The Response to FOI requests have been 100% on time since April 2019.
- 2.12 The % total Council Tax collected and % total NNDR collected are both above target.

### **3.0 Risk**

**Some risk scores have increased due to the Covid 19 pandemic especially as regards financing, homelessness and the economic outlook.**

- 3.1 The Corporate risk register is regularly reviewed by Operations Managers and Leadership Team and updated as required.
- 3.2 Risk reports to committees include strategic risks with a current score of 10 or more in accordance with the Risk and Opportunity Management Strategy. (Appendix 6)
- 3.3 Appendix 7 shows the risk matrix for MDDC for this quarter. If risks are not scored they are included in the matrix at their inherent score which will be higher than their current score would be.
- 3.4 Operational risk assessments are job specific and flow through to safe systems of work. These risks go to the Health and Safety Committee biannually with escalation to committees where serious concerns are raised.

### **4.0 Conclusion and Recommendation**

- 4.1 That the Committee reviews the performance indicators and risks that are outlined in this report and feeds back any areas of concern.



**Contact for more Information:** Catherine Yandle Operations Manager for Performance, Governance and Health & Safety [cyandle@middevon.gov.uk](mailto:cyandle@middevon.gov.uk)

**Circulation of the Report:** Leadership Team and Cabinet Member



## Corporate Plan PI Report Environment

Monthly report for 2021-2022  
 Arranged by Aims  
 Filtered by Aim: Priorities Environment  
 For MDDC - Services

### Key to Performance Status:

Performance Indicators:

No Data

Well below  
target

Below target

On target

Above target

Well above  
target

\*

indicates that an entity is linked to the Aim by its parent Service

Page 23

## Corporate Plan PI Report Environment

### Priorities: Environment

### Aims: Increase recycling and reduce the amount of waste

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<b><u>Residual household waste per household (measured in Kilograms) (figures have to be verified)</u></b>	379.8	362.0	33.9	62.8	94.6	128.2									Darren Beer	(April - July) A small increase of 1.4% for the year so far compared to previous year. July 2021 has seen an increase of 2.81 % compared to July 2020. Total waste arisings

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## Corporate Plan PI Report Environment

### Priorities: Environment

**Aims: Increase recycling and reduce the amount of waste**

### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>by DCC)</u>																however have decreased 0.91%. (LD)
<u>Number of Fixed Penalty Notices (FPNs) Issued (Environment)</u>	10		0	0	0	0									Darren Beer	(July) Enforcement staff have spent a proportion of thier time carrying out container delivery duties on behalf of waste and recycling;staff normally carrying out these duties have been reassinged to waste collection to ensure minimal distrupction of the front line service to customers. (LD)
<u>% of Household Waste Reused, Recycled and Composted (figures have to be verified)</u>	53.5%	54.5%	52.1%	51.4%	53.4%	53.2%									Darren Beer	(July) 1.9 % point decrease in the recycling rate, 10% decrease in glass tonnage;a small decrease in food and garden compared to July 2020. It is likely

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## Corporate Plan PI Report Environment

### Priorities: Environment

**Aims: Increase recycling and reduce the amount of waste**

### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>by DCC)</u>																that residents spending more time away from the home during July 2021 due to lockdown being eased will have impacted on the amount of recycling being produced. (LD)
<u>Number of Households on Chargeable Garden Waste</u>	11,653	11,200			11,620	11,791									Darren Beer	(July) An increase of 703 customers compared to July 2020 (LD)
<u>% of missed collections reported (refuse and organic waste)</u>	0.02%	0.03%	0.02%	0.02%	0.02%	0.02%									Darren Beer	(July) The number of missed collections in July has increased since June. This is due to the use of agency staff and the reorganising of crews in order to ensure each vehicle is manned during a period of staff shortages therefore

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## Corporate Plan PI Report Environment

### Priorities: Environment

**Aims: Increase recycling and reduce the amount of waste**

### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																some crews may be less familiar with the round they have been assigned resulting in increased missed collections. (LD)
<u>% of Missed Collections logged (recycling)</u>	0.02%	0.03%	0.02%	0.02%	0.03%	0.03%									Darren Beer	(July) The number of missed collections in July is above target. This is due to the use of agency staff and the reorganising of crews in order to ensure each vehicle is manned during a period of staff shortages therefore some crews may be less familiar with the round they have been assigned resulting in increased missed collections. (LD)

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## Corporate Plan PI Report Climate Change

Monthly report for 2021-2022

Arranged by Aims

Filtered by Aim: Priorities Climate Change

For MDDC - Services

### Key to Performance Status:

Performance Indicators:

No Data

Well below target

Below target

On target

Above target

Well above target

\* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Climate Change																	
Priorities: Climate Change																	
Aims: Green Sources of Energy																	
Performance Indicators																	
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes	
<u>Electric Car Charger usage</u>	1,867	2,300	279	633	1,017	1,442									Jason Ball, Andrew Busby		
<u>Electric Car Charger Units</u>	0	8	n/a	n/a	0	n/a	n/a		n/a	n/a		n/a	n/a		Jason Ball, Andrew Busby	(Quarter 1) 13 Aug 2021. Partnership has been awarded OZEV funding. C&S Specialist prepared a report to Cabinet May 2021 and Cabinet decided to delegate the facilitation of additional chargepoints. C&S Specialist has coordinated consultations and decisions by officers and responsible Councillors. Decision Record now prepared for Deputy Chief Executive and responsible Councillors, with regard to 5 new	



## Corporate Plan PI Report Climate Change

### Priorities: Climate Change

#### Aims: Green Sources of Energy

##### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																chargepoints via the DELETTI partnership. (JB)

### Aims: Biodiversity

##### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Corporate Tree Planting Scheme</u>	0	500	n/a	n/a	0	n/a	n/a	0	n/a	n/a		n/a	n/a		Jason Ball, Andrew Busby	(Quarter 1) Winter 2020-2021 planned planting was deferred due to pandemic restrictions. Planting planned for winter 2021-2022 and we are working to secure funding. (JB)
<u>Community climate and biodiversity grants</u>	No	Agree funding. Options paper to be considered by Env PDG.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Jason Ball, Andrew Busby	

### Aims: Retro-fitting measures

##### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Corporate Renewable Energy Projects</u>	1	4	n/a	n/a	0	n/a	n/a		n/a	n/a		n/a	n/a		Jason Ball, Andrew Busby	
<u>ECO Flex</u>	1,028	300	113	171	239	269									Simon Newcombe	
<u>Housing Assistance Policy</u>	5	5	0	0	0	2									Simon Newcombe	
<u>Home</u>	10	10	n/a	n/a	2	n/a	n/a		n/a	n/a		n/a	n/a		Simon	



## Corporate Plan PI Report Climate Change

### Priorities: Climate Change

#### Aims: Retro-fitting measures

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Improvement Loans</u>															Newcombe	

#### Aims: Other

#### Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Community Schemes</u>	0	4	n/a	n/a	4	n/a	n/a		n/a	n/a		n/a	n/a		Jason Ball, Andrew Busby	(Quarter 1) Working with 2x local litter groups, and at least 2 sustainability groups in the district. (JB)
<u>Council Carbon Footprint</u>		18,250	n/a	n/a		n/a	n/a		n/a	n/a		n/a	n/a		Jason Ball, Andrew Busby	

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## Corporate Plan PI Report Homes

Monthly report for 2021-2022  
 Arranged by Aims  
 Filtered by Aim: Priorities Homes  
 For MDDC - Services

## Key to Performance Status:

Performance Indicators:

No Data

Well below target

Below target

On target

Above target

Well above target

\*

Indicates that an entity is linked to the Aim by its parent Service

## Corporate Plan PI Report Homes

## Priorities: Homes

## Aims: Deliver Housing

## Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Net additional homes provided</u>	335	393	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Jenny Clifford, Simon Newcombe	
<u>Self Build Plots</u>	1	5	n/a	n/a		n/a	n/a		n/a	n/a		n/a	n/a		Jenny Clifford	(Quarter 1) Data is not yet available. (TP)
<u>Gypsy &amp; Traveller Pitches</u>	1	2	n/a	n/a	0	n/a	n/a		n/a	n/a		n/a	n/a		Jenny Clifford	
<u>Number of affordable homes delivered (gross)</u>	30	94	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Jenny Clifford	
<u>New Social Rent Council Houses</u>	0	17	n/a	n/a	0	n/a	n/a		n/a	n/a		n/a	n/a		Andrew Busby, Simon Newcombe	(Quarter 1) Planning applications submitted NB we have bought back 1 RTB (CY)
<u>Number of Homelessness Approaches</u>	587		n/a	n/a	144	n/a	n/a		n/a	n/a		n/a	n/a		Simon Newcombe	

## Aims: Community Land Trusts

## Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Community Land Trusts Assisted</u>	2	1	n/a	n/a	0	n/a	n/a		n/a	n/a		n/a	n/a		Jenny Clifford	

## Aims: Private Sector Housing

## Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Deliver homes by bringing Empty Houses into use</u>	101	72	0	9	16	20									Simon Newcombe	(June) There has been very little activity on Empty homes over the last 18 months due to covid



Corporate Plan PI Report Homes																	
Priorities: Homes																	
Aims: Private Sector Housing																	
Performance Indicators																	
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes	
																responsibilities. It can take a minimum of 12 months from first contact to seeing a result so the reduced activity is a knock on effect from last year. (TW)	
<u>Houses in Multiple Occupation (HMOs) investigations</u>	96%	100%	100%	100%	100%										Simon Newcombe		
<u>Landlord engagement and Support</u>	14	9	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Simon Newcombe		

Aims: Council Housing																	
Performance Indicators																	
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes	
<u>Tenant Census</u>	34%	Develop action plan	n/a	n/a		n/a	n/a		n/a	n/a		n/a	n/a		Simon Newcombe	(Quarter 1) Customer Engagement Officer and Tenant Involvement Officer recruitment in progress they will be helping with working up the new strategy which will be informed by the outcome of the tenant census. (CY)	
<u>% Emergency Repairs Completed on Time</u>	104.2%	100.0%	100.0%	100.0%	100.0%										Simon Newcombe		
<u>% Urgent Repairs Completed on Time</u>	99.9%	95.0%	99.0%	99.5%	99.7%										Simon Newcombe		
<u>% Routine Repairs Completed on Time</u>	99.6%	95.0%	97.7%	98.3%	98.7%										Simon Newcombe		
<u>% Properties With a Valid Gas</u>	99.4%	100%	100%	99%	99%										Simon Newcombe		



Corporate Plan PI Report Homes																	
Priorities: Homes																	
Aims: Council Housing																	
Performance Indicators																	
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes	
<u>Safety Certificate</u>																	
<u>% Complaints Responded to On Time</u>	100.0%	100.0%	100.0%	100.0%	100.0%										Simon Newcombe		

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## Corporate Plan PI Report Economy

Monthly report for 2021-2022  
 Arranged by Aims  
 Filtered by Aim: Priorities Economy  
 For MDDC - Services

## Key to Performance Status:

Performance Indicators:

No Data

Well below  
target

Below target

On target

Above target

Well above  
target

\*  
 indicates that an entity is linked to the Aim by its parent Service

## Corporate Plan PI Report Economy

## Priorities: Economy

## Aims: Incubator and start-up space

## Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Incubator and Start-up space</u>	0	2	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Jenny Clifford	(Quarter 1) Due to staff redeployment during the pandemic and reduced capacity within the team, this project has not progressed. A scoping exercise is programmed for late 21 when ED team capacity is back to full strength. (JB)
<u>Sites for Commercial Development</u>	0	2	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Keith Ashton, Andrew Busby	

## Aims: Improve and regenerate our town centres

## Performance Indicators

Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Number of business rate accounts</u>	3,356		3,358	3,362	3,366	3,375									Dean Emery	
<u>Business Rates RV</u>	£45,601,082		£45,614,697	£45,572,772	£45,572,772	£46,111,792									Dean Emery	
<u>Empty Business Properties</u>	244					250	250								Dean Emery	
<u>Tiverton Town Centre Masterplan</u>			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Jenny Clifford, Adrian Welsh	
<u>Cullompton Town Centre Masterplan</u>			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Jenny Clifford, Adrian Welsh	
<u>Crediton Town Centre Masterplan</u>	n/a		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Jenny Clifford	
<u>Pannier Market Regular Traders</u>	34.7%	85%	63%	82%	80%	80%									Adrian Welsh	(May) First full month after easing of restrictions (JB)
<u>West Exe North and South</u>	13		n/a	n/a	13	n/a	n/a	n/a	n/a		n/a	n/a			Keith Ashton, Andrew Busby	(Quarter 1) 92%, 1 vacant (CY)
<u>Fore St Tiverton</u>	4		n/a	n/a	5	n/a	n/a	n/a	n/a		n/a	n/a			Keith Ashton, Andrew Busby	(Quarter 1) 100% (CY)
<u>Market Walk Tiverton</u>	14		n/a	n/a	14	n/a	n/a	n/a	n/a		n/a	n/a			Keith Ashton, Jason Ball, Andrew Busby	(Quarter 1) 93%, 1 vacant interest shown (CY)



Corporate Plan PI Report Economy																
Priorities: Economy																
Aims: Community Land Trusts																
Performance Indicators																
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Community Land Trusts Assisted</u>	2	1	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Jenny Clifford	

Aims: Digital Connectivity																
Performance Indicators																
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Digital connectivity</u>			n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Adrian Welsh	(Quarter 1) Tiverton and Cullompton Town Centre Wi-fi projects are still on track to be delivered in 2021 (JB)

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## Corporate Plan PI Report Community

Monthly report for 2021-2022

Arranged by Aims

Filtered by Aim: Priorities Community

Filtered by Flag: Exclude: Corporate Plan Aims 2016 to 2020

For MDDC - Services

### Key to Performance Status:

Performance Indicators:

No Data

Well below target

Below target

On target

Above target

Well above target

\* Indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Community																
Priorities: Community																
Aims: Health and Wellbeing																
Performance Indicators																
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Annual Community Safety Partnership (CSP) Action Plan</u>	12	12													Simon Newcombe	
<u>Safeguarding standards for drivers</u>	100%	100%													Simon Newcombe	
<u>Mental Health First Aiders</u>	0	5	n/a	n/a	0	n/a	n/a		n/a	n/a		n/a	n/a		Matthew Page	
<u>National and regional promotions</u>	7	9	0	0	0	0									Simon Newcombe	
Aims: Community Involvement																
Performance Indicators																
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>% of complaints resolved w/in timescales (10 days - 12 weeks)</u>	90%	90%	100%	99%	97%	91%									Lisa Lewis	(July) 20 completed at 1st check 2nd check end Aug (RT)
<u>Number of Complaints</u>	273		38	78	116	145									Lisa Lewis	
Aims: Leisure Centres																



Corporate Plan PI Report Community																
Priorities: Community																
Aims: Leisure Centres																
Performance Indicators																
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
<u>Health Referral Initiative starters</u>	0	15	3	4	10	8	14								Corinne Parnall	(June) 10 Started (K)
<u>Health Referral Initiative completers</u>	0	10	3	0	0	0									Corinne Parnall	(June) 0 (K)
<u>Health Referral Initiative conversions</u>	0	5	2	0	0	0									Corinne Parnall	(June) 0 (K)

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## Corporate Plan PI Report Corporate

Monthly report for 2021-2022

Arranged by Aims

Filtered by Aim: Priorities Delivering a Well-Managed Council  
For MDDC - Services

Key to Performance Status:

Performance Indicators:

No Data

Well below  
target

Below target

On target

Above target

Well above  
target

\* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Corporate																	
Priorities: Delivering a Well-Managed Council																	
Aims: South West Mutual Bank																	
Performance Indicators																	
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes	
<u>South West Mutual Bank</u>			n/a	n/a	n/a	n/a	n/a		n/a	n/a	n/a	n/a	n/a		Andrew Jarrett		
Aims: Commercial Opportunities																	
Performance Indicators																	
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes	
<u>Tiverton Other</u>	8		n/a	n/a	8	n/a	n/a		n/a	n/a		n/a	n/a		Keith Ashton, Andrew Busby	(Quarter 1) 100% (CY)	
<u>Industrial Units Cullompton</u>	15		n/a	n/a	14	n/a	n/a		n/a	n/a		n/a	n/a		Keith Ashton, Andrew Busby	(Quarter 1) 93%,1 vacant interest shown (CY)	
Aims: Other																	
Performance Indicators																	
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes	
<u>Sickness absence %</u>	2.10%	2.78%	n/a	n/a	2.08%	n/a	n/a		n/a	n/a		n/a	n/a		Matthew Page		
<u>Appraisals completed</u>	97%	100%	n/a	n/a	n/a	n/a	n/a		n/a	n/a		n/a	n/a		Matthew Page		
<u>% total Council tax collected - monthly</u>	96.96%	96.00%	11.02%	19.86%	28.76%	37.56%	47.90%								Dean Emery		
<u>% total NNDR collected - monthly</u>	96.81%	97.00%	9.29%	15.07%	31.84%	39.83%	45.54%								Dean Emery		
<u>New Performance Planning Guarantee determine within 26 weeks</u>	100%	100%	n/a	n/a	100%	n/a	n/a		n/a	n/a		n/a	n/a		Angharad Williams		
<u>Major applications overturned at appeal (over last 2</u>	5%	10%	n/a	n/a	7%	n/a	n/a		n/a	n/a		n/a	n/a		Angharad Williams		
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Corporate Plan PI Report Corporate																
Priorities: Delivering a Well-Managed Council																
Aims: Other																
Performance Indicators																
Title	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
years)																
<u>Major applications overturned at appeal % of appeals</u>	0%		n/a	n/a	8%	n/a	n/a		n/a	n/a		n/a	n/a		Angharad Williams	
<u>Minor applications overturned at appeal (over last 2 years)</u>	2%	10%	n/a	n/a	0%	n/a	n/a		n/a	n/a		n/a	n/a		Angharad Williams	
<u>Minor applications overturned at appeal % of appeals</u>	1.66%		n/a	n/a	1%	n/a	n/a		n/a	n/a		n/a	n/a		Angharad Williams	
<u>Response to FOI Requests (within 20 working days)</u>	100%	100%	100%	100%	100%										Catherine Yandle	
<u>Working Days Lost Due to Sickness Absence</u>	5.80days	7.00days	n/a	n/a	1.35days	n/a	n/a		n/a	n/a		n/a	n/a		Matthew Page	
<u>Staff Turnover</u>	24.5%	15.0%	n/a	n/a	5.8%	n/a	n/a		n/a	n/a		n/a	n/a		Matthew Page	



## Corporate Risk Management Report - Appendix 6

Report for 2021-2022

Filtered by Prefix: Exclude Risk Prefix: OP, PR, EV

Filtered by Flag: Include: \* Corporate Risk Register

For MDDC - Services

Filtered by Performance Status: Exclude Risk Status: Low

Not Including Risk Child Projects records, Including Mitigating Action records

### Key to Performance Status:

Mitigating Action:

Milestone  
Missed

Behind  
schedule

In progress

Completed  
and  
evaluated

No Data  
available

Risks: No Data (0+)

High (15+)

Medium (6+)

Low (1+)

## Corporate Risk Management Report - Appendix 6

**Risk: Climate Change Declaration** The implications to the Council's strategic, budget and medium term financial plans are not yet fully explored and understood. This introduces an increased level of uncertainty. Impact of climate change on the financial viability of the Council.

Service: Climate Change

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Climate and Sustainability Specialist	Appointment commenced in March 2021	Catherine Yandle	30/04/2021	13/08/2021	Fully effective (1)
In progress	Climate Change Strategy and Action Plan	Was approved by Cabinet on 1 October 2020. The Handbook needs completing and publishing	Catherine Yandle	09/12/2020	13/08/2021	Satisfactory (2)
Completed and evaluated	Consideration by the Environment PDG	This PDG has been tasked with considering the Council's own policy response (s) to the Climate Change Declaration made at Full Council on 26 June 2019.	Catherine Yandle	19/07/2019	13/08/2021	Fully effective (1)
In progress	Devon Climate Emergency – Tactical Group	MDDC are part of the tactical group for the climate emergency that	Catherine Yandle	18/05/2020	13/08/2021	Satisfactory (2)

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Corporate Risk Management Report - Appendix 6						
Mitigating Action records						
Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
		has strategic links to our own plans.				
In progress	Net Zero Advisory Group	This was approved by Cabinet on 23 April 2020 terms of reference to be progressed for the group, membership confirmed and first meeting held remotely.	Catherine Yandle	18/05/2020	13/08/2021	Satisfactory (2)
Current Status: High (20)		Current Risk Severity: 5 - Very High		Current Risk Likelihood: 4 - High		
Service Manager: Jason Ball, Catherine Yandle						
Review Note: The new Climate and Sustainability Specialist is now prioritising work streams for future consideration.						



## Corporate Risk Management Report - Appendix 6

**Risk: Commercial Land supply** Insufficient diversity in commercial land provided to meet changing business needs

**Service: Planning**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Business and landowner engagement	Continued brokering of sites and identification of creative opportunities to meet business demands can be very effective in addressing this risk	Adrian Welsh	10/06/2019	10/08/2021	Satisfactory (2)
In progress	Call for sites	Call for sites (and subsequent site assessment) in connection with the next Local Plan will assist in understanding of site availability in order to effectively plan for employment needs across the new local plan period.	Jenny Clifford	07/04/2021	10/08/2021	Satisfactory (2)
Behind schedule	Incubator/Flexible workspace project	This project should help identify opportunities to help the delivery of new flexible workspace	Adrian Welsh	10/06/2019	10/08/2021	Action required(3)
In progress	Plan for recovery	Develop a recovery plan/ strategy in conjunction with partners	Jenny Clifford	12/05/2020	10/08/2021	Satisfactory (2)
<b>Current Status: Medium (10)</b>		<b>Current Risk Severity: 5 - Very High</b>		<b>Current Risk Likelihood: 2 - Low</b>		

**Service Manager: Angharad Williams**

**Review Note:** Position has not changed since last review in that Local Plan adoption provides

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## Corporate Risk Management Report - Appendix 6

allocated employment sites. Work has also started to plan for employment needs over the next local plan period with the recent call for sites.

Incubator/flexible workspace project requires intelligence to better understand and plan for business need. This work has been delayed due to required focus on business grants and recovery planning.

**Risk: Coronavirus Pandemic** The risk to MDDC's ability to conduct business as usual

**Service: Governance**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Business Continuity Planning (BCP)	BCPs have been reviewed. Regular updates are being obtained from Public Health England and the Local Resilience Forum. Fortnightly meetings of managers and Leadership Team via Skype.	Catherine Yandle	06/03/2020	26/08/2021	Fully effective (1)
Completed and evaluated	Financial and Economic effects monitoring	To ensure that local authorities including MDDC are reimbursed in full for the Covid 19 response by Central government. Assurance has been received from Internal Audit reviews of our claims.	Catherine Yandle	13/05/2020	26/08/2021	Fully effective (1)
<b>Current Status: High (20)</b>		<b>Current Risk Severity: 5 - Very High</b>		<b>Current Risk Likelihood: 4 - High</b>		

**Service Manager: Simon Newcombe**

**Review Note:** Local infection rates are very high and some service areas are being affected by staff absences in combination with leave and labour shortages. BCPs have been updated to reflect higher absence levels.



## Corporate Risk Management Report - Appendix 6

**Risk: Culm Garden Village** Possible discontinuance of Government funding support

**Service: Planning**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Funding opportunities	Lobby for the creation of further funding opportunities and for further rounds of the garden communities capacity funding	Jenny Clifford	03/02/2021	10/08/2021	Satisfactory (2)
In progress	Further bids for capacity funding	To continue to secure external funding to support the project	Jenny Clifford	29/03/2019	10/08/2021	Satisfactory (2)

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Adrian Welsh, Angharad Williams**

**Review Note:** Bid submitted for 20/21 round of capacity funding with £130,000 awarded. Further future bid opportunities unknown at this stage and will be announced by Government in due course.



## Corporate Risk Management Report - Appendix 6

**Risk: Cyber Security** Inadequate Cyber Security could lead to breaches of confidential information, damaged or corrupted data and ultimately Denial of Service. If the Council fails to have an effective ICT security strategy in place.

Risk of monetary penalties and fines, and legal action by affected parties

### Service: I C T

#### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Email and Protective DNS	ICT have applied the all levels of the government secure email policy, which ensures secure email exchange with government agencies operating at OFFICIAL. PSN DNS has been configured at the Internet gateway, which ensures the validity of websites and blocks known sites.	Lisa Lewis	06/06/2019	06/09/2021	Fully effective (1)
Completed and evaluated	Information Security Policy in place, with update training	Information Security Policy on LMS (online policy system) included in induction.	Catherine Yandle	22/10/2015	06/09/2021	Fully effective (1)
In progress	Regular user awareness training	Staff and Member updates help to reduce the risk	Catherine Yandle	03/01/2019	06/09/2021	Satisfactory (2)
Completed and evaluated	Technical controls in place	Required to maintain Public Sector Network certification	Lisa Lewis	03/01/2019	06/09/2021	No Score(0)

**Current Status: High (20)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 4 - High**

**Service Manager: Lisa Lewis**

**Review Note:** Continued email warnings ongoing. DAP and MHCLG audits completed. Member briefing scheduled 28th Sept 2021 and Desktop exercise for Senior Managers/Members scheduled for 5th October. Cyber risk mitigation plan in place work programme due to be commenced shortly.



## Corporate Risk Management Report - Appendix 6

**Risk: Economic Development Service** The macro economic position might necessitate a reactive response, impacting on the Council's resourcing and reducing its ability to deploy resources as planned.

**Service: Growth, Economy and Development**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Distribution and processing of Gov business support funding.	To assist businesses during the Covid19 pandemic and to help sustain them during this time of national restrictions.	Adrian Welsh	12/05/2020	13/08/2021	No Score(0)
In progress	Hardship funding	To support individuals/households but also crucial for self employed and furloughed staff as a result of the pandemic.	Adrian Welsh	12/05/2020	13/08/2021	No Score(0)
In progress	Recovery plans	Work underway in partnership with other Devon and regional partners to develop economic recovery plans to assist positive outcomes on local economy.	Adrian Welsh	12/05/2020	13/08/2021	No Score(0)
<b>Current Status: High (25)</b>		<b>Current Risk Severity: 5 - Very High</b>		<b>Current Risk Likelihood: 5 - Very High</b>		

**Service Manager: Adrian Welsh**

**Review Note:** The pandemic has had a critical impact on the local, national and global economy. Whilst initial recovery work takes place in the short term with our partners, there is a need to develop longer term recovery plans. Work with regard to the development of longer term recovery plans is programmed to commence with the Economy PDG in September.



## Corporate Risk Management Report - Appendix 6

**Risk: Economic Strategy** Failure to deliver projects/outcomes in Economic Strategy

**Service: Growth, Economy and Development**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Continue to seek out existing and new funding opportunities	To assist in ensuring adequate funding for delivery of COVID19 economic recovery work.	Adrian Welsh	10/06/2019	13/08/2021	Satisfactory (2)
In progress	partnership working	Continue to work closely with delivery partners to gain advance warning of difficulties so as to seek to mitigate and also to develop joint responses to COVID economic recovery	Adrian Welsh	10/06/2019	13/08/2021	Satisfactory (2)
In progress	Project Management	Continue rigorous project management, monitoring and reporting of economic development projects	Adrian Welsh	10/06/2019	13/08/2021	Satisfactory (2)
In progress	Recovery Plans	Recovery Plans will be put in place to aid recovery.	Adrian Welsh	12/05/2020	13/08/2021	Satisfactory (2)
In progress	Review and reprioritisation	Part of review of projects for Year 2 actions and a review of the likely impacts on the economy of the pandemic. This will consider maximising investment through external funding and prioritising officer time.	Adrian Welsh	31/01/2020	13/08/2021	Satisfactory (2)
<b>Current Status: High (20)</b>		<b>Current Risk Severity: 4 - High</b>		<b>Current Risk Likelihood: 5 - Very High</b>		



## Corporate Risk Management Report - Appendix 6

**Service Manager: Adrian Welsh**

**Review Note:** Work is underway with regard to Economic Strategy actions with a number of projects being progressed; however many other actions will be reviewed as part of the longer term recovery plan work and the need for revised prioritisation.

**Risk: Funding** Insufficient resources (including funding) to deliver growth aspirations of Corporate Plan.

**Service: Growth, Economy and Development**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Actively pursue funding opportunities through Levelling Up Agenda/Shared Prosperity Fund	Work currently being undertaken to be in a state of readiness as opportunities become available	Adrian Welsh	03/02/2021	13/08/2021	Satisfactory (2)
In progress	Lobbying	Officers will continue to review funding opportunities and seek opportunities to work closely with local partners and the HotSWLEP to seek additional funding support for key infrastructure.	Adrian Welsh	12/05/2020	13/08/2021	Satisfactory (2)
In progress	Officers have reprioritised work programmes to explore new funding opportunities	End of European funding sources	Adrian Welsh	10/06/2019	13/08/2021	Satisfactory (2)
<b>Current Status: High (16)</b>		<b>Current Risk Severity: 4 - High</b>		<b>Current Risk Likelihood: 4 - High</b>		

**Service Manager: Adrian Welsh**

**Review Note:** Given ongoing constraints on resource and the scale of the challenges to the GED team at this time there has been need to carefully prioritise project delivery. Funding opportunities are actively being pursued.



## Corporate Risk Management Report - Appendix 6

**Risk: Health and Safety** Inadequate Health and Safety Policies or Risk Assessments and decision-making could lead to Mid Devon failing to mitigate serious health and safety issues

**Service: Governance**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Risk Assessments	Review risk assessments and procedures to ensure that we have robust arrangements in place. Risk training sessions in place.	Catherine Yandle	28/05/2013	26/08/2021	Satisfactory (2)
Completed and evaluated	Risk assessments	Group Managers receive monthly automated reminders to update any outstanding risk reviews	Catherine Yandle	20/09/2019	26/08/2021	Fully effective (1)
Current Status: Medium (10)		Current Risk Severity: 5 - Very High		Current Risk Likelihood: 2 - Low		
Service Manager: Catherine Yandle						
Review Note: Covid working arrangements unchanged. RAs continue to be kept under review.						



## Corporate Risk Management Report - Appendix 6

**Risk: Homelessness** Insufficient resources to support an increased homeless population could result in failure to meet statutory duty to provide advice and assistance to anyone who is homeless.

### Service: Public Health

#### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Multi-skilled Staff	Due to an increase in homelessness approaches more applicants with complex needs are coming through the system that require far greater staff attention than normal. In order to mitigate this, staff are expanding their training around mental health, drug and alcohol awareness, and safeguarding, in order to create a more multi-skilled and adaptable workforce. This may require a greater allocation of resources as homelessness increases.	Claire Fry	21/12/2020	16/08/2021	Fully effective(1)
Completed and evaluated	RSI funding	The number of homeless approaches and the number of rough sleepers in the District are both likely to increase as a result of the economic instability and the current outbreak of	Claire Fry	21/12/2020	16/08/2021	Fully effective(1)



Corporate Risk Management Report - Appendix 6						
Mitigating Action records						
Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
		Covid19. Our success in obtaining up to £6,400 in RSI funding to deliver services during the cold weather means that we can adapt to this increased caseload and better carry out early intervention and prevention options to aid rough sleepers and prevent returning to the streets.				
Completed and evaluated	Staff Support	Officers are trained and knowledgeable and the structure of Housing Options team reviewed to build resilience.	Claire Fry	22/06/2017	16/08/2021	Fully effective(1)
In progress	Temporary Accommodation	With the rise in homelessness applicants, the overall cost of homelessness provisions will increase and therefore there is a need to make use of existing stock as temporary accommodation, as opposed to more costly alternatives such as bed and breakfast.	Claire Fry	21/12/2020	16/08/2021	Satisfactory (2)
Current Status: High (16)		Current Risk Severity: 4 - High		Current Risk Likelihood: 4 - High		
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## Corporate Risk Management Report - Appendix 6

**Service Manager: Tanya Wenham**

**Review Note:** Changes to legislation and the pandemic are likely to result in increased approaches for homelessness and an increase in the number of households accepted as such. Reduced capacity in the private and public sector to house people and the limited amount of B&B accommodation means that costs are increasing and it is becoming more challenging to find suitable accommodation.

**Risk: Information Security** Inadequate data protection could lead to breaches of confidential information and ultimately enforcement action by the ICO.

**Service: Governance**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Awareness and Training	Attend team meetings and other meetings such as Tenants Together to provide training and answer questions on request. Articles in the Link on an ad hoc basis. Annual Information Security training is mandatory for all network computer users	Catherine Yandle	09/08/2019	26/08/2021	Fully effective (1)
In progress	Breach notification	Security breaches are logged via the helpdesk and monitored for developing trends. Training and advice is offered in response to items logged.	Catherine Yandle	09/08/2019	26/08/2021	Satisfactory (2)

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Catherine Yandle**

**Review Note:** Awareness among staff is good. Some refresher training will be organised in Q2 21/22 . New Member training took place on 1 June 21



## Corporate Risk Management Report - Appendix 6

**Risk: Infrastructure delivery** Inability to deliver, or delay in delivering, key transport infrastructure to unlock planned growth

**Service: Growth, Economy and Development**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Close working with Devon Country Council (delivery partner) over the HIF schemes	DCC is the delivery partner for the Council's HIF highway infrastructure project. Close working is taking place in order to ensure risks of project delay or cost escalation are reduced. DCC is undertaking robust project management of the projects. These actions seek to ensure the projects remain on track and any problems are raised at an early stage allowing for corrective action.	Jenny Clifford	13/01/2021	13/08/2021	Satisfactory (2)
In progress	Close working with Homes England over the HIF schemes	Grant fund agreements over the HIF funding to deliver 2 highway infrastructure schemes. These include a range of requirements and project milestones. Close liaison with Homes England is taking place via monthly project update meetings and quarterly monitoring returns. This ensures Homes England is updated on both projects, is aware of issues as they arise and any corrective actions	Jenny Clifford	13/01/2021	13/08/2021	Satisfactory (2)



## Corporate Risk Management Report - Appendix 6

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
		can be taken- for example seeking the revision of project milestones to reflect the latest project programme.				
In progress	Partnership working	Close working with delivery partners to attempt to mitigate risks.	Adrian Welsh	12/05/2020	13/08/2021	Satisfactory (2)
In progress	Partnership working with infrastructure providers and statutory bodies	Reduce risk of delays and communication.	Adrian Welsh	10/06/2019	13/08/2021	Satisfactory (2)
In progress	target funding opportunities	To seek to bring forward delivery	Adrian Welsh	10/06/2019	13/08/2021	Satisfactory (2)

**Current Status: High (16)** **Current Risk Severity: 4 - High** **Current Risk Likelihood: 4 - High**

### Service Manager: Adrian Welsh

**Review Note:** We are working closely with Homes England on both HIF scheme and looking to mitigate project risks as and when they occur. The Cullompton Relief Road has now been granted planning permission. We await are currently awaiting whether the Levelling Up Fund bid to help bring forward the Cullompton Relief Road scheme has been successful. The SOBC for Cullompton Railway Station has been submitted to the DfT and has been well received. Further announcements from DfT shortly.



## Corporate Risk Management Report - Appendix 6

**Risk: Overall Funding Availability** Changes to Revenue Support Grant, Business Rates, New Homes Bonus and other funding streams in order to finance ongoing expenditure needs.

**Service: Financial Services**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Engaging in commercial activities	To provide additional revenue streams	Paul Deal	28/09/2017	27/08/2021	Satisfactory (2)
In progress	Medium term planning	Latest gap approximately £3M A range of options are being considered but Covid, business rates and uncertainty over fair funding review make the situation extremely challenging	Paul Deal	28/09/2017	27/08/2021	Satisfactory (2)
In progress	We continue to work with managers to reduce costs and explore new income streams	To close the budget gap and maintain services	Paul Deal	07/02/2019	27/08/2021	Satisfactory (2)
<b>Current Status: High (15)</b>		<b>Current Risk Severity: 5 - Very High</b>		<b>Current Risk Likelihood: 3 - Medium</b>		

**Service Manager: Paul Deal**

**Review Note:** The overall position remains the same as we await Govt announcements on future funding in the Autumn. However, progress is being made in the identification of mitigating budget options. These will be presented to Cabinet and PDG's in the Autumn.



## Corporate Risk Management Report - Appendix 6

**Risk: Reduced Funding - Budget Cuts** We are subject to continuing budget reductions. If we concentrate on short term cost savings, it may increase long term impact of decisions

**Service: Financial Services**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Business Plans	Service Business Plans are reviewed each financial year with suggestions for revised performance targets based on budget to be agreed by Cabinet Member and PDG.	Andrew Jarrett	28/05/2013	27/08/2021	Satisfactory (2)
In progress	Identify Efficiencies	Taking proactive steps to increase income and reduce expenditure through efficiencies, vacancies that arise and delivering services in a different way.	Andrew Jarrett	28/05/2013	27/08/2021	Satisfactory (2)
Completed and evaluated	Reserves	Cabinet have taken the decision to recommend a minimum general reserve balance of 25% of Net annual budget.	Andrew Jarrett	28/05/2013	27/08/2021	Fully effective (1)
Completed and evaluated	Set Budget	Each year as part of the budget setting process, members are consulted via PDGs in time to evaluate savings proposals, ahead of the November draft budget.	Andrew Jarrett	28/05/2013	27/08/2021	Fully effective (1)
<b>Current Status: Medium (12)</b>		<b>Current Risk Severity: 4 - High</b>		<b>Current Risk Likelihood: 3 - Medium</b>		

**Service Manager: Paul Deal**

**Review Note:** Work continues to address the budget gap, specifically for 2022/2 but also for the longer term to ensure the Council's financial sustainability. Budget options will be brought to Cabinet and PDG's in the Autumn.



## Corporate Risk Management Report - Appendix 6

**Risk: Reputational damage - social media** impact of reputational damage through social media is a significant risk that warrants inclusion on the Authority's risk register.

**Service: Communications**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Monitoring social media	Two members of the communications team monitor the main corporate social media accounts on a rota basis. Alerts are also set up so the team receives notification of comments and can respond as appropriate. This is monitored in office hours only and the team does not provide 24 hour monitoring or a call out function. The Comms Team also works with other local authorities and takes part in social media training with other local authorities as the opportunities arise budgets permitting.	Jane Lewis	05/06/2019	30/06/2021	Satisfactory (2)

**Current Status: Medium (10)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 2 - Low**

**Service Manager: Jane Lewis**

**Review Note:** A new SM governance group has been formed. SM will also be included in LMS and a database of those who access will be kept. IT have been contacted to put SM access on the leavers list too.



## Corporate Risk Management Report - Appendix 6

**Risk: Right to Buy - Re-investing Receipts in New Affordable Rented Homes** : Failure to deliver an appropriate housing programme to provide new social rent Council housing may result in existing housing stock not being replaced at an adequate rate to offset RTB sales. This may also result in payment of interest to MHCLG on any unspent, ring-fenced 1-4-1 RTB receipts and have longer term impact on the overall financial health of the HRA over a 30-year plan period.

**Service: Housing Services**

**Mitigating Action records**

No Mitigating Action records found.

**Current Status: Medium  
(12)**

**Current Risk Severity: 4 -  
High**

**Current Risk Likelihood: 3 -  
Medium**

**Service Manager: Simon Newcombe**

**Review Note:** We have submitted to MHCLG a detailed programme for delivering additional social rent homes over 21/22. The final scope of this programme will depend on on-going negotiations with MHCLG on potential extension to RTB receipts due to be spent in 20/21 (due to Covid etc) as well as 21/22 receipts already assigned in the programme. Going forward, the plan will be informed by a new Housing Strategy. The desired outcome being shaped is to have in place rolling 3-year RTB receipt/housing stock programme set at a minimum 100% stock replacement rate (based on average rates of RTB sales, reviewed annually). This will allow for receipts to be allocated to an identified and approved future development/redevelopment scheme or buy-back opportunity at date of receipt for utilisation over the required 3-year utilisation period, thereby mitigating the risks.



## Corporate Risk Management Report - Appendix 6

**Risk: S106 Agreement** Inability of the legacy systems to provide a full overview of the 'trigger points' for all of the s106 agreements

**Service: Planning**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	S106 improvement project	A S106 improvement project is taking place to build a new system that will be able to effectively manage the process and provide better visibility over the information on S106 agreements and monies held/spent/expected.	Jenny Clifford	04/10/2019	10/08/2021	Satisfactory (2)

**Current Status: High (15)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Angharad Williams**

**Review Note:** Review of processes around S106 agreements continues to advance, but slower than initially intended due to resource availability and impact of COVID-19.

Governance arrangements have been agreed.

Monies rare econciled against the financial system and data migration has been taking place in batches. Reporting on funds by Parish and catchment for public open space and air quality is available with data supplied for a Scrutiny Committee report in July 2021. Further stages of the project will be completed through to late 2021

The Infrastructure Funding Statement published December 20 reports on S106 monies collected and spent for 19/20 and will be updated annually for the previous financial year. It also identifies and prioritises the infrastructure the Council intends to fund through S106 agreement/ Community Infrastructure Levy (report to Cabinet 3rd December 2020). A further report will be required in Autumn 21.



## Corporate Risk Management Report - Appendix 6

**Risk: SPV - 3 Rivers - Failure of the Company** This will depend on Economic factors and the Company's success in the marketplace commercially.

For MDDC the impacts will be:

3 Rivers are unable to service and repay the loan from MDDC

Not receiving the forecast additional income

Not supporting corporate objectives.

### Service: Financial Services

#### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Cabinet	Monthly meetings with Cabinet ambassadors and monthly update to Cabinet on progress with the recommendations action plan and projects.	Catherine Yandle	09/11/2020	27/08/2021	Fully effective(1)
Completed and evaluated	Regular monitoring	The Board of 3 Rivers deliver a half yearly report to the Cabinet which provides an update on their delivery against their business plan. We charge interest to them at a commercial rate in order to maintain an "arms-length" relationship and the interest provides some mitigation to the outstanding principal.	Andrew Jarrett	30/05/2019	27/08/2021	Fully effective(1)

**Current Status: High (15)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Paul Deal**

**Review Note:** The review concluded no further impairment was required. The MDDC accounts (which includes 3R within the Group Accounts) is being audited. No issue are expected to be identified. The company continues with its planned work as outlined within the Business Plan



## Corporate Risk Management Report - Appendix 6

**Risk: SPV 3 Rivers Reputational Impact** That 3 Rivers' reputation is damaged by the actions of the council, threatening the long-term success of the company and potentially threatening the operational activity of the company through increased costs, reduced revenues, staff retention, or future claims against the council.

### Service: Governance

#### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Work with Members	Sustained work with elected members to ensure that the necessary balance is struck between constructive challenge and debate, without bringing the company or its activity into disrepute. Awareness raising relating to the roles of the council's scrutiny committee in assuring governance outcomes, the audit committee providing assurance on risk and mitigation, and the cabinet in its decision-making as shareholder. Use of external advice when necessary to provided added assurance.	Stephen Walford	11/11/2020	26/08/2021	Satisfactory (2)

**Current Status: High (15)**

**Current Risk Severity: 5 - Very High**

**Current Risk Likelihood: 3 - Medium**

#### Service Manager: Stephen Walford

**Review Note:** The most recent audit notes that members need to strike a balance between governance and oversight that assures, and continued intervention that will commercially hinder. With governance matters now addressed, this risk sits predominantly with the actions of members who must work to balance the need for process checking, challenge and assurance, with the desire to use the company as a tool for political disagreement. As much as it might be (a point of political disagreement), the audit position is clear that such interventions are not beneficial to the company in commercial terms, and therefore unlikely to be in the long-term interests of the council in seeking to achieve its strategic objectives.

With monthly updates at Cabinet continuing, alongside regular auditing, members have structurally embedded a range of mechanisms to give confidence in the governance, oversight and assurance process. The reputational risk from members bringing the company into disrepute is therefore very much in individual members' hands.



## Corporate Risk Management Report - Appendix 6

**Risk: SPV Governance Arrangements - 3 Rivers** Not being able to demonstrate robust challenge and decision-making.

**Service: Governance**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	External Review	Several recommendations have been made. All have been approved between Cabinet, Audit and Scrutiny. Action Plan is in place and progress is steady.	Catherine Yandle	06/07/2020	28/06/2021	Satisfactory (2)
Completed and evaluated	Included on AGS	This issue has been included on the Annual Governance Statement Action Plan so we do not lose sight of the issue throughout the year.	Catherine Yandle	15/07/2019	28/06/2021	Fully effective(1)
In progress	Openness and Transparency	Regular reports to Cabinet in open session where possible.  Need to balance commercial interests with Nolan principles.	Catherine Yandle	20/05/2019	28/06/2021	Satisfactory (2)
<b>Current Status: Medium (10)</b>		<b>Current Risk Severity: 5 - Very High</b>		<b>Current Risk Likelihood: 2 - Low</b>		

**Service Manager: Catherine Yandle**

**Review Note:** The Action Plan is complete except for the confirmatory review



## Corporate Risk Management Report - Appendix 6

**Risk: Tiverton Pannier Market** Failure to maximise the economic potential of Tiverton Pannier Market

**Service: Growth, Economy and Development**

### Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Continue to retain and prioritise market budget	To ensure most efficient use of resources	Adrian Welsh	10/06/2019	13/08/2021	Satisfactory (2)
In progress	continue to work with traders on promotion	To increase footfall.	Adrian Welsh	10/06/2019	13/08/2021	Satisfactory (2)
In progress	Implement and review market strategy	Implementation of strategy will increase market's financial success and help fulfill its function as a key driver for the town.	Adrian Welsh	10/06/2019	13/08/2021	Satisfactory (2)
In progress	Masterplan Implementation	To realise benefits from the Masterplan to increase visibility of market and increase footfall.	Adrian Welsh	10/06/2019	13/08/2021	Satisfactory (2)
<b>Current Status: Medium (12)</b>		<b>Current Risk Severity: 4 - High</b>		<b>Current Risk Likelihood: 3 - Medium</b>		

**Service Manager: Adrian Welsh**

**Review Note:** Plans to maximise economic potential of the pannier market are being reviewed to reflect the current challenges and future opportunities arising from changing retail habits as a result of the pandemic. The newly appointed Market Manager is embarking on a number of initiatives to attract more traders and customers to the market. We currently await the results of the Community Renewal Fund bid which if successful will also have benefits to the pannier market.

Printed by: Catherine Yandle

SPAR.net

Print Date: 08 September 2021  
17:07



## AUDIT COMMITTEE 21 SEPTEMBER 2021

### ANNUAL GOVERNANCE STATEMENT

**Cabinet Member** Cllr Bob Deed  
**Responsible Officer** Catherine Yandle, Group Manager for Performance, Governance and Health & Safety

**Reason for Report:** To present the Committee with the finalised Annual Governance Statement and Action Plan (Appendix A) and accompanying Corporate Governance Framework (Appendix B) for 2020/21.

**RECOMMENDATION(S):** That the Committee approve the Annual Governance Statement and the Leader of the Council and the Chief Executive sign the Statement as per the statutory guidance.

**Relationship to Corporate Plan:** Having good governance arrangements and an effective internal control environment is a fundamental element of being a well-managed council.

**Financial Implications:** None

**Legal Implications:** None

**Risk Assessment:** Failure to produce an Annual Governance Statement would result in the Council breaching the Accounts and Audit Regulations 2015.

**Equality Impact Assessment:** No equality issues identified for this report.

**Impact on Climate Change:** No impacts identified for this report.

#### 1.0 Introduction

- 1.1 Mid Devon District Council is required to prepare an Annual Governance Statement as per the requirements laid out in the Delivering Good Governance in Local Government: Framework (2016) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting.
- 1.2 In addition Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once a year of the effectiveness of its system of internal control, and to include a statement reporting on the review with any published Statement of Accounts. Regulation 6(1)(b) of the Accounts and Audit Regulations 2015 require that for a local authority in England the statement is an Annual Governance Statement (AGS).
- 1.3 The Good Governance Framework sets out seven principles of Corporate Governance which are underpinned by supporting principles and requirements. Authorities are expected to comply with the requirements of



the Framework and thus meet the principles of good Corporate Governance, which are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

## **2.0 What is an Annual Governance Statement?**

2.1 The AGS should be an open and honest self-assessment of an authority's performance across all of its activities, with a clear statement of the actions being taken or that are required to address areas of concern. The AGS has been prepared in accordance with the CIPFA guidance entitled '*Delivering Good Governance in Local Government*'.

2.2 The AGS includes the following:

- An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control)
- A description of the key elements of the systems and processes that comprise the governance arrangements
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements
- An outline of the proposed actions to be taken to deal with significant governance issues, including an action plan.

2.3 Again this year there is an additional section, H regarding the Council's Covid 19 response in so far as it affects governance.

## **3.0 Conclusion**

3.1 Following the review of the sources of assurance and evidence to support the AGS, it is the opinion of the Group Manager for Performance, Governance and Health & Safety that the Council's control environment was adequate in the 2020/21 financial year.

3.2 The areas where improvements are required are highlighted in the Action Plan accompanying the AGS. The action plan includes reference to the lead officers for each action and the target date for completion. The Committee will receive an update on the progress made against this action plan at their meetings throughout 2021/22.



- 3.3 It is a statutory requirement that the AGS is signed off by the Chief Executive (as most senior officer) and the Leader of the Council (as most senior member), along with the Report and Accounts once they have been approved by the Audit Committee.
- 3.4 The AGS has been subject to review by the Council's external auditor and their comments have been reflected in this document.

**Contact for more Information:** Catherine Yandle Group Manager for Performance, Governance and Health& Safety ext. 4975

**Circulation of the Report:** Management Team and Cllr Bob Deed

**List of Background Papers:** None



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## Annual Governance Statement (2020/21)

This gives the results of our yearly assessment of how well we are managing and controlling risks, achieving our aims and meeting the responsibilities we have by law.

We are responsible for making sure that we:

- carry out our business in line with the law and proper standards;
- protect public money and account for it properly; and
- use public money economically, efficiently and effectively.

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control, and to include a statement reporting on the review with any published Statement of Accounts. Regulation 6(1) (b) of the Accounts and Audit Regulations 2015 require that for a local authority in England the statement is an Annual Governance Statement.

In England, the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement (AGS) must be “prepared in accordance with proper practices in relation to accounts”. Therefore for a local authority in England this requires the statement to be in accordance with Delivering Good Governance in Local Government: Framework (2016) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting for 2020/21. In preparing and publishing this Statement, we therefore meet these statutory requirements.

The framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Mid Devon District Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. It ensures they are managed efficiently, effectively and economically.



## Annual Governance Statement (2020/21)

The review of internal controls provides assurance that the Statement of Accounts gives a true and fair view of the Authority's financial position at the reporting date and its financial performance during the year.

The assurance opinions derived from the work of Internal Audit are among the significant items that inform the AGS. The Head of Internal Audit's Opinion statement for 2020/21 stated:

*Overall, based on work performed during 2020/21 and our experience from previous years audit, the Head of Internal Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.*

The governance framework has been in place for the whole of the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts. MDDC continually seeks to improve its governance arrangements and evidence of continued "best practice" is found within the governance review below. Arrangements are reviewed on a continual basis and where weaknesses have been found they are addressed as is demonstrated below in the Action Plan.

The Policy Development Groups are asked to feedback areas of concern to Cabinet, the Scrutiny Committee can and does challenge Cabinet decisions and the Audit Committee can and does challenge management over areas of concern identified in audit reports throughout the year.

The areas where improvements are required are highlighted in the Action Plan accompanying the AGS. The action plan includes reference to the lead officers for each action and the target date for completion. During the year progress against the previous year's AGS Action Plan is taken to every Audit Committee so that the action points can be monitored, most of the action points from the 2019/20 AGS Action Plan have been completed at this time, any which were only partially addressed are included below in the Action Plan for 2020/21.

Overall the Authority has a robust Governance Framework and is not afraid to subject itself and its decisions to scrutiny or Peer review, this enables the Council to have assurance that its governance arrangements are sound but also treated as a live and evolving framework which can respond to the environment it finds itself in.

### Covid 19

The Authority has of course been significantly affected by the Coronavirus pandemic, the main impacts were not felt until March 2020 although planning to deal with the effects of the pandemic had started before then. A separate section at the end (H) specifically addresses the Authority's Coronavirus response and any resultant governance changes and new risk areas.



## Annual Governance Statement (2020/21)

### CIPFA Financial Management Code

In December 2019, CIPFA introduced a Financial Management Code (FM Code). The FM Code has been introduced because the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. Each local authority must demonstrate that the requirements of the code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the chief finance officer (S151) and their professional colleagues in the leadership team.

Local authorities are required to apply the requirements of the FM Code with effect from 1 April 2020. CIPFA considers that the implementation date of April 2020 should indicate the commencement of a shadow year and that by 31 March 2021, local authorities should be able to demonstrate that they are working towards full implementation of the code. The first full year of compliance with the FM Code will therefore be 2021/22.

The authority has carried out a self-assessment against the 17 Standards of the FM code and has identified no areas of concern with regard to compliance with the FM Code.

### Conclusion

Following a review of the sources of assurance and evidence to support the AGS, it is the opinion of the Group Manager for Performance, Governance and Health & Safety that the Council's control environment was adequate in the 2020/21 financial year.

😊 = Assurance Received    😞 = Some additional work required



**Annual Governance Statement (2020/21)**

Approved by the Leader of the Council

Bob Deed

Date


Approved by the Chief Executive

Stephen Walford

Date



## Annual Governance Statement (2020/21)

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>• We operate an appraisal scheme for all staff to identify development and skills needs and assess performance.</li> <li>• We provide new Members and staff with induction training on appointment.</li> <li>• We have Codes of Conduct for Members and Staff</li> <li>• Declarations of interest made at meetings are published with minutes and on our website.</li> <li>• We have registers of interests and gifts &amp; hospitality for Members and Staff.</li> <li>• Our Whistleblowing policy was reviewed in March 2021.</li> <li>• We have a clear complaints procedure on our website and an up-to-date Customer Care Policy.</li> <li>• We take the Health and Safety of our</li> </ul>	<p>This is now being monitored via the Learning Management System on-line</p> <p>New Councillors Induction Programme</p> <p>Staff Induction Policy</p> <p><a href="#">Constitution</a></p> <p><a href="#">Your Councillors - MIDDEVON.GOV.UK</a></p> <p><a href="#">Complaints Procedure</a></p> <p><a href="#">Customer Care Policy</a></p>	<p></p> <p>Gifts &amp; Hospitality and Declarations are audited regularly by Internal Audit</p> <p>Adherence to legislation is confirmed in each audit review undertaken</p> <p>The Code of Conduct for Councillors and Co-opted Members was recommended to Full Council for Approval in April 2017 New LGA model code of conduct to be considered in 2021</p> <p>Members Code of Conduct training is carried out by the Monitoring Officer</p> <p>Procedures embedded. Risk assessments in place. 1:2:1s / team meetings used to address this.</p> <p>Increased ethics awareness training in the staff induction process.</p> <p><b>Comprehensive review of policy and</b></p>



## Annual Governance Statement (2020/21)

<p>Staff extremely seriously.</p> <ul style="list-style-type: none"> <li>• We evaluate the training needs of Members and run briefings on key topics to ensure they have the knowledge and information to make effective decisions.</li> <li>• We operate a protocol to govern the relationship between Members and officers that ensures access to appropriate information.</li> </ul> <p><b>Demonstrating strong commitment to ethical values</b></p> <p>The Council has the following documents which are relevant:</p> <ul style="list-style-type: none"> <li>• Officers' Code of Conduct</li> <li>• Members' Code of Conduct</li> <li>• Protocol on Member/Officer Relations</li> <li>• Guidance for Members and staff on hospitality and gifts</li> <li>• Protocol of good practice for councillors dealing in planning matters</li> <li>• Staff Charter to communicate expected values and behaviours.</li> <li>• Financial regulations</li> </ul>	<p><a href="#"><u>Member Development Policy</u></a></p> <p><a href="#"><u>Protocol on Member/Officer Relations</u></a></p> <p>In the Constitution</p> <p><a href="#"><u>Constitution</u></a></p> <p>Staff Charter</p>	<p><b>strategy in 20/2021, including the CIPFA code and the Fighting Fraud and Corruption Locally Strategy (a strategy for the 2020s), which was reviewed by DAP's Audit and Counter Fraud Team.</b></p> <p>New staff members are required to complete a comprehensive suite of courses related to H&amp;S and other related areas such as manual handling.</p>
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## Annual Governance Statement (2020/21)

<p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>• The Constitution is under continuous review any significant changes re taken through the Standards Committee.</li> <li>• We ensure we comply with Statutory Provisions.</li> <li>• Compliance with CIPFA's <i>Statement on the Role of the Chief Financial Officer in Local Government</i> (CIPFA, 2015)</li> <li>• We have effective and up-to-date anti-fraud and corruption policies and procedures</li> <li>• Legal advice is given either as a stand-alone piece of advice or in relation to a case on which Legal Services are instructed to advise.</li> <li>• We recognised the importance of having effective arrangements in place for the Monitoring Officer function by updating and strengthening the role of the Monitoring Officer in the Council and recruiting a suitably qualified person for the post.</li> </ul>	<p><a href="#">Constitution</a></p> <p><a href="#">The role of the Chief Financial Officer in local government</a></p>	
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Principle B: Ensuring openness and comprehensive stakeholder engagement		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>We publish agendas and minutes for all our meetings on our website.</li> <li>We publish key decisions on the website</li> <li>We have a FOI publication scheme</li> <li>We have a calendar of dates for submitting, publishing and distributing timely reports.</li> <li>Procurements are competed through Pro Contract, and details of all our contracts are held on the system.</li> <li><b>Engaging comprehensively with institutional stakeholders</b></li> <li>We meet with our local colleges of FE and key local employers to discuss how the Council can support their work</li> </ul> <p><b>Engaging with individual citizens and</b></p>	<p><a href="#">Browse Meetings, MIDDEVON.GOV.UK</a></p> <p><a href="#">Forthcoming Decisions</a></p> <p><a href="#">Publication Scheme - MIDDEVON.GOV.UK</a></p> <p>Community Engagement Strategy and Media and Social Media Policy were recommended for approval by Community PDG on 23 March 2021</p>	<p></p> <p>We publish recordings of all our meetings on the website (with the exception of Part 2 business and in certain other limited circumstances on an exceptional basis).</p> <p>We are committed to working in partnership and will consult other agencies as and when necessary.</p> <p>The DAP audit report on procurement provided a Reasonable Assurance.</p> <p></p> <p>The DAP audit report on Digitalisation: Electronic payments, online forms and Social Media received a limited assurance audit opinion. The main reason was:</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>There is no high level strategy that would help the Council maximise opportunities to engage more effectively with the general public and help to</p> </div>




## Annual Governance Statement (2020/21)

<p><b>service users effectively</b></p> <ul style="list-style-type: none"> <li>• We publish details of consultations and petitions on our website</li> <li>• We have policies for communication and Social Media</li> <li>• We have an active Tenant involvement group – Tenants Together which produces regular newsletters</li> <li>• Mid Devon Gypsy and Traveller Forum established</li> </ul>	<p><a href="#">Consultation &amp; Involvement</a></p> <p><a href="#">Communication strategy</a></p> <p>Tenants Survey</p> <p>Customer Engagement Officer</p>	<p>inform the Social Media policy including the relevant controls that need to be in place.</p>
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## Annual Governance Statement (2020/21)

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Defining outcomes</b></p> <ul style="list-style-type: none"> <li>We have a new focus for the Corporate Plan 2020-2024: Sustainability</li> <li>We have an agreed Corporate Plan for 2020-2024</li> </ul> <p><b>Sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"> <li>We have a capital asset management group which aims to maximise the return on our capital assets</li> <li>Optimising sustainability and taking a long term view</li> <li>We treat everyone fairly and equally.</li> <li>Climate Change Declaration made at Full Council on 26 June 2019</li> </ul>	<p>The new Corporate Plan for 2020-2024 was recommended to Council for adoption by Cabinet and was duly adopted on 26 February 2020</p> <p><a href="#">Asset Management &amp; Capital Plan</a></p> <p>10 year design plan for open spaces</p> <p>Medium Term Financial strategy</p> <p><a href="#">Equality and Diversity</a></p> <p>The Climate Change Strategy and Action Plan were approved by Cabinet on 1 October 2020</p>	<p></p> <p>Regular reports on progress against the Corporate Plan including a set of agreed standard measures</p> <p>Corporate plan priorities and targets are cascaded throughout the Council</p> <p>There were 3 meetings of the Equality forum during 2020/21</p> <p>Assurance on Climate Change work was provided in the DAP report in February 2021, which provided a Reasonable Assurance.</p>



Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>Our governance structure is based on the strong leader and Cabinet with Policy Development Groups (PDGs) and Scrutiny Committee providing robust challenge.</li> <li>The call in process for Scrutiny and reviews of performance by PDGs.</li> <li>3 Rivers shall prepare a Business Plan to include such content as the Council may require from time to time and notify to 3 Rivers in writing. The Business Plan shall cover a period of 5 years and shall be updated annually</li> </ul> <p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>Calendar of dates for developing and submitting plans and reports that are adhered to.</li> <li>We publish details of consultations and petitions on our website.</li> </ul>	<p>These Executive arrangements were reviewed in 2020/21 with a decision made by Council in March 2021 to continue the current arrangements.</p> <p>Committee Report Procedure</p> <p><a href="#">Consultation &amp; Involvement</a></p>	<p>😊</p> <p>Regular reports on progress against the Corporate Plan including a set of agreed standard measures to Councillors and staff</p> <p>The process for aligning service budgets, plans and objectives has been reviewed and is more effective</p> <p>Financial information is now regularly included in performance and risk reports</p> <p>Internal Audit progress reports showing areas reviewed, assurance opinion and key actions arising. Recommendations are tracked to completion to confirm control weaknesses are resolved.</p> <p>External Auditors report on the Statement of Accounts, including a commentary on Value for Money arrangements for the Council.</p>




## Annual Governance Statement (2020/21)

<ul style="list-style-type: none"> <li>• Key Performance Indicators have been established and approved for each service element and included in the service plan and are reported upon regularly to Committees.</li> </ul> <p><b>Optimising achievement of intended outcomes</b></p> <ul style="list-style-type: none"> <li>• budgeting medium term</li> <li>• financial strategy</li> <li>• process is all-inclusive, taking into account the full cost of operations over the medium and longer term</li> <li>• Risk management and performance monitoring are key measures to support interventions.</li> <li>• The Audit Committee is supported by independent internal audit assurance reports provided by Internal Audit (DAP), and the External Auditors' annual opinion on the statement of accounts.</li> </ul>	<p>Medium Term Financial Plan</p> <p>Audit Committee meetings are held in a public forum.</p> <p>The plans of work for both Internal and External Audit are considered and approved by the Committee.</p> <p>The Committee will receive regular update reports from both sets of Auditors and will hold management to account for any correcting action that may be required.</p>	<p>The governance Action Plan for 3 Rivers Developments has been largely completed; 32 of the 33 recommendations.</p> <p>Action to implement these and internal audit recommendations was validated by a DAP report in March 2021.</p> <p>The DAP audit report on Commercial Rents received a limited assurance audit opinion. The main reason was: 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.</p>
<p><b>Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it</b></p>		




## Annual Governance Statement (2020/21)


How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Developing the entity's capacity</b></p> <ul style="list-style-type: none"> <li>We are committed to improving staff welfare which should reduce our sickness absence which is a direct cost to the Council.</li> <li>All Managers have been put through a Management Training Programme</li> </ul> <p><b>Developing the capability of the entity's leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>We provide all staff with job descriptions setting out their duties clearly and document the personal qualities and attributes required for each post.</li> <li>We operate an appraisal scheme for all staff to identify development and skills needs and assess performance.</li> <li>We operate a protocol to govern the relationship between Members and officers which ensures access to appropriate information.</li> </ul>	<p><a href="#">Constitution</a></p>	<p style="text-align: center;"></p> <p>A programme of training and briefing sessions for elected Members has been agreed to ensure Members remain up to date with current issues, are clear about their roles, and have sufficient information to make informed decisions.</p> <p>Members have signed up to the Developing Your Leadership Potential Programme being run as part of a shared Member development service with other Devon and Somerset Authorities.</p> <p>The qualifications, skills, behaviours and personal attributes required by staff in their roles are identified and documented, and reviewed regularly.</p> <p>The new Workforce Data Report is presented to Leadership Team monthly and monitors key information about staff including turnover and vacancies by Directorate</p> <p>New staff members are required to complete a comprehensive suite of</p>



## Annual Governance Statement (2020/21)

<ul style="list-style-type: none"> <li>• We treat everyone fairly and equally.</li> <li>• We take the Health and Safety of our Staff extremely seriously.</li> <li>• We provide new Members with induction training on appointment.</li> <li>• We evaluate the training needs of Members and run briefings on key topics to ensure they have the knowledge and information to make effective decisions.</li> <li>• The Corporate Peer Challenge report in 2017 identified the extent to which we have radically-improved and confirms that we are in a strong position to address future challenges.</li> <li>• The Head of Paid Service has an annual appraisal and is set performance targets by the Cabinet</li> </ul>	<p><a href="#"><u>Equality and Diversity</u></a></p> <p>New Councillors Induction Programme</p> <p><a href="#"><u>Member Development Policy</u></a></p>	<p>courses related to this and other related areas such as manual handling.</p> <p></p> <p>The current economic situation is likely to continue to cause a reduction in the number of staff employed by the Authority. We have identified that this presents a potential risk to our ability to retain the skills and experience needed.</p>
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Principle F: Managing risks and performance through robust internal control and strong public financial management		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>• All reports which go to Committee include a risk assessment as part of the required components on our report template.</li> <li>• Our Risk &amp; Opportunity Management Strategy was reviewed and approved by Audit Committee on 19 March 2019.</li> <li>• Risks on our risk register are allocated to individual managers who are named on reports.</li> <li>• The Audit Committee actively monitors risks and controls at their meetings in accordance with Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).</li> <li>• DAP provides risk based internal audits where it provides assurance of control effectiveness against risks to delivery of business objectives.</li> </ul>	<p>Report Template</p> <p>Risk &amp; Opportunity Management Strategy</p>	<p style="text-align: center;"></p> <p>The Leader's annual report to Scrutiny is mapped against the Corporate Plan priorities to make the link easier to see.</p> <p>The internal annual audit report and opinion supports this as does training provided by Devon Audit Partnership to the Audit Committee.</p> <p>Assurance has been provided through audit assignment reports, AC progress reports and Annual report at overall 'Reasonable Assurance'</p> <p>Housemark - the Housing Service subscribes to this. This may assume greater importance should the Government implement changes mooted in the Social Housing Green Paper last year.</p>



## Annual Governance Statement (2020/21)

<p><b>Managing performance</b></p> <ul style="list-style-type: none"> <li>• Our Performance has been mapped to the Corporate Plan; all our Aims have performance measures.</li> <li>• Benchmarking information is included where available; a Council –wide subscription to LG Inform Plus is improving the use of benchmarking and is regularly promoted at Group Manager Team meetings.</li> <li>• Calendar of dates for submitting, publishing and distributing timely reports that are adhered to.</li> <li>• All agenda and minutes of Scrutiny committee are published on our websites, including recordings of the meetings.</li> <li>• 3 Rivers shall ensure that the Managing Director shall attend meetings or parts of meeting(s) up to a maximum of four times per year as the Council may require on not less than 5 Business Days' notice and shall answer questions put by the Council and</li> </ul>	<p>Performance is monitored through PDG and Scrutiny processes.</p> <p><a href="https://www.middevon.gov.uk/Meetings-agendas-and-minutes">Meetings, agendas, and minutes - MIDDEVON.GOV.UK</a></p> <p>Risk &amp; Opportunity Management Strategy</p>	
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<p>provide information regarding its activities as reasonably requested.</p> <ul style="list-style-type: none"> <li>• Performance and Risk Reports go to PDGs, Cabinet, Audit and Scrutiny Committees.</li> <li>• Leadership Team is committed to the performance framework.</li> </ul> <p><b>Robust internal control</b></p> <ul style="list-style-type: none"> <li>• Our Risk &amp; Opportunity Management Strategy was reviewed and approved by Audit Committee on 2 June 2020.</li> <li>• We have effective and up-to-date anti-fraud and corruption policies and procedures</li> <li>• We have entered into a partnership to provide our Internal Audit Service in-house.</li> <li>• Our Audit Committee attend training offered internally and externally.</li> </ul>	<p>Fraud, Money Laundering and Whistleblowing policies</p>       <p>Policies &amp; Strategies - Home</p>       <p>Learning Management System</p>       <p>Policies &amp; Strategies - Home</p>	
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## Annual Governance Statement (2020/21)

<p><b>Managing data</b></p> <ul style="list-style-type: none"> <li>• We have Data Protection and Information Security Policies in place.</li> <li>• We have mandatory Data Protection and Information Security training for all staff, Members and contractors (with access to our computer network)</li> <li>• We have a Data Quality Policy in place.</li> <li>• We check performance information as part of every audit we do.</li> </ul> <p><b>Strong public financial management</b></p> <ul style="list-style-type: none"> <li>• We publish a Medium Term Financial Strategy covering 5 years each year.</li> <li>• We publish Monitoring Reports from July to February each year</li> <li>• The budget book is published on the website</li> </ul>	<p>medium term financial strategy</p> <p><a href="https://www.middevon.gov.uk/budgets">Budgets - MIDDEVON.GOV.UK</a></p>	
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## Annual Governance Statement (2020/21)


Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
How We Meet these Principles	Where You Can See Governance in action	Assurance Received and Issues Identified
<p><b>Implementing good practice in transparency</b></p> <ul style="list-style-type: none"> <li>We publish our Statement of Accounts on our website.</li> </ul> <p><b>Implementing good practices in reporting</b></p> <ul style="list-style-type: none"> <li>We report regularly on our performance to PDGs, Cabinet, Audit and Scrutiny Committees</li> <li>We publish our Annual Governance Statement and Action Plan on our website and take Progress reports on the Action Plan to every audit Committee meeting.</li> </ul> <p><b>Assurance and effective accountability</b></p> <ul style="list-style-type: none"> <li>Our Internal Audit Manager complies with the CIPFA Statement on the Role of the Head of Internal audit</li> </ul> <p>We completed our annual self-assessment against the Public Sector</p>	<p><a href="#">Statement of Accounts</a></p> <p><a href="#">Annual Governance Statement</a></p> <p><a href="#">The Role of the Head of Internal Audit CIPFA</a></p>	



Annual Governance Statement (2020/21)


Internal Audit Standards		
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H: Operational and Governance matters due to the Covid 19 Pandemic		
Impact on Governance	What we have done	Assurance Received and Issues Identified
<p><b>Significant organisational disruption with new emergency responsibilities, increased staff absence and also staff working from home</b></p> <p>Impact on business as usual was considerable during the early stages of the pandemic but services were largely delivered for most of the year.</p> <p>Our Leisure centres were closed on and off from 20 March 2020 they cannot fully reopen until we reach stage 4 of the Roadmap.</p> <p>Public Health have been under resource pressure having assisted with local test and trace and supporting safe reopening for businesses alongside their existing regulatory work.</p> <p><b>New areas of activity as part of the national response to coronavirus and any governance issues arising</b></p> <p>Implementation of new policies and processes</p>	<p>We have held regular Incident Management Meetings since 6 March 2020, these are currently fortnightly</p> <p>Staff numbers are currently around 55% working on site, 30% working from home, very few remain furloughed</p> <p>Chief Executive is making operational decisions to respond effectively to emergency situation.</p> <p>Daily briefings to Members were initiated by the Chief Executive on 12/03/20 and these continued until the end of April. (Since then reverting to regular, but lower, frequencies depending on requirements).</p> <p>Leaders and Chiefs from across Devon working collaboratively to ensure shared visibility and commonality of approach wherever possible.</p> <p>Redeployment of staff to assist with the business grant schemes</p> <p>Working with CHAT, Navigate and local</p>	<p></p> <p>We were able to claim for furloughed staff from HMRC</p> <p>Data sharing agreements and privacy notices have been updated as necessary to reflect different ways of working and new initiatives</p> <p>Significant work was done to balance the budgets for 2020/21 and 2021/22 successfully</p> <p>An Internal Audit report on Safe Staff Operations during Covid 19 stated “The Council has shown a real concern for staff during this period and made significant effort to support them. We have found that the Council has provided good support to its staff since the start of the emergency whilst balancing the need to deliver its core services.”</p> <p>Hybrid meetings are likely to continue for the long term with a mix of on site and</p>



## Annual Governance Statement (2020/21)

<p>Emergency assistance New collaborative arrangements Grant payments and associated fraud risks</p> <p><b>The funding and logistical consequences of delivering the local government response</b></p> <p>Changes to decision making arrangements and the conduct of meetings Funding and cash flow challenges</p> <p><b>Assessment of the longer term disruption and consequences arising from the coronavirus pandemic</b></p> <p>Existing projects and programmes have been put on hold New priorities and objectives introduced New risks identified or existing risks escalated</p>	<p>supermarkets to support vulnerable residents</p> <p>Several Committee meetings were cancelled but they re-commenced virtually from 23 April once legislation was changed to permit remote attendance</p> <p>Issued £39m of government grants, ensuring effective due diligence was undertaken to reduce the risk of fraud and error related to the grant money</p> <p>Cashflows have been successfully managed</p> <p>Recovery and enforcement work was postponed but is now more like business as usual</p> <p>Risk assessments created for the different business areas to reduce the Covid-19 risk to staff and the public from the business operations.</p>	<p>remote attendance. This may be seen as affecting the democratic process as debate may be reduced but business can and is being conducted. Feedback from members of the public has been favourable</p> <p></p> <p>Significant loss of income from Leisure centres and other fees and charges including parking charges</p> <p>Funding has been received but does not cover the full extent of the losses</p> <p>There have been some frustrations in obtaining grant funding and guidance from Central government which has slowed down payments of grant funding to businesses</p> <p>There was some frustration with IT equipment and telephony, particularly at the start of the pandemic, which is not surprising considering ways of working had to change overnight, but this is being addressed as part of the hybrid working project going forward</p>
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## Annual Governance Statement (2020/21)

Annual Governance Statement 2020-21 Action Plan				
Issues Identified	Action to be taken	By whom and progress	When	Status
1. External legal and financial reviews have been undertaken on 3 Rivers at the request of the Leader. A number of recommendations have come from this work regarding improving governance arrangements. These were all approved by Cabinet at their meetings of 11 June and, after consultation with Scrutiny and Audit committees, 9 July. An action plan is in place to address the recommendations.	Progress will be monitored by Cabinet and in this action plan.	<p>Chief Executive</p> <p>The governance Action Plan for 3 Rivers Developments has been largely completed; 32 of the 33 recommendations and now that the revised shareholder agreement has been agreed, we can move to the final recommendation which is to seek external assurance that all identified actions have been completed.</p>	<p>31 October 2021</p> <p>The external review is in the process of being commissioned.</p>	
2. The current economic situation is likely to continue to see a reduction in the number of staff employed by the Authority. We have identified that this presents a potential risk to our ability to retain the skills and experience needed. Measures are being implemented to combat this risk.	Our present issues, reflecting the national position, are recruitment to certain posts and retention of key staff e.g. HGV drivers	<p>Director of Business Transformation and Corporate Affairs</p> <p>An Employee Relations specialist has been recently recruited to HR.</p> <p>Active use of all available funding is being made to employ and retain staff including the Kick-start scheme and Apprenticeship levy.</p> <p>Growing our own staff is a priority.</p>	31 December 2021	



## Annual Governance Statement (2020/21)

<p>3. There was some frustration with IT equipment and telephony, particularly at the start of the Covid pandemic, which is not surprising considering ways of working had to change overnight.</p>	<p>This is being addressed as part of the hybrid working project going forward.</p>	<p>Director of Business Transformation and Corporate Affairs</p> <p>Temporary working arrangements will continue for the foreseeable future.</p> <p>Formal arrangements, including the necessary infrastructure changes, is a priority corporate project</p>	<p>30 September 2022</p>	
<p>4. The DAP audit report on Digitalisation: Electronic payments, online forms and Social Media received a limited assurance audit opinion.</p>	<p>There is no high level strategy that would help the Council maximise opportunities to engage more effectively with the general public and help to inform the Social Media policy including the relevant controls that need to be in place.</p>	<p>Director of Business Transformation and Corporate Affairs</p> <p>A social media governance group has been set up and initial meeting held. An operational protocol is in development</p>	<p>31 December 2021</p>	
<p>5. The DAP audit report on Commercial Rents received a limited assurance audit opinion.</p>	<p>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.</p>	<p>Deputy Chief Executive (S151)</p> <p>There were 10 recommendations which are being progressed.</p>	<p>31 December 2021</p>	



## Annual Governance Statement (2020/21)

6. The Council has no formal process for to track the progress of External Audit recommendations raised through to completion.	External Audit findings and the recommendations raised will be added to SPAR to track alongside Internal Audit recommendations.	Deputy Chief Executive (S151)  When we receive the final External Audit Findings report this will be actioned.	31 December 2021	
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Green is completed

Amber is in Progress

Red is not completed

White is not due for completion yet



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# CORPORATE GOVERNANCE FRAMEWORK

## Purpose of the Governance Framework

The governance framework comprises the systems and processes and culture and values by which the Council is directed and controlled; also the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

### Annual Documents

- Annual Governance Statement
- Annual Outturn Performance and Finance Reports
- Business Plans
- Committee Report Procedure
- Corporate Plan Performance Report
- Corporate Risk Register
- Delegations from/to Directors
- Equality Information
- Internal Audit Plan
- Medium Term Financial Plan
- Members Allowances Scheme
- Pay Policy
- PSIAS checklist
- Single Equalities Scheme
- Statement of Accounts
- Treasury Management Strategy Statement and Annual Investment Strategy

### Periodic Documents

- Anti-Fraud and Corruption Policy and Strategy
- Business Continuity Plans
- Communications Strategy
- Community Engagement Framework
- Constitution
- Corporate Plan 2020-2024
- Data Quality Policy
- Declarations of Independence
- Financial Regulations
- Health and Safety Policies
- Information Governance Framework
- Information Security Policy
- Internet Transparency Pages
- Member/Officer Relations Protocol
- Members' Code of Conduct
- Money Laundering Policy
- Officer Employment Procedure Rules
- Officers' Code of Conduct
- Performance Management Framework
- Record of Decisions
- Register of interests
- Risk & Opportunity Management Policy
- Staff Charter
- Statement of Community Involvement
- Whistle Blowing Policy
- Workforce Data Report

### Contributory Processes

- Audit Committee
- Budget Monitoring Process
- Corporate Asset Strategy Group
- Corporate H&S
- Corporate Intranet
- Council Tax Leaflet/Information
- Customer Feedback Process
- Data Protection Officer
- Director of Finance, Assets and Resources (S151)
- Consultative Forums
- Equalities Forum
- External Audit
- Finance and Resources
- Grant administration, and certification to government
- Gypsy and Traveller Forum
- Head of Paid Service
- H&S Committee
- Impact (staff consultation group)
- Independent Remuneration Panel
- Internal Audit
- Job Descriptions
- Job Evaluation Process
- Law & Governance
- Member Training Scheme
- Monitoring Officer
- Net Zero Advisory Group
- Partnership arrangements
- Planning Policy Advisory Group
- ProContract for procurement
- Report Template
- Schedule of Council Meetings
- Scrutiny Framework
- Standards Committee
- Staff Induction
- Staff Surveys
- Tenants Together



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## PSAA Consultation – Briefing Note

### 1.0 Introduction

The Public Sector Audit Appointments Limited (PSAA) is an independent company limited by guarantee incorporated by the Local Government Association in August 2014.

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19. PSAA is responsible for appointing auditors and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts entered into with the audit firms.

The initial procurement on behalf of more than 480 bodies (98% of those eligible to join the national scheme) was very successful, attracting very competitive bids from firms. As a result PSAA were able to enter into long term contracts covering the period 2018/19 to 2022/23 with five experienced and respected firms and to make auditor appointments to all bodies.

During Autumn 2021 all local government and police bodies will need to make important decisions about their external audit arrangements for the period commencing from the financial year 2023/24. Local bodies have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA. PSAA has produced a [draft prospectus](#) which provides an introduction to the national scheme.

### 2.0 Background

2018 proved to be a very significant turning point for the audit industry. A series of financial crises and failures in the private sector gave rise to questioning about the role of auditors and the focus and value of their work. Then, in rapid succession, there were four independent reviews commissioned by Government:

- Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator;
- the Competition and Markets Authority review of the audit market;
- Sir Donald Brydon's review of the quality and effectiveness of audit; and
- Sir Tony Redmond's review of local authority financial reporting and external audit.

These four reviews set out more than 170 recommendations which are now in various stages of consideration by Government with the clear implication that a series of significant reforms will follow. Some significant change is already underway which has affected audits since 2018/19 where deeper levels of assurance has been required, which requires additional work to be undertaken, ultimately leading to higher charges than initially set.



In addition to the additional work requirements, recruitment challenges and growing complexity within local authority accounts also threaten the ability to meet the 31 July annual audit deadline. Nationally, over two hundred 2018/19 audits missed that deadline. This was further exacerbated in the 2019/20 audit round by Covid-19 despite the government relaxing the timeframe until 30 November with over 260 audits failing to be completed.

PSAA are therefore seeking to coordinate all parties to address these matters. The steps taken so far to improve the process and experience for all parties is included within Appendix 1.

PSAA acknowledge that some of the desirable improvements are outside of their control. However, the prospectus outlines further work to improve the outcomes.

### **3.0 Draft Prospectus for 2023 and beyond**

Although each individual organisation has an option to procure its own audit solution, the PSAA sets out the following benefits of “opting-in” to its procurement is included within Appendix 2. It should be noted that a decision to become an opted-in authority must be taken by Full Council. Opting out would require our own procurement exercise including the creation of an auditor panel<sup>1</sup> for the selection and appointment of the auditor and the associated contract management.

In the event that the procurement fails to attract sufficient capacity to enable auditor appointments to every opted-in body, there are fall-back options to extend one or more existing contracts for the period spanning 2023/24 and 2024/25. Given the financial implications associated with the additional requirements and required improvements, it is likely that the new scale fees will be considerably higher than within the current contract (albeit that additional charges are already being felt). Therefore, extending the current procurement is not felt to be the right way forward.

PSAA believes it is well placed to run another national procurement on behalf of public sector bodies based on the journey it has been over in the last three years and that their “mass market” route will provide the best value for money and market sustainability. It has experience staff in terms of dealing with procurement, managing contracts and setting fees. As a not-for-profit company, PSAA will minimise their costs and any surplus will be returned to scheme members.

As fees will continue to be pooled meaning that everyone within the scheme will benefit from the prices secured via a competitive procurement process. Fee variations are only occur if auditors are required to do substantially more work than anticipated, for example, if local circumstances or the Code of Audit Practice change or the regulator (the FRC) increases its requirement on auditors.

If the changes that relate to audit fees, proposed in MHCLG’s recent consultation on the Appointing Person Regulations, are ultimately approved and implemented, PSAA will be able to manage the scale of fees and fee variations more flexibly. This will enable scale fees to be determined taking into account the outcome of more recently

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<sup>1</sup> <https://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf>



completed audits, and fee variations to be managed differently depending on whether they are driven by national or local factors.

Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. This could lead to 7 – 10 contract lots, graduated in size with the largest being up to 25% of the market compared to 40% at present. This will ultimately be dependent upon the number of members opting-in and should be a balance of geography and a blend of the different authority types.

Bidders will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders. PSAA intend to assess Tenders on an 80:20 split between quality and price in line with other recent public sector audit procurements, compared to the 50:50 split applied in the last round. However, it's recognised that the sector will have views on this and these will be taken into consideration.

The areas of focus to assess the quality will be audit approach, quality assurance arrangements, resourcing, capacity and capability, management of the transition between audit firms and client relationship management and communication. There will also be regular engagement with audit committee chairs and Chief Finance Officers. PSAA propose to underpin our more heavily weighted emphasis on quality with a series of KPIs derived from these areas.

In some cases currently, it is possible that the scale fee doesn't cover the actual cost of the audit, therefore independent research will be carried to explore this risk. Where necessary, a minimum scale fee could be introduced from 2023/24. PSAA envisage the inclusion of mechanisms to adjust scale fees transparently (either up or down) to ensure that both opted-in bodies and contracted suppliers are neither advantaged nor disadvantaged by such changes. Importantly it is hoped this will avoid contingency provisions being built into firms' bids to mitigate risk. PSAA intend to share recent approved fee variations to establish a consistent and informed basis for the submission of tenders.

PSAA will tailor their approach to the procurement to take into account emerging outcomes from Government in response to the four reviews stated above. Where regulatory changes are in train which affect the amount of audit work which suppliers must undertake, firms will be informed as to which developments should be priced into their bids. Other regulatory changes will be addressed through the fee variation process.

The preferred duration of the contract is again five years with an option to extend for one or two years. This enables security for both parties and provides a fall-back should there be issues at the tail end of the contract.

PSAA plan to undertake a restricted procurement process which minimises the costs involved for both parties. This is a two stage process. The first stage is a selection process, where the bidders' capability, capacity and experience to perform the contract is assessed. This means the number of bidders can be reduced at the selection stage. The second stage is when the Invitation to Tender is issued and the



bids are assessed to determine the most economically advantageous tender. Only the shortlisted bidders are then invited to submit a tender.

PSAA are considering establish a Dynamic Purchasing System (DPS) in parallel to the main procurement. A DPS could provide the option for some or all subsequent auditor appointments, e.g. to newly established bodies, to be the subject of mini-procurements. It would also mitigate the risk that some audit firms might be “locked out” of the market for the new contract term if they are unsuccessful in the procurement.

To support the drive for market sustainability, PSAA are considering the following possible options:

- accepting consortia bids including those that involve firms which are seeking to enter the market by gaining experience working in partnership with an existing registered supplier;
- accepting bids from firms that are currently proceeding through the local audit registration process; and
- inclusion of one or two lots specifically aimed at seeking to encourage additional capacity into the market, mostly likely through some form of joint working arrangement between more experienced suppliers and new entrants or less experienced suppliers.

Additional costs may arise as an inevitable consequence of striving to bring new suppliers into the market. If additional costs were to occur, they would be borne by the scheme as a whole rather than by an individual audited body or a sub-set of bodies.

The Social Value Act 2012 applies to PSAA, therefore they must consider:

- how the audit services might “improve the social, economic and environmental well-being” of England; and
- how in conducting the process of procurement of those services we might act with a view to securing that improvement.

As such PSAA are considering whether to focus the approach to social value solely on audit apprenticeships which demonstrate a commitment to local audit and are awarded to residents of deprived areas. PSAA feel this focus, whilst narrow, would deliver a tangible, measurable outcome for the long-term benefit of the sector and increase the overall number of apprenticeships. The initial thinking is to attach a 4% evaluation weighting to social value (that equates to 5% of the quality score). Again, it's recognised that the sector will have views on this and these will be taken into consideration.

#### **4.0 Timeframe**



PSAA expect to issue with the formal opt-in invitation during September 2021. Following the conclusion of the opt-in invitation period (likely to be during January 2022) there may be one further limited revision of the procurement strategy, depending upon the number of bodies that decide to opt-in and the impact of any potential changes to regulations or other environmental factors. PSAA anticipate initiating the procurement for new audit services contracts in February 2022, culminating in contracts being awarded in June 2022.

The consultation on the draft prospectus will close on Thursday 8 July 2021.

Contact for further information: Paul Deal, Corporate Manager for Finance  
([pdeal@middevon.gov.uk](mailto:pdeal@middevon.gov.uk))



## **Appendix 1 – Measures taken to date to improve matters**

- proactively and constructively engaging with the numerous high-profile industry reviews, including the significant Redmond Review into Local Authority Financial Reporting and External Audit;
- commissioning an independent review undertaken by Cardiff Business School of the design and implementation of the appointing person role to help shape the thinking about future arrangements;
- commissioning an independent review by consultancy firm Touchstone Renard of the sustainability of the local government audit market, which identified a number of distinctive challenges in the current local audit market. PSAA published the report to inform debate and support ongoing work to strengthen the system and help to deliver long term sustainability;
- working with MHCLG to identify ways to address concerns about fees by developing a new approach to fee variations which would seek wherever possible to determine additional fees at a national level where changes in audit work apply to all or most opted-in bodies;
- the establishment of a Local Audit Quality Forum, which is free of charge to opted-in bodies and has to date held five well attended events on relevant topics;
- using advisory panels and attending meetings of the various Treasurers' Societies and S151 officer meetings to share updates on PSAA's work, discuss audit-related developments, and listen to feedback;
- maintaining contact with those registered audit firms that are not currently contracted with us, to build relationships and understand their thinking on working within the local audit market;
- undertaking research to enable a better understanding of the outcomes of electors' objections and statements of reasons issued since PSAA's establishment in April 2015; and
- sharing experiences with and learning from other organisations that commission local audit services such as Audit Scotland, the NAO, and Crown Commercial Services.



## **Appendix 2 – Benefits of opting in to PSAA national procurement scheme**

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency and value for money;
- on-going management of any independence issues which may arise;
- access to a dedicated team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members;
- collective savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- a sector-led collaborative scheme supported by an established advisory panel of sector representatives to help inform the design and operation of the scheme;
- avoiding the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- providing regular updates to Section 151 officers on a range of local audit related matters and PSAA work, to inform and support effective auditor-audited body relationships; and
- concerted efforts to develop a more sustainable local audit market



### Appendix 3 – Consultation Questions and Proposed Answers

1. Is PSAA right to prioritise the awarding of new longer term contracts with firms, based on realistic market bid prices, mitigating the risks of a less than fully successful procurement by holding in reserve the option to extend one or more of the existing audit services contracts for up to two years if required?

Yes, longer term contracts offer greater stability, both in terms of consistency in appointed auditor and their associated fees. Realistic market prices are important to enable the contractor to undertake the work robustly and to avoid the current issues around additional fees being proposed.

However, tight control needs to be had over what constitutes market price to ensure the public purse is not exploited and continues to receive value for money.

The option to extend is also sensible to avoid the issues outlined in the consultation around failure to secure future contractors. However, doing this in agreement with the supplier still leaves an option for them to walk away and thereby negating the desired benefit and leaving the sector exposed.

2. Is five years an appropriate term for bodies to sign up to scheme membership?

Yes

3. Is five years with the option to extend for up to two years subject to the supplier's agreement an appropriate term for the next audit services contracts?

Yes – see the caveat raised in the response to Q1. To fully mitigate the risk the extension should be at PSAA's discretion, not in agreement with the supplier.

4. Is PSAA right to evaluate tender submissions on the basis of 80% quality and 20% price to align with market expectations and other recent public sector audit procurements?

Quality should be the priority. However value for money is also a key consideration. At 80%, there is concern that the supplier will seek to maximise the fees. This would undo the financial savings achieved over the last procurement and add additional pressure onto already stretched local authority budgets. A more balanced approach of say 70:30 in favour of quality feels more sensible.

5. Is PSAA right to seek to encourage market sustainability within the local audit market by accepting bids from firms that are currently proceeding through the local audit registration process; by accepting consortia bids which may involve an unregistered firm gaining experience by working alongside a registered



firm; and by considering the inclusion of one or two lots specifically aimed at seeking to encourage additional capacity into the market?

Yes, without doing so, an already small market could retract further leaving only possibly multinational firms who could monopolise the market. Entry to that market by new firms, or future re-entry by existing firms would be severely compromised.

Where unregistered companies are successful through a consortia, measures should be included to ensure the main registered firm will step in should difficulties arise.

6. Is PSAA's proposed approach to social value appropriate given the services to be procured will be delivered across the whole of England? Are there any alternative approaches that should be considered?

The inclusion of social value elements is the correct thing to do. The considered apprenticeship approach is sensible. Other aspects that could be considered include the supplier committing to reducing their carbon footprint in line with public sector commitments.

It is indicated that suppliers may be considered based upon their locality. Therefore, their contribution to the local community (broader than simply the apprenticeship scheme) could also be considered.

7. Is PSAA right to carry out research and to consider setting a minimum audit fee in the next appointing period, recognising the increasing level of audit work now required and the risk that smaller scale fees may not be sufficient to cover the actual cost of the audit? What would be the key issues for PSAA to consider in the event that it opts to set a minimum fee for a Code-compliant audit?

Yes market research is essential to avoid the suppliers maximising their fee and to ensure the public purse is protected. The minimum fee does give assurance to bidders that their costs could be fully covered. However, a minimum fee offers little protection to local authorities that further charges would not transpire. Perhaps a maximum fee approach or cap could be considered – based on the research. This should still protect the bidder, but also offer assurance to the sector that it is still receiving value for money.

8. In the context of the recent NAO report, should PSAA and other market participants strive to prioritise the timeliness of audit opinions in the next appointing period? What actions should PSAA or other market participants take in order to avoid delayed opinions blighting the next period?

Timeliness is an important factor. In a normal year, where a local authority must complete the draft accounts by the end of May, it is important that the audit follows in a timely manner. Recent examples of audits going on late into autumn or beyond undermine the accounts – they give the impression that there are issues even where there may not be.



PSAA should work to Government to align the audit programme adequately across the whole public sector. Too often audits planned for the beginning of June are affected by overruns in NHS audits. The timeframe for the NHS should be reviewed and set. Once known, the local authority timeframes should be reviewed and set. This may allow greater time to prepare the financial statements, which could improve their quality (although the overwhelming majority receive unqualified opinions indicating quality is not an issue). This will allow all parties to plan and allocate their resource more appropriately, which should reduce workloads and thereby aid the sectors recruitment issues.

A hard statutory deadline could be imposed, as it already is for local authorities to ensure that the audit is complete by the end of September. This allows double the timeframe that local authorities have to prepare the accounts. Conversely, the flexible approach applied to the NHS audit timeframe could be applied to Local Authorities. This does not however resolve the issue that Local Authority resource is distracted for a longer period of time if the audit is stretched over a longer period.

The key ingredient to improve the timeliness of both the production of the Financial Statements and the associated audit is to simplify them. The reporting requirements currently place significant restraints on all parties, and the outcome is too complex for the public to understand.

9. Which specific benefits of the national scheme are most valuable to you? Are there other benefits we should strive to develop?

- Greater value for money than could be achieved through our own procurement exercise.
- Assumed greater range of suppliers attracted to the procurement
- Reduced time in undertaking the procurement.
- Aim to develop a more sustainable market place

10. What are the key issues which will influence your decision about scheme membership for the second appointing period?

- Overall level of sector buy-in and local buy-in
- Proposed minimum fee levels
- Contract length
- Ability of PSAA to adequately contract manage – i.e. with robust contractual measures in place to deal with timeliness, quality and fee increases

11. To inform the further development of our procurement approach, please indicate whether or not you anticipate that your organisation is likely to opt into our scheme?

Yes



## **Redmond Review of Local Authority Financial Reporting and Audit Overview**

### **1.0 Background**

Sir Tony Redmond carried out a review into the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England. The objectives of the review were as follows:

- Whether the audit and related regulatory framework for local authorities in England is operating in line with the policy intent set out in the Act and the related impact assessment;
- Whether the reforms have improved the effectiveness of the control and governance framework along with the transparency of financial information presented by councils;
- Whether the current statutory framework for local authority financial reporting supports the transparent disclosure of financial performance and enables users of the accounts to hold local authorities to account; and
- To make recommendations on how far the process, products and framework may need to improve and evolve to meet the needs of local residents and local taxpayers, and the wider public interest.

### **2.0 Outcome**

On 8 September 2020 the Government published the results of an independent review, led by Sir Tony Redmond, into the effectiveness of local authority financial reporting and audit. Local authority accounts are complex and the Review highlights a number of potential weaknesses with the current local audit framework and makes recommendations to address these. This briefing note summarises the key findings and recommendations within the report, as well as implications for the Council.

### **3.0 Key Findings**

The review identified a number of key issues with local audit, including:

- An ineffective balance between price and quality with 40% of audits in 2018/19 failing to meet required reporting deadlines in part due to under-resourcing and lack of experienced staff;
- A lack of coordination and regulation of audit activity leading to serious concerns regarding effectiveness of local audit;
- Outcomes not always being effectively presented to the local authority and public leading to ineffective consideration and challenge; and
- The technical complexity of statutory accounts limiting public understanding.



## **4.0 Recommendations**

The statutory framework within which local authority audits are conducted is set out in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015. Both primary and secondary legislation would be required in order to implement the recommendations of the Redmond Review in relation to financial reporting and the audit regime. 23 recommendations were made, with the key ones outlined below:

### **4.1 External Audit Regulation and Oversight**

- The creation of an Office of Local Audit Regulation to procure, manage and regulate external audits. Some of the existing regulatory responsibilities, which currently sit with other bodies, to transfer to the new body.
- Revisions to the current fee structure for external audits to ensure adequate resources are deployed.
- Additional skills training for those involved in local audits and the amendment of statute to allow audit firms with the requisite capacity, skills and experience to bid for local audit work.
- The deadline for publication of audited local authority accounts be considered in consultation with the NHS, with a view to extending the deadline from 31 July to 30 September.

### **4.2 Financial Reporting**

- A simplified and standardised financial statement of service information and costs be made available to the public to allow comparison with the annual budget and council tax. This new statement would be prepared in addition to the statutory accounts and would be subject to audit.
- CIPFA/LASAAC to look again at the composition of the statutory accounts to see if improvements can be made to simplify their presentation and enhance their usefulness and understandability.

### **4.3 Governance**

- The composition of audit committees be examined to ensure they have the required knowledge and expertise. Consideration should be given to the appointment of at least one suitably qualified, independent member to support elected representatives in scrutinising local authority finances.
- To demonstrate transparency and accountability, external audit would be required to submit an annual report to the first full council meeting after 30 September each year, irrespective of whether the financial accounts have been certified.



- A formal requirement for statutory officers (Chief Executive, Monitoring Officer and Section 151 Officer) to meet, at least annually, with the Key Audit Partner.

#### **4.4 Financial Resilience and Sustainability**

- The current framework for seeking assurance on financial sustainability is reviewed by MHCLG to help address the gap between stakeholder expectations and what the auditor is required to do.
- The sharing of key concerns relating to service and financial viability, between local auditors and inspectorates, prior to completion of the external auditor's report.
- In addition, an update to the NAO's Code of Audit Practice that will be applicable from 2020/21 will require auditors to provide a narrative statement on the arrangements an authority has in place to secure value for money.

#### **5.0 Conclusions and implications for the Council**

Recommendations will now be considered by relevant bodies. A number of recommendations require primary legislation to be in place, after which the timescale for implementation will be clearer. It is expected that a number of recommendations will be in place for the audit of the 2021-22 accounts, at least in part.

Assuming that the recommendations are implemented, key implications for the Council will include:

- A likely increase in audit fees; with evidence suggesting audit fees collectively are at least 25% lower than required to fulfil current local audit requirements effectively.
- The requirement for the auditor to present an annual report to Full Council.
- (Continuation of) the appointment of at least one suitably qualified independent member to Audit Committee.
- An additional requirement to produce a standardised statement of service information and costs.
- A revised timetable, with a change in the reporting deadline from 31 July to 30 September.

Some of the recommendations made by other reviews on audit reform, e.g. Kingman and Brydon reviews, may also be relevant to the future of local audit and legislation to implement these is pending.

#### **Background papers:**

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-auditindependent-review>



## **6.0 Ministry of Housing, Communities and Local Government Response**

The Ministry of Housing, Communities and Local Government (MHCLG) published its response to the findings of the review on 17 December 2020, grouped into five themes:

1. Action to support immediate market stability
2. Consideration of system leadership options
3. Enhancing the functioning of local audit and the governance for responding to its findings
4. Improving transparency of local authorities' accounts to the public
5. Action to consider the functioning of local audit for smaller bodies

This briefing provides a high-level summary of the response.

### **6.1 Action to support immediate market stability**

*Recommendation 6 – current fee structure to be revised*

- MHCLG to consult/review regulations to allow appointing person greater flexibility to set additional fees where additional work is identified.
- Local Authorities to receive £15m in additional funding in 2021/22 to meet rise in audit fees/new audit requirements (allocations to be confirmed).

*Recommendations 10 and 11 – deadline to be extended from 31 July to 30 September*

- Proposed extension of deadline to 30 September for two-year period (covering 2020/21 and 2021/22).

*Recommendations 5 and 8 – audit firms to be appropriately skilled/other firms able to bid for local audit work*

- MHCLG to continue to review/consider in context of 2019 Brydon Review, and will work with the accounting bodies to consider training and development needs across audit sector.

### **6.2 Consideration of system leadership options**

*Recommendations 1, 2, 3, 7, 13 and 17 – establishment of new independent regulator for local audit (Office of Local Audit and Regulation – OLAR)*

- MHCLG to consider alternative options, noting “We do not wish to recreate the costly, bureaucratic and over-centralised Audit Commission”

### **6.3 Enhancing the functioning of local audit and the governance for responding to its findings**

*Recommendations 4, 9, 10, 11, 12 and 18 – governance arrangements, work of Internal Audit, sharing reports with external stakeholders*

- The department “strongly agrees” with Redmond recommendation that the external auditor should be required to present an Annual Report to a Full Council meeting as “important opportunity for potential risks or concerns to be escalated



in a timely way”. MHCLG to explore how this can be achieved and consider enshrining in statute.

- MHCLG to work with relevant bodies to provide new guidance to address Redmond recommendations regarding meetings between Chief Officers and external audit and the appointment of independent member to Audit Committee.
- MHCLG to support the sharing of information between inspectorates and external audit and strengthening engagement between external and internal audit.

#### **6.4 Improving transparency of local authorities’ accounts to the public**

*Recommendations 19, 20, 21 and 22 – standardised statement of service information and costs presented alongside Statutory Accounts, subject to audit, Chartered Institute Public Finance & Accountancy (CIPFA) Local Authority (Scotland) Accounts Advisory Committee (LASAAC) to consider removal of disclosures to simplify accounts*

- The department agrees that audited standardised statement of service information and costs is required – should be short and accessible (1/2 pages) and should be communicated to all taxpayers and service users.
- Standardised statements to be required in 2021/22 – additional funding will be made available to enable LAs to prepare – allocations to be confirmed.
- MHCLG to work with CIPFA/LASAAC to consider scope to simplify accounts by removing disclosures – earliest this could be achieved is 2022/33 accounts – therefore changes may need phased approach.

#### **6.5 Action to consider the functioning of local audit for smaller bodies**

Not relevant for Mid Devon District Council.

#### **Background papers:**

[Local authority financial reporting and external audit: government response to the independent review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-authority-financial-reporting-and-external-audit-govuk)

### **7.0 Redmond Review into Local Audit - Spring Update Report**

On 19 May 2021 MHCLG published an update report. The report provides an update on progress implementing the Government’s response to the Redmond Review, including on the delivery of measures to support immediate market stability and towards implementation of Sir Tony’s other recommendations.

The Government announced a new standalone unit will be established within the proposed new regulator, Audit, Reporting and Governance Authority (ARGA), which will replace the Financial Reporting Council (FRC). It will have overarching responsibility to make sure the local audit framework operates in a coherent and joined up manner. Forums will be created to enable engagement directly with both local bodies and audit firms to ensure that local audits are focused on areas of most risk to local bodies, and that firms have a clear understanding of priorities for the sector, and are able to escalate issues and concerns where necessary.

Alongside, the Code of Audit Practice will transfer from the National Audit Office to ARGA and PSAA will be reconfirmed as the procurement lead and be responsible for



setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, supported commercially by MHCLG, who will also set up and chair the Liaison Committee of key stakeholders in the interim while ARGA is established. The Liaison Committee will receive reports from the new regulator (ARGA) on the development of local audit, potentially based upon reports previously prepared by PSAA which included detail on the number of audits completed by the statutory deadline and the number of qualified financial audit and value for money opinions, with the latter categorised by theme. It also listed all Public Interest Reports, Statutory Recommendations and Advisory Notices issued in the preceding year. It will also be the forum to consider the procurement strategy at key stages in its development.

ARGA will look at whether there are opportunities to reduce some of the accounting and audit requirements where these relate to areas of less risk to local bodies. The intention would be to ensure that local authority accounts and the statutory audit are proportionate, noting that they need to be consolidated into the Whole of Government Accounts, prepared in accordance with International Financial reporting Standards, and meeting the necessary standards of reporting and scrutiny. In the interim MHCLG will work with the CIPFA, CIPFA/LASAAC, the FRC, NAO, HMT, the Financial Reporting Advisory Board and others to look at opportunities to address these issues around accounting and audit requirements at pace, including through modifications to the Accounting Code.

## **8.0 Next Steps**

MHCLG will work closely with stakeholders, including local bodies and audit firms, to refine our proposals for implementing our commitments around system leadership, as well the range of other commitments we have made in response to the Redmond Review, ahead of publishing a public consultation on the proposals in advance of summer recess.

**Annex A** provides a summary of the Government's responses to date to the 23 recommendations.

Contact for more information: Paul Deal, Corporate Manager for Finance (pdeal@middevon.gov.uk)



## Annex A: Table of recommendations outlining our response and our progress implementing them

### Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)

Recommendation	December MHCLG Response	Progress update
5. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.	<b>Accept</b> ; we will work with the ICAEW, CIPFA and FRC to deliver this recommendation	<b>In progress.</b> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including the ICAEW, CIPFA and FRC, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> </ul>
6. The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.	<b>Accept</b>	<b>In progress.</b> <ul style="list-style-type: none"> <li>• We are currently consulting on proposals to make amendments to The Local Audit (Appointing Person) Regulations 2015 that will, subject to stakeholders' views, provide Public Sector Audit Appointments Ltd (PSAA) (the bulk audit services procurement body) with more flexibility to agree fees that more closely match the actual costs of audit.</li> <li>• We are providing £15 million to principal bodies, both to help support affected bodies to meet the anticipated increase in audit fee costs in 21/22 and to support with new burdens relating to implementing Redmond's recommendations. We are currently seeking views via public consultation on the methodology for distributing this funding in the fairest way and our intention is to confirm individual allocations as soon as possible after the consultation closes on 18 May.</li> <li>• We have reconfirmed PSAA Ltd as the appointing body ahead of the next procurement, and will work closely with them, as well as other stakeholders, to ensure alignment in objectives between the procurement and the wider local audit system.</li> </ul>
8. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.	<b>Part accept</b> ; we will work with the FRC and ICAEW to deliver this recommendation, including whether changes to statute are required	<b>In progress.</b> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including the ICAEW and FRC, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> <li>• This includes reviewing guidance relating to the entry criteria for key audit partners (KAPs).</li> </ul>



Recommendation	December MHCLG Response	Progress update
10. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.	<b>Part accept;</b> we will look to extend the deadline to 30 September for publishing audited local authority accounts for two years, and then review	<b>Delivered.</b> <ul style="list-style-type: none"> <li>• Regulations extending the audit publication deadline to 30 September for 2 years came into force on 31 March 2021.</li> <li>• At the end of this period we will review whether there is a continued need to have an extended deadline.</li> </ul>
11. The revised deadline for publication of audited local authority accounts be considered in consultation with NHSE/I and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work.	<b>Accept</b>	<b>Delivered.</b> <ul style="list-style-type: none"> <li>• Regulations extending the audit publication deadline to 30 September for 2 years came into force on 31 March 2021.</li> <li>• At the end of this period we will review whether there is a continued need to have an extended deadline.</li> </ul>



## Consideration of system leadership options (recommendations 1, 2, 3, 7, 13, 17)

Recommendation	December MHCLG Response	Progress update
<p>1. A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:</p> <ul style="list-style-type: none"> <li>• procurement of local audit contracts;</li> <li>• producing annual reports summarising the state of local audit;</li> <li>• management of local audit contracts;</li> <li>• monitoring and review of local audit performance;</li> <li>• determining the code of local audit practice; and</li> <li>• regulating the local audit sector.</li> </ul> <p>2. The current roles and responsibilities relating to local audit discharged by the:</p> <ul style="list-style-type: none"> <li>• Public Sector Audit Appointments (PSAA);</li> <li>• Institute of Chartered Accountants in England and Wales (ICAEW);</li> <li>• FRC/ARGA; and</li> <li>• The Comptroller and Auditor General (C&amp;AG) to be transferred to the OLAR.</li> </ul>	<p><b>We are considering these recommendations further</b> and will make a full response by spring 2021</p>	<p><b>Part accept;</b></p> <ul style="list-style-type: none"> <li>• We accept the need for a single organisation to have responsibility for leadership of the local audit system, including oversight of the quality framework and encouraging competition in the local audit market.</li> <li>• We accept that this requires a single body to have responsibility for: <ul style="list-style-type: none"> <li>o Producing annual reports summarising the state of local audit;</li> <li>o Monitoring and review of local audit performance;</li> <li>o Determining the code of local audit practice; and</li> <li>o Regulating the local audit sector.</li> </ul> </li> <li>• We do not accept that a new body needs to be created to undertake these functions, and think that these functions, as well as an overarching responsibility for system leadership and encouraging competition in the local audit market, should be undertaken by the Audit, Reporting and Governance Authority (ARGA), set to be established to replace the Financial Reporting Council.</li> <li>• We do not accept that this body should also have responsibility for procurement and management of local audit contracts, and think that these should functions should continue to be undertaken by PSAA.</li> <li>• We will work with stakeholders to refine these proposals ahead of a public consultation before summer recess.</li> </ul>
<p>3. A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.</p>	<p><b>We are considering these recommendations further</b> and will make a full response by spring 2021</p>	<p><b>Part accept;</b> we will establish this new Liaison Committee, but think that this should be chaired by ARGA as the 'system leader' once the new arrangements are established. MHCLG will chair this in the intervening period.</p>
<p>7. That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.</p>	<p><b>We are considering these recommendations further</b> and will make a full response by spring 2021</p>	<p><b>Part accept;</b> we will work with stakeholders to consider whether additional sanction powers beyond the audit enforcement procedures that ARGA will already have are necessary.</p>



Recommendation	December MHCLG Response	Progress update
<p><b>13.</b> The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.</p>	<p><b>We are considering these recommendations further</b> and will make a full response by spring 2021</p>	<p><b>Accept;</b> we have endorsed the changes to the 2020 Audit Code of Practice, and will look to ARGA to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters in due course.</p>
<p><b>17.</b> MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.</p>	<p><b>We are considering these recommendations further</b> and will make a full response by spring 2021</p>	<p><b>Accept;</b> MHCLG carries out a range of assurance activity, drawing on local authority data and financial metrics and soft intelligence from engagement with the sector. The Department has undertaken additional data collection in 2020-21 to provide government with robust data on local financial pressures in the context of the Covid-19 pandemic, and has also implemented a consistent process to engage with local authorities facing financial challenges and, where appropriate, provide exceptional financial support.</p>



## Enhancing the functioning of local audit, and the governance for responding to its findings (recommendations 4, 9, 12, 18)

Recommendation	December MHCLG Response	Progress update
<p><b>4.</b> The governance arrangements within local authorities be reviewed by local councils with the purpose of:</p> <ul style="list-style-type: none"> <li>• an annual report being submitted to Full Council by the external auditor;</li> <li>• consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and</li> <li>• formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.</li> </ul>	<p><b>Accept;</b> we will work with the LGA, NAO and CIPFA to deliver this recommendation</p>	<p><b>In progress.</b></p> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> <li>• This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies and audit firms.</li> </ul>
<p><b>9.</b> External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.</p>	<p><b>Accept;</b> we will work with the NAO and CIPFA to deliver this recommendation</p>	<p><b>In progress.</b></p> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> <li>• This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies and audit firms.</li> </ul>
<p><b>12.</b> The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.</p>	<p><b>Accept;</b> we will work with the LGA, NAO and CIPFA to deliver this recommendation, including whether changes to statute are required</p>	<p><b>In progress.</b></p> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> <li>• This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies and audit firms.</li> </ul>



Recommendation	December MHCLG Response	Progress update
<p><b>18.</b> Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's Annual Report.</p>	<p><b>Accept;</b> we will work with other departments and the NAO to deliver this recommendation</p>	<p><b>In progress.</b></p> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including the LGA, NAO and CIPFA, to deliver this recommendation. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> <li>• This includes consideration of new guidance developed with the stakeholders listed above, as well as the ICAEW and PSAA Ltd, and local bodies and audit firms.</li> </ul>



## Improving transparency of local authorities' accounts to the public (recommendations 19, 20, 21, 22)

Recommendation	December MHCLG Response	Progress update
<b>19.</b> A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.	<b>Accept;</b> we will work with CIPFA to deliver this recommendation	In progress. • We are currently working with CIPFA to deliver this recommendation. We are taking time to consider how it should work, as it is important that it is of value for taxpayers.
<b>20.</b> The standardised statement should be subject to external audit.	<b>Accept;</b> we will work with CIPFA and the NAO to deliver this recommendation	In progress. • We are currently working with CIPFA to deliver this recommendation. We are taking time to consider how it should work, as it is important that it is of value for taxpayers.
<b>21.</b> The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.	<b>Accept;</b> we will work with the LGA and CIPFA to deliver this recommendation	In progress. • We are currently working with CIPFA to deliver this recommendation. We are taking time to consider how it should work, as it is important that it is of value for taxpayers.
<b>22.</b> CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.	<b>Accept;</b> we will look to CIPFA to deliver this recommendation	<b>In progress.</b> • CIPFA/LASAAC has agreed a new Strategic Implementation Plan that includes delivery of this recommendation.



## Action to further consider the functioning of local audit for smaller bodies (recommendations 14, 15, 16, 23)

Recommendation	December MHCLG Response	Progress update
<p><b>14.</b> SAAA considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other Smaller Authorities is proportionate to the nature and size of such organisations.</p>	<p><b>Accept;</b> we will look to SAAA to deliver this recommendation</p>	<p>In progress</p> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including SAAA and JPAG, to deliver these recommendations. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> <li>• This includes changes to current auditor guidance notes and what additional audit work might be appropriate for 'larger' small bodies.</li> </ul>
<p><b>16.</b> SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.</p>	<p><b>Accept;</b> we will look to SAAA to deliver this recommendation</p>	<p>In progress</p> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including SAAA and JPAG, to deliver these recommendations. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> <li>• This includes changes to current auditor guidance notes and what additional audit work might be appropriate for 'larger' small bodies.</li> </ul>
<p><b>23.</b> JPAG be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered:</p> <ul style="list-style-type: none"> <li>• Whether "Section 2 – the Accounting Statements" should be moved to the first page of the AGAR so that it is more prominent to readers;</li> <li>• Whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements; and</li> <li>• Whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of the Accounting Statements.</li> </ul>	<p><b>Accept;</b> we will work to JPAG to deliver this recommendation</p>	<p>In progress</p> <ul style="list-style-type: none"> <li>• We committed to working with stakeholders, including SAAA and JPAG, to deliver these recommendations. We have established a working group to deliver this recommendation, which is currently considering proposals to deliver it and we will provide an update ahead of summer recess.</li> <li>• This includes changes to current auditor guidance notes and what additional audit work might be appropriate for 'larger' small bodies.</li> </ul>



Internal Audit

## Audit Progress Report 2021-22

Mid Devon District Council  
Audit Committee

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Robert Hutchins  
Head of Audit Partnership

Auditing for achievement



## Introduction

The Audit Committee, under its Terms of Reference contained in Mid Devon District Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

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

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion for use by the organisation to inform its governance statement. This report provides our proposed opinion for 2021-22 based on work undertaken to date in the Opinion Statement.

The Internal Audit plan for 2021-22 was presented and approved by the Audit Committee in March 2021. The following report and appendices set out the background to audit service provision; summaries of audit work undertaken during the year and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

### Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

- the assurance statement within this report.
- the basis of our opinion and the completion of audit work against the plan.
- the scope and ability of audit to complete the audit work.
- audit coverage and findings provided.
- the overall performance and customer satisfaction on audit delivery.
- approve the amendments to the audit plan.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained.

**Robert Hutchins**  
**Head of Devon Audit Partnership**

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## Opinion Statement

**Overall, based on work performed during 2021/22 and our experience from the current year progress and previous years' 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 opinion statement will support Members in their consideration for signing the Annual Governance Statement.*

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews. 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 address control issues identified. Implementation of action plans is the responsibility of management yet may be reviewed during subsequent audits or as part of specific follow-ups.

Directors and Senior Management are provided with details of Internal Audit's opinion on each audit review to assist them with compilation of their individual annual governance assurance statements at year end.

<b>Substantial Assurance</b>	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.

## Executive Summary of Audit Results

### Core Audits

We have now started our core audit work, with a review on Trade Waste.

### Risk Based Audits

We have completed our remaining 2020/21 audit on Cyber Security (Malware and Ransomware) audit and provide a Reasonable Assurance. Within the report we have agreed six High Priority recommendations, which reflects that this is an area where there is significant risk from outside hostile actors. This audit focused on prevention of malware and ransomware being delivered onto council systems. In the next few months, we will be undertaking the second part of our work on Incident Response and Recovery.

We provide a Reasonable Assurance in our Store audit which we consider to be well managed, with experienced staff supported by an effective stock control system to monitor stock transactions and support re-order requirements. This is consistent with our recent report on the annual Stock Check where we noted the low level of stock discrepancies found.

Our report on Governance is focused on Principle 2 of the CIPFA Framework. We consider that MDDC conforms to a good level with the CIPFA governance principle related to openness and comprehensive stakeholder engagement. We have made recommendations to improve reporting of council performance, and more effective engagement with stakeholders, and the wider public.

Finally, we provide a Limited Assurance report for Care Services – Alarm Management as the council does not currently have effective processes to check that faults are rectified quickly, complaints are resolved, and equipment is accounted for. The business manager has told us that management of the Telecare services was impacted during the pandemic and has agreed actions to address the recommendations as a priority.

**Appendix 1** provides a summary of the audits undertaken since our last progress report in March 2021, along with our assurance opinion. Where we provide a "Substantial assurance" or "Reasonable assurance" of audit opinion we can confirm that, overall, sound controls exist to mitigate exposure to risks identified. Where we provided a "Limited assurance"



opinion then issues were identified during the audit process that required attention. We are broadly content that management are appropriately addressing these issues, and we continue to track recommendation completion.

## Fraud Prevention and Detection

The councils revised strategy promotes a more systematic approach to dealing with fraud risk in the Council. We have a meeting this month to discuss how DAP can provide support to the council's counter fraud activities. This includes fraud training for officers.

## Audit Coverage and Performance Against Plan

We are progressing delivery of our 2021-22 audit plan. In the next few months, we will be providing important assurance on the Corporate Plan, and Performance Management, and starting to deliver our core audits, starting with the Trade Waste audit.

## Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can. We believe internal audit activity has added value to the organisation and its stakeholders by:

- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- Undertaking audits across organisational boundaries such as last year's audit on Building Control for North Devon and Mid Devon.
- Confirming that core controls continue to be effective despite changing work conditions and current pressure of work.

## Audit Recommendations

There are currently 33 overdue recommendations listed on Spar (See **Appendix 2** - 3 High and 30 Medium). This compares to 36 recommendations a year ago. While this denotes a small reduction, work is needed to reduce the number of overdue recommendations. Ultimately, these constitute acceptance of risk by business managers. We note that for most organisations Audit Committee approval is needed to allow extension of implementation dates and suggest that this may approach might be considered for this council.

**Customer Satisfaction** – For each review we ask for feedback on the audit. The number of returns has not been good, so it is a priority that we obtain more feedback in this area.



Appendix 1 – Summary of audit reports and findings for 2021-22

**Risk Assessment Key**  
Spar – Local Authority Risk Register Score Impact x Likelihood = Total & Level  
ANA - Audit Needs Assessment risk level as agreed with Client Senior Management  
Client Request – additional audit at request of Client Senior Management; no risk assessment information available

**Direction of Travel Assurance Key**  
Green – action plan agreed with client for delivery over an appropriate timescale.  
Amber – agreement of action plan delayed, or we are aware progress is hindered.  
Red – action plan not agreed, or we are aware progress on key risks is not being made.  
\* report recently issued; assurance progress is of managers feedback at debrief meeting.

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
RISK BASED REVIEWS						
<div>Cyber Security – Malware and Ransomware Phase 1</div> <div>SPAR Risk 5 x 4 = 20</div> <div>Page 127</div>	<div>Reasonable Assurance</div> <div>Status: Draft Report</div>	<div>Our evaluation follows the control framework described in the NCSC 'Cyber Essentials' accreditation, Ransomware and '10 Steps' guidance. Our 'Reasonable Assurance' audit opinion balances the control strengths and weakness listed in Appendix A. We have also recognised that Mid Devon Council are working towards the strengthening of anti-malware and ransomware controls. For example, the planned retirement of out-of-support servers and upgrades to the internet connection and firewall solution. The Council's ICT Service recognises cybersecurity as a priority for development during 2021-22.</div> <div>A layered 'defence in depth' approach is required to mitigate cyber threats, including ransomware. Controls are required in a range of IT service delivery processes. Our action plan at Appendix B of the report highlights where the defence in depth approach should be strengthened. An attack that exploits the weaknesses could bypass or negate the controls and allow malware to spread throughout the ICT infrastructure.</div> <div>The 6 High and 4 Medium recommendations in Appendix B (action plan) reflect the range of cybersecurity and operational ICT areas in the audit scope.</div>	6	4	1	<div>↑G</div>
<div>Stores</div> <div>ANA – Risk Assessment: Medium</div> <div>SPAR Risk: None</div>	<div>Reasonable Assurance</div> <div>Status: Final Report</div>	<div>Stores are well managed, with experienced staff supported by an effective stock control system to monitor stock transactions and support re-order requirements. Our recent report on the annual Stock Check noted the low level of stock discrepancies found. There is good awareness of Council policy and procedures and the team are keen to provide value for money, alongside ensuring the quality and availability of products.</div> <div>We identified instances where improvements were needed to ensure compliance with procurement requirements in the Finance Regulations, to support value for money and reduce reputational risk. Testing of supplier spend found that there were</div>	1	8	1	<div>↑G</div>



Risk Area / Audit Entity	Audit Report				
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low		
Page 128		<p>four suppliers in the last year where total spend was over £50K. The Financial Regulations state a formal contract should be placed with a supplier where spend is above that threshold. Other suppliers are also approaching that value threshold requirement. In addition, we identified procurements over £5k where three quotes were not obtained. Regular monitoring is imperative to provide awareness of supplier spend, and when a formal contract needs to be put in place.</p> <p>The Operations Manager for Building Services and the Maintenance Supervisor stressed to us the value provided by the Stores through the pandemic. Some materials have been and still are difficult to obtain. Stores has managed to supply all stock required for jobs and kept the repairs staff supplied through the pandemic, minimising the impact on delivery of maintenance work. The Operations Manager for Building Services has implied that cost benefit analysis related to the Store operation has been undertaken in the past, but these were not provided to us. The benefits secured during the pandemic require formal documentation. A cost benefit analysis would help capture the value and cost effectiveness of the service. Finally, an overall summary of the aims and purpose of the Stores area would be useful.</p> <p>We found that the 'flammable store' had not had a recent safety inspection. The Health and Safety Officer has now visited to check that items are being appropriately stored in accordance with safety regulations. We are awaiting further information on whether checks are statutory. We have requested a copy of the latest risk assessment to check that the structure of the flammable store and storage of goods complies with safety regulations.</p>			
	<p>Reasonable Assurance</p> <p>Status: Final Report</p>	<p>We consider that MDDC conforms to a good level with the CIPFA governance principle related to openness and comprehensive stakeholder engagement.</p> <p>In terms of Openness, the Council has a good understanding of the requirement of the Freedom of Information Act and has a Publication Scheme and relevant FOI and Data Protection procedures. Significant amounts of information are held on the MDDC website. The Governance Working Group, supported by the LGA, has included an open session to seek public views, a survey of members and subsequent discussion by the Council to accept its recommendations. The recommendations included organisational changes but has also highlighted the need for changes related to attitudes, behaviours and working relationships, and increased focus on engagement by members, and engagement with residents and businesses.</p>	0	7	0
<p><b>Governance</b></p> <p>SPAR Risk: 4 x 2 = 8</p>					



Risk Area / Audit Entity	Audit Report				
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low		
Page 129		<p>In support of the FOI publication scheme guidelines, there are two areas, specifically “What are our Priorities”, and “How are we doing” where more accessible information could be provided. While much information is contained in papers submitted to support meetings accessible from the website, these are not easy to find or do not provide information easy to understand. As well as ongoing performance information, more could be done to summarise council performance over the year, how the council has delivered, and issues and problems that it may be facing, such as in an annual report.</p> <p>Council members and officers engage extensively with many organisations, such as those allocated to Outside Bodies. It may be useful for the council to identify and review all organisations it deals with to consider whether the amount of engagement is sufficient.</p> <p>Effective engagement with individuals and service users is important to ensure support for council operations and the choices it makes. A recent good example of seeking customer views was the Public Customer Satisfaction survey focused on those who had directly dealt with the council. This attracted 3,277 responses, with a headline result that 86% said they were very satisfied / satisfied with their contact with the Council. The Council has a Communication and Engagement Strategy along with a Social Media Strategy, endorsed by the Community Policy Group in early 2021. Given the importance of this area, it will be important to periodically review how effective these strategies are in achieving better engagement / communication.</p>			
	<p>Limited Assurance</p> <p>Status: Draft Report</p>	<p>This area must be managed effectively as significant impacts (to life, and council reputation) may result from failure of alarms provided to customers. There is no current risk identified with regards to this area on the Councils risk register; Spar.net, and the service does not currently hold performance indicators. Effective performance monitoring is important to confirm to management that a high and reliable level of service is being provided to customers including quick fault rectification. In this regard, the council does not currently have effective processes to check that faults are rectified quickly, and complaints are resolved. While the service currently makes a small surplus, the council should consider if this return is sufficient given the risks involved, and the presence of other suppliers who may be able to invest to provide a better service.</p>	1	11	1





Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
Pa		<p>In terms of risk to the council, we take assurance from support provided by the Deane Helpline who are contracted by the council to provide a 24-hour telephone service for customers who have Piper Lifelines. The Telecare Service confirmed that during their time (3 years) there have been no service failures by the Deane Helpline and that they are happy with the service the Deane Helpline provide which they assess to be very professional.</p>				
		<p>The Operations Manager Housing Services has acknowledged that management of Telecare services has been impacted during the pandemic with conflicting priorities, reduction of staff resource due to vacancies, and working from home impacting on housing officers. Actions have been formulated to address the identified weaknesses to make the service more efficient and effective, such as purchase of an off the shelf sales and stock taking system for more effective monitoring of the equipment.</p>				




## Appendix 2 – Clearance of audit recommendations

Audits with open recommendations	Year	Recommendations									Direction of Travel RAG	BUSINESS AREA COMMENTS ON IMPLEMENTATION			
		High			Medium			Low					Totals		
		C	N	O	C	N	O	C	N	O	C	N	O		
Insurance	2017	1			3			1			4	0	1	🔴	Insurance checks for external contractors. 75% contracts are sourced through Framework agreements or SLoAC; compliance insurance is monitored through these agreements. Managers have received training in 2018/19 on monitoring of contracts. The Procurement Manager is about to roll out refresher training to complete end June 2020.
Job Evaluation	2019				2		3		3		5	0	3	🔴	Work to implement these are in hand and were expected to complete in January 2021. Completion has been delayed due to Covid-19 emergency.
Development Management S106	2018			2			3				0	0	5	🔴	Community Infrastructure levy: the meeting of Council on 6 January 21 decided not to progress CIL. The Exacom system is surplus to requirement and will not be renewed. The Infrastructure Funding Statement for 19/20 including S106 records for that year was prepared and published to meet the 31 Dec 20 deadline. Information has been published and shared with parishes on public open space S106 funding. Interim measures are in place for project reporting until full reporting arrangements under the project management system can be finalised. This is delayed due to issues identified through system testing and ICT staff resource pressures. In the next project phase application and payment records need to be added / updated in the new system.
Creditors	2018				4			2		2	6	0	2	🔴	Review of masterfile - date has been extended business objects report required. Currently implementing a system upgrade.
Debtors	2019&20				3		1	4		1	7	0	2	🔴	New sales pro-forma has been created to be introduced by end of September 2021 alongside the efin upgrade. Identification of duplicate customers - deadline extended to end of September 2021 to fit with workflows.
Adaptations	2019	1			4	1	1	2		1	7	1	2	🔴	Aids and Adaptations policy has been updated, currently being reviewed Internally. To go to Housing PDG later in the year.
Sickness and Absence	2020	1			2		2	2			5	0	2	🔴	
Ctax and NNDR and recovery	2018	1			1	0	3	4			6	0	3	🔴	Outstanding S106 invoice escalated - recovery of S106s has moved to Corporate Debt Recovery - full and final settlement being agreed. Covid delayed completion of the other two.
Asset Management	2019				2			2			2	2	0	🔴	Resource was diverted to Climate Change support. Member of staff has left - training being arranged - dates extended
Housing Health & Safety	2019	1			13	1	1	2			16	1	1	🟢	Reducing Medium risk properties to low risk over next 2 years - budget resourced to increase target for 2021/22. Training - delayed due to Covid - dates extended.
Safeguarding	2019	3			3		1				6	0	1	🟢	3 safeguarding awareness training sessions have been carried out with operatives during May 2020. Now need to pick up on those who were unavailable at the time - delayed due to Covid - looking to provide this inhouse in Autumn 2021.
Housing Benefits	2019				1		1				1	0	1	🟢	ICT advised that dministration of the system now lies with the the supplier. Internal audit have referred this back to the service to address.
Licensing - Hearings process	2020				1						0	1	0	🟢	We have been waiting for the external trainer to provide potential dates for the training. Training now planned for October 2021. Date extended to end of October 2021.
ICT Core Material Systems	2020				2		3	2	1	2	4	1	5	🟢	
Payroll	2020				5		2	1		1	6	0	3	🟢	Maintenance and related issues between the supplier and the organisation are greatly improved. Work is currently underway on upgrading the system. Due to the improvement internal audit have reduced the risk from high to medium.
Main Accounting	2020				2		1	2			4	0	1	🟢	
Digitalisation	2020				2	3	0			0	2	3	0	🟢	
Building Control	2020	3					2	1			4	0	2	🟢	
Procurement	2020			1			5	3		1	0	5	5	🟢	These recommendations will need to be confirmed given the role of DCC Procurement with the council.
Car Parking	2020				4		1				4	0	1	🟢	
Commercial Rents	2020				3	2	1	2			5	2	1	🟢	Date of two medium recs extended to 31/3/22 - member of staff left - consultancy support to train remaining staff being arranged
Safe Staff Operations during Covid	2020				6		1	5			0	11	1	🟢	
Housng Benefit	2020				2			1			0	3	0	🟢	
Climate change	2020				4			1			0	5	0	🟢	
Debtor Recovery	2021				3						0	3	0	🟢	
Stores	2021	1			8			1			0	10	0	🟢	
		14	1	3	52	16	30	25	3	8	91	15	34		

CORE  
SYSTEM

C = Completed 65%  
N = Not yet due 11%  
O = Overdue 24%

Not progressing   
Progressing some overdue   
On Target, report just issued 



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## Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon & Torridge councils. We aim to be recognised as a high-quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk).



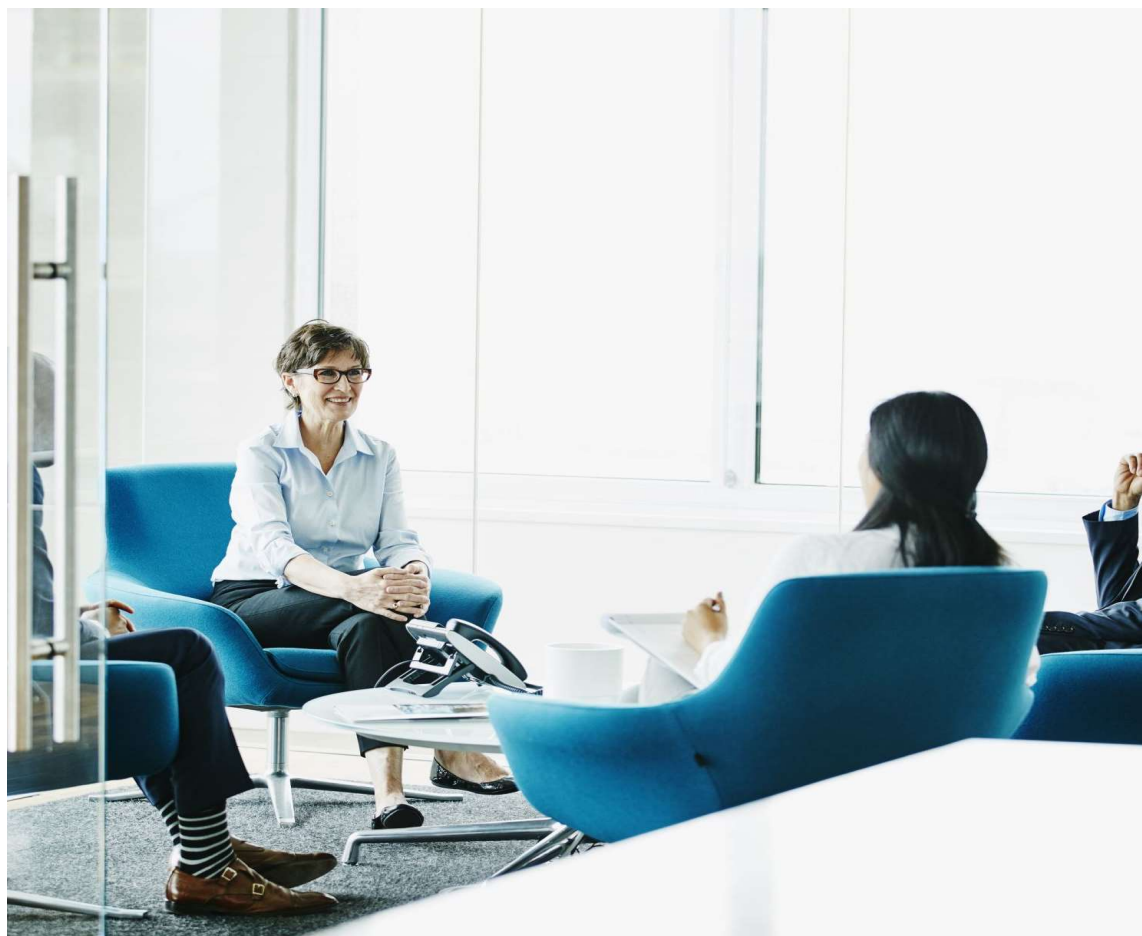
# The Audit Findings for Mid Devon District Council

**Year ended 31 March 2021**

Mid Devon District Council

3 September 2021

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## Section

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit Committee.

Name : Julie Masci  
For Grant Thornton UK LLP  
Date : 13 September 2021

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Mid Devon District Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2021 for those charged with governance.

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## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- The group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed on remotely during June - September. Our findings are summarised on pages 4 to 17.

We have identified adjustments to the financial statements that are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E), subject to the following outstanding matters and subsequent review;

- receipt and review of the Pension Fund Auditor Assurance Letter
- receipt and review of evidence from the External Valuer in relation to the valuation of Land, Buildings and Council Dwellings
- receipt and review of grant evidence
- receipt and review of group sample evidence
- receipt and review of proposed adjustments in relation to pension charges
- receipt of management representation letter and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.



# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay has been sent to the Deputy Chief Executive and Chair of Audit Committee. We expect to issue our Auditor's Annual Report by 31 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks of significant weaknesses in respect of Financial Sustainability and Group Governance. Our work on these risks is underway and an update is set out in the value for money arrangements section of this report.

## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in December 2021.

## Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.



## 2. Financial Statements

### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ("the Code"). Its contents will be discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

### Audit approach

Our audit approach was based on a thorough understanding of the Council and group's business and is risk based, and in particular included:

- An evaluation of the Council and group's internal controls environment, including its IT systems and controls;
- An evaluation of the component of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that specified audit procedures for Revenue, Cost of Sales, Debtors, Impairment and Work in Progress balances of 3 Rivers Developments Ltd were required, which was completed by Grant Thornton.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 21 September 2021, as detailed in [Appendix E], subject to the outstanding items outlined on page 3.

#### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. The impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remotely accessing financial systems, video calling, physical verification of assets, verifying the completeness and accuracy of information provided remotely and access to key data from Council staff.



## 2. Financial Statements



### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in June 2021.

We detail in the table here our determination of materiality for Mid Devon District Council.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£840,000	£810,000	Specific risks and sensitivities at the Council including increased scrutiny around 3 Rivers Development Limited and the appointment of new senior finance officers involved with the preparation of accounts.
Performance materiality	£588,000	£567,000	Low level of deficiencies in control environment and quality of financial statements in prior years.
Trivial matters	£42,000	£40,500	Based on materiality.





## 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Evaluated the design effectiveness of management controls over journals;</li> <li>• Analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>• Tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• Gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and</li> <li>• Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our audit work, including our review of journal entries and the related control environment, has not identified any issues with regards to management override of controls.</p>



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

#### Valuation of Land and Buildings and Council Dwellings (Rolling Revaluation)

The group revalue its Land and Buildings and Council Dwellings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£194 million as at 31 March 2021) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of Land and Buildings and Council Dwellings, particularly upward and downward revaluations as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

### Commentary

We have:

- Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- Evaluated the competence, capabilities and objectivity of the valuation was carried out;
- Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- Reviewed the process for reconciling the Council Dwellings to the housing rent database
- Challenged the archetype classification and application of appropriate beacons to the Council Dwellings.
- Tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. We note this is completed by the valuer using indices.

Our work in this area is currently in progress, no issues have been identified to date.

#### Group Revenue

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

For Mid Devon District Council Group, we have concluded that the greatest risk of material misstatement relates to Group Revenue. We have therefore identified the occurrence and accuracy of 3 Rivers trading income as a significant risk, which is one of the most significant assessed risks of material misstatement, and a key audit matter.

We have rebutted this presumed risk for the revenue streams of the Authority because:

- Other income streams are primarily derived from grants or formula based income from Central Government and tax payers; and/or
- Opportunities to manipulate revenue recognition are very limited.

We have:

- Evaluated the group's accounting policy for recognition of income for appropriateness;
- Gained an understanding of the group's system for accounting for income and evaluate the design of the associated controls;
- Agreed, on a sample basis, amounts recognised as income in the financial statements to supporting documents.

Our work in this area is currently in progress, no issues have been identified to date.



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

#### Valuation of Pension Fund Net Liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

### Commentary

We have:

- Updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- Assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and
- Obtained assurances from the auditor to the Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our work in this area is currently in progress. One issue has been identified to date in relation to the incorrect treatment of advance pension secondary contributions. This is outlined in more detail within Appendix C.



## 2. Financial Statements - Group audit findings

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Commentary
Mid Devon District Council	Yes		<ul style="list-style-type: none"> <li>See significant risks identified on Page 7 and Page 9</li> </ul>	Full scope audit performed by Grant Thornton UK LLP
3 Rivers Developments Ltd	No		<ul style="list-style-type: none"> <li>We have identified the occurrence and accuracy of 3 Rivers trading income as a significant risk.</li> <li>The majority of the transactions of the company are with the Council and will be reviewed as part of the intra-group consolidation adjustments.</li> <li>3 Rivers Development Ltd is not subject to external audit</li> </ul>	<p>As 3 Rivers Development Ltd is not subject to external audit we are not able to rely upon the work of another auditor. We will therefore perform the following procedures to gain our assurance:</p> <ul style="list-style-type: none"> <li>Agree the overall consolidation including alignment of accounting policies</li> <li>Agree consolidation adjustments, and</li> <li>Audit classes of transactions that remain material after consolidation adjustments.</li> </ul> <p>Our work in this area is ongoing. One recommendation has been raised within Appendix A.</p>

### Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level



## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £42.602m	<p>Other land and buildings comprises £22 million of specialised assets such as leisure centres and public conveniences, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£20.7 million) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged the District Council to complete the valuation of properties as at 31 March 2021 on a five yearly cyclical basis. c20% of total assets were revalued during 2020/21 with the remainder subject to a desktop review using indices.</p> <p>The total year end valuation of land and buildings was £42.602m, a net decrease of £1.1m from 2019/20 (£43.702m).</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>Revised ISA540 requirements in Guidance Note;</li> <li>Assessed management's expert to ensure suitability qualified and independent;</li> <li>Assessed the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>Assessed the appropriateness of any alternative site assumptions;</li> <li>Confirmed there were no changes to the valuation method;</li> <li>Assessed the consistency of the estimate using the Gerald Eve report; and</li> <li>Assessed the adequacy of disclosure of estimate in the financial statements.</li> <li>Reviewed the process for reconciling the Council Dwellings to the housing rent database and challenged the archetype classification and application of appropriate beacons to dwellings.</li> </ul> <p>Our work in this area is currently in progress, no issues have been identified to date.</p>	TBC

### Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious



## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<b>Net pension liability – £75.401m</b>	<p>The Council's total net pension liability at 31 March 2021 is £75.401m (PY £58.765m). The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from the Devon County Fund. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £16.636m net actuarial loss during 2020/21.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>Assessed management's expert to ensure suitably qualified and independent;</li> <li>Assessed the actuary's approach taken, detail work undertaken to confirm reasonableness of approach;</li> <li>Used PwC as auditors expert to assess actuary and assumptions made by actuary:</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> </thead> <tbody> <tr> <td>Discount rate</td><td>2.0%</td><td>1.95% - 2.05%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>2.80%</td><td>2.80% - 2.85%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>3.80%</td><td>3.80% - 3.85%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>24.0 22.6</td><td>21.9 - 24.4 20.5 – 23.1</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>25.4 23.9</td><td>24.8 – 26.4 23.3 – 25.0</td><td>●</td></tr> </tbody> </table> <ul style="list-style-type: none"> <li>Gained assurance over the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>Gained assurance over the reasonableness of the Council's share of LGPS pension assets; and</li> <li>Reviewed the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Our work in this area is currently in progress, no issues have been identified to date.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.0%	1.95% - 2.05%	●	Pension increase rate	2.80%	2.80% - 2.85%	●	Salary growth	3.80%	3.80% - 3.85%	●	Life expectancy – Males currently aged 45 / 65	24.0 22.6	21.9 - 24.4 20.5 – 23.1	●	Life expectancy – Females currently aged 45 / 65	25.4 23.9	24.8 – 26.4 23.3 – 25.0	●	TBC
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### Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious



## 2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<b>Recognition and Presentation of Grant Income</b> <ul style="list-style-type: none"> <li>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income</li> </ul>	<p>As part of our work we have considered:</p> <ul style="list-style-type: none"> <li>whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all</li> <li>the Completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income</li> <li>the Impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the Comprehensive Income and Expenditure Statement (CIES).</li> <li>the Adequacy of disclosure of judgements in the financial statements</li> </ul>	<p>We reviewed the Council's assessment of whether it was acting as a principal or agent and concluded that their assessment and judgements were reasonable.</p>



## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £0.784m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management have not changed their approach to calculate the level of provision required where the calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>• Appropriateness of the underlying information used to determine the estimate</li> <li>• Impact of any changes to valuation method</li> <li>• Reviewed the reasonableness of the estimate; and</li> <li>• Reviewed the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Estimates and judgements in this area are reasonable.</p>	
Land and Buildings – Council Housing - £150.8m	The Council owns 2,995 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged the District Valuer to complete the valuation of these properties. The year end valuation of Council Housing was £150.8m, a net increase of £4.2m from 2019/20 (£146.6m).	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>• Assessed of management's expert to ensure suitably qualified and independent;</li> <li>• Assessed the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>• Confirmed there were no changes to valuation method</li> <li>• Assessed the consistency of estimate using the Gerald Eve report; and</li> <li>• Assessed the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Our work in this area is currently in progress, no issues have been identified to date.</p>	TBC

### Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious



## 2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banker and those institutions with which the Council hold investments and borrowing. This permission was granted, and the requests were sent. These requests were returned with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.



## 2. Financial Statements - other communication requirements



### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA [UK] 570).

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Issue	Commentary
Going concern	<p data-bbox="871 464 2051 603">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="871 619 2013 671">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2074 983" style="list-style-type: none"> <li>• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p data-bbox="871 999 2051 1137">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1153 1973 1297" style="list-style-type: none"> <li>• the nature of the Council and the environment in which it operates</li> <li>• the Council's financial reporting framework</li> <li>• the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>• management's going concern assessment.</li> </ul> <p data-bbox="871 1313 2051 1335">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1351 2051 1445" style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>



## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. As part of reviewing the AGS we suggested some areas for improvement which management have addressed in the final version of the document. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>No detailed work is required in this area as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of Mid Devon District Council in the audit report, as detailed in Appendix E, due to ongoing VFM work and the submission of the WGA Assurance Statement.





# 3. Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements



# 3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by 31 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risks set out in the table below. Our work on these risks is underway and an update is set out below.

Risk of significant weakness	Work performed to date
<p><b>Financial Sustainability</b></p> <p>There is a risk to the delivery of the Financial Plan. There is a risk that the Council has unidentified savings and funding gaps in financial planning that would substantially threaten the delivery of the plan.</p>	<p>We have reviewed the Council's final 2020/21 outturn report against its original and revised plan, which was reported at an underspend of £65k. We have reviewed various financial performance reports, including in year budget reporting to assess arrangements for complete, accurate and timely financial monitoring.</p> <p>Our work in this area is still ongoing and will focus on the robustness of the financial planning going forward, recognising the current gap in the Medium-Term Financial Strategy (MTFS). We will review the savings plans identified to date and the assumptions used in setting the budget and closing the initial funding gap. We will further consider the impact of Covid-19 on the Council's current financial position including the impact on budgeting into the short and medium term with a consideration of potential funding gaps in financial planning that could substantially threaten the delivery of the plan. Once complete our findings in this area will be reported in our Auditor's Annual Report. There are no issues emerging which impact on our account's opinion.</p>
<p><b>Group Governance</b></p> <p>A number of recommendations remained outstanding at the conclusion of our work in 2019/20 that highlighted concerns about the governance arrangements surrounding the Council's company 3Rivers.</p>	<p>In the prior year we reported that there had been an improvement to the group governance around 3 Rivers Development Limited as key improvements had been made. However, we concluded weaknesses remained unaddressed from our previous review. As part of the initial consideration of the Value for Money work we have reviewed the progress against these areas and found the following progress:</p> <ul style="list-style-type: none"> <li>• The revised business plan was considered and approved at Cabinet on the 4 February 2021</li> <li>• Update reports and a final annual report is now taken to Cabinet for consideration at each meeting. These include an update on each project and the financial delivery.</li> <li>• The Deputy Chief Executive of the Council has now stepped down from the board and an independent director has been appointed.</li> <li>• Internal Audit has completed a follow up review in year, this was given reasonable assurance.</li> <li>• The initial action plan contained 34 recommendations which has resulted from various internal and external reviews. 33 of these recommendations have now been closed with the final recommendation being a final external review of progress to ensure appropriate progress has been made. This is adequately referred to the Annual Governance Statement Action Plan.</li> </ul> <p>Our work in this area is still ongoing and will focus on a detailed review of internal audits work as well as any externally commissioned reports. We will also complete a review of the updated business plan and performance monitoring of the Company that is reported to members to ensure there is appropriate correlation with Council objectives. Once complete our findings in this area will be reported in our Auditor's Annual Report. There are no issues emerging which impact on our account's opinion.</p>



# 4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to September 2021, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related services			
Certification of Housing Benefit Claim	12,666	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,666 in comparison to the total fee for the audit of £58,229 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Pooling of Housing Capital Receipts	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £58,229 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.



# Appendices



# A. Action plan – Audit of Financial Statements

We have identified one recommendations for the Council from our progress on the audit to date. We will provide a final update to the Council at the conclusion of our work. Any recommendations identified will be agreed with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

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Assessment	Issue and risk	Recommendations
 <b>Medium</b>	<b>Subsidiary Company audit requirement</b> <p>The Companies Act provision in s 479 highlights that the small company audit exemption cannot be taken by a company when the company is part of a group who are above the small company threshold.</p> <p>We identified that the council's subsidiary company does not have audits undertaken.</p>	<p>We recommend that management arranges for audits to be undertaken of all group companies.</p> <p><b>Management response</b></p> <p><b>TBC</b></p>

## Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice



# B. Follow up of prior year recommendations

We identified the following issues in the audit of Mid Devon District Council's 2019/20 financial statements, which resulted in recommendations being reported in our 2019/20 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	The financial year 2021/22 will see perhaps the peak of the Council's financial challenge. The Council's current MTFP shows a budget gap of £1.3 million in setting a balanced budget for 2021/22. This year is also likely to see further impact of the pandemic in relation to the impact on the Council Tax and Business Rates base.	This will be followed up as part of our Value for Money work.
TBC	Within 2019/20 the Council have commissioned a number of external reviews in relation to 3 Rivers Developments Limited which have identified 17 recommendations for improvement.	This will be followed up as part of our Value for Money work.
TBC	The 3 Rivers Developments Limited Business Plan contains inaccuracies and is not transparent. We recommend that the Business Plan is revisited to ensure accuracy and transparency. We further recommend that all performance reports taken to Cabinet should clearly link back to the approved business plan and should be on a scheme-by-scheme basis.	This will be followed up as part of our Value for Money work.
TBC	<p>The Council has put in place mitigations to reduce the risks around conflicts of interest. This is with particular reference to the Council's S151 officer on the board of 3 Rivers Developments Limited. Whilst it is considered appropriate to have Council representation on the company board to enable it to influence the activity of the company, it is important that the company board is allowed to deliver the strategic and operational plans of the company without excessive interference from the Council. It is equally important that appropriate governance structures are established to safeguard the Council from excessive risk taking or poor performance and that appropriate governance arrangements are in place to allow the Council to hold the company to account where financial and performance targets are not achieved by the company.</p> <p>We recommend that the Council formally considers the adequacy of the current mitigations to determine whether additional governance arrangements need to be put in place to address this risk.</p>	The Council's S151 Officer is no longer on the board of 3 Rivers Development Limited, this will be followed up in more detail as part of our Value for Money work.
TBC	<p>The Council have started reporting to Cabinet the 3 Rivers Developments Limited's performance. The first performance report was taken to the January 2019 Cabinet. From reviewing this report it was not clear how this report linked to the original business plan, and what the expected milestones were, and how the company is performing against these.</p> <p>We recommend that future reports should link clearly back to approved schemes as set out in the 3 Rivers Developments Limited business plan and should contain an update against expected milestones.</p>	This will be followed up as part of our Value for Money work.



# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
The advance pension secondary contribution payment to the pension fund, covering 3 years from 2020-21, should reduce the net defined benefit liability. However, the Council have accounted for this advance payment as a prepayment. This does not comply with the Code, as these cash payments are reducing the net defined benefit liability. Once paid over, the cash is the asset of the pension fund: the local authority does not have control over the asset and so is part of the net defined benefit pension liability. It does not meet the definition of an asset under the Code [2.1.2.31].		Cr Short Term Debtors £859	
		Cr Long Term Debtors £890	
		Dr Other Long-Term Liabilities (Pension Liability) £1,749	



# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Finding	Adjusted?
Note 57: Figures for 'Minimum lease payment receivable' have been stated incorrectly for the duration 'Not later than one year' and 'Later than one year and not later than five years' . This was due to amounts relating to HRA Shops and Industrial Units being incorrectly excluded from the total.	The correct amounts should therefore be: <ul style="list-style-type: none"> <li>£371k for the period 'Not later than one year'</li> <li>£889k for the period 'Later than one year and not later than five years'</li> <li>£1,773k for the total sum of the note</li> </ul>	✓
A small number of minor disclosure updates and typographical changes were identified within the Statement of Accounts	The financial statements have been updated to reflect auditor proposed presentational changes.	✓



# C. Audit Adjustments



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## Impact of unadjusted misstatements

No unadjusted misstatements have been identified.

## Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	Reason for not adjusting
<p>Adjusting Post Balance Sheet Event</p> <p>In July 2020, the Council reached a settlement agreement on a longstanding contractual dispute to the value of c£0.600m. As this matter relates to events present prior to 31 March 2020, this settlement meets the definition of an adjusting post balance sheet event and should be reflected in the 2019/20 statement of accounts.</p>	<p>Management concluded that the impact of this settlement is not material and therefore did not adjust.</p>



# D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£36,729	TBC
Additional Fee	£21,500	TBC
Total audit fees (excluding VAT)	£58,229	TBC

Non-audit fees for other services	Proposed fee	Final fee
Certification of Housing Benefit	£12,666	TBC
Pooling of Housing Capital Receipts	£5,000	TBC
Total non-audit fees (excluding VAT)	£17,666	TBC



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## E. Audit opinion [To follow]

Our audit opinion is included below.

We anticipate we will provide the group with an unmodified audit report.







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