

Public Document Pack

Mid Devon District Council

Audit Committee

Tuesday, 27 June 2023 at 6.15pm
Phoenix Chambers, Phoenix House, Tiverton

Next meeting
Tuesday, 22 August 2023 at a time to be confirmed

Please Note: this meeting will take place at Phoenix House and members of the Public and Press are able to attend via Teams. If you are intending to attend in person please contact the committee clerk in advance, in order that numbers of people can be appropriately managed in physical meeting rooms

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Membership

Cllr M D Binks
Cllr C Connor
Cllr J M Downes
Cllr G Duchesne
Cllr J Frost
Cllr L G J Kennedy
Cllr L Knight
Cllr R Roberts
Cllr S Robinson

A G E N D A

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

- 1. Election of Chairman**
To elect a Chairman of the Audit Committee for the municipal year 2023/24.
- 2. Election of Vice Chairman**
To elect a Vice Chairman of the Audit Committee for the municipal year 2023/24.
- 3. Start time of meetings**
To agree a start time of meetings for the remainder of the municipal year.
- 4. Apologies**

To receive any apologies for absence.

5. **Public Question Time**
To receive any questions relating to items on the Agenda from members of the public and replies thereto.
6. **Declaration of Interests under the Code of Conduct**
To record any interests on agenda matters.
7. **Minutes of the previous meeting** (*Pages 5 - 12*)
To consider whether to approve the minutes as a correct record of the meeting held on 28 March 2023.
8. **Chairman's Announcements**
To receive any announcements that the Chairman may wish to make.
9. **Corporate Risk Report** (*Pages 13 - 30*)
To receive a report from the Corporate Performance and Improvement Manager providing Members with a quarterly update on the Corporate Risk Register.
10. **Performance Outturn Report for 2022/23** (*Pages 31 - 58*)
To receive a report from the Corporate Manager for People, Governance & Waste providing Members with an update on performance against the Corporate Plan and local service targets for 2022/23.
11. **DAP Internal Audit Annual Report for 2022/2023** (*Pages 59 - 82*)
To receive the Annual Internal Audit Report for 2022/23 from the Devon Audit Partnership (DAP).
12. **Devon Audit Partnership (DAP) investigation of 3 Rivers** (*Pages 83 - 104*)
To receive a report from the Devon Audit Partnership looking at the process to agree loans from the Council to 3 Rivers and whether it was part of a formal business process where approval was provided by Members. The report also reviews the fraud allegations and considers whether further investigation or examination is merited or possible.
13. **DAP Management Actions Report** (*Pages 105 - 118*)
To receive a report from the Devon Audit Partnership concentrating on the clearance of internal audit recommendations.
14. **Devon Audit Partnership Committee Representation**
Committee to appoint two members of the Committee to attend DAP Board meetings in the forthcoming year.
15. **Grant Thornton Auditor's Report and Mid Devon District Council for 2021/2022** (*Pages 119 - 148*)
To receive a report from Grant Thornton considering whether, during the financial year 2021/2022, the Council had put in place proper

arrangements to secure economy, efficiency and effectiveness in its use of resources.

16. **Grant Thornton's 2022/2023 Audit Plan** (*Pages 149 - 178*)
To receive a report from Grant Thornton providing an overview of the planned scope and timing of the statutory audit of Mid Devon District Council for 2022/23.
17. **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:
- Corporate Risk Report
 - Draft Annual Governance Statement and Code of Corporate Governance
 - Draft Accounts for 2022/2023
 - Internal Audit Progress Report
 - External Audit Progress Report and Sector Update

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

Stephen Walford
Chief Executive
Monday, 19 June 2023

Meeting Information

From 7 May 2021, the law requires all councils to hold formal meetings in person. The Council will enable all people to continue to participate in meetings via Teams.

If you want to ask a question or speak, email your full name to 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. Notification in this way will ensure the meeting runs as smoothly as possible.

Please note that a reasonable amount of hardcopies at the meeting will be available, however this is a limited number. If you are attending the meeting and would like a hardcopy of the agenda we encourage that you notify Member Services in advance of the meeting to ensure that a hardcopy is available. Otherwise, copies of the agenda can be found on our website.

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

Public Wi-Fi is available in all meeting rooms

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MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 28 March 2023 at 5.30 pm

Present

Councillors

N V Davey (Chairman)
J Buczkowski, Mrs C Collis, R Evans,
R F Radford, R L Stanley and A Wyer

Also Present

Councillors

S J Clist, Mrs C P Daw and B G J Warren

Also Present

Officers

Stephen Walford (Chief Executive), Paul Deal (Corporate Manager for Finance), Dr Stephen Carr (Corporate Performance & Improvement Manager), Matthew Page (Corporate Manager for People, Governance and Waste), Lisa Lewis (Corporate Manager for Business Transformation and Customer Engagement), Brian Trebilcock (ICT Operations Manager, Infrastructure & Support), Paul Middlemass (Audit Manager) and Sarah Lees (Member Services Officer)

Also in

Attendance

Andrew Davies (Grant Thornton)

60. **APOLOGIES**

There were no apologies for absence. It was noted however that Cllr J Buczkowski joined the meeting via Zoom.

61. **PUBLIC QUESTION TIME**

Mr Nick Quinn, a local resident, asked the following question:

Regarding Agenda Item 4: Minutes of the previous meeting.

At the January Audit Committee meeting, I asked whether a 'letter of continued support', requested by 3 Rivers, had been provided.

The draft minutes before you accurately show my questions, but do not accurately show the response.

The draft minutes state: *The Deputy Chief Executive (S151) confirmed that a 'letter of continued support' had not **YET** been provided, therefore the answers to questions 2 and 3 became redundant.*

However the recording of the meeting (at 5mins 36 seconds) shows that the Deputy Chief Executive actually said "*In answer to: Has the letter been provided? **No. One***"

has not been provided. Therefore the sub-questions two and three fall away because, obviously, a letter has not been provided”.

The Deputy Chief Executive did not use the word “YET”.

The word “YET” should be removed from the minutes. Leaving it there would suggest the Deputy Chief Executive was prejudging a Cabinet decision on 3 Rivers.

My question is:

When considering approval of the draft minutes of the previous meeting, will Members please remove the word “YET” from the Deputy Chief Executive’s response to the public questions?

The Chairman stated that this would be discussed by the Committee when that item was reached on the agenda.

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

Cllr R L Stanley stated that, should 3 Rivers be discussed during the course of the meeting, he had a pecuniary interest as he was a Director of the company.

63. **MINUTES OF THE PREVIOUS MEETING**

The Chairman asked whether anybody had listened to the audio recording of the previous meeting under agenda item 48, Public Question Time, in order to check for the use of the word ‘yet’ by the Deputy Chief Executive. It was confirmed that he had not used this word. Therefore, it was agreed that this word should be removed and accordingly the minutes of the meeting held on 24 January 2023, as amended, were confirmed as a true record and **SIGNED** by the Chairman.

64. **CHAIRMAN'S ANNOUNCEMENTS (00:11:00)**

The Chairman had the following announcements to make:

- This was the last meeting under the present administration.
- Since Cllr A Wyer would not be standing in the upcoming election he thanked him for his service to the Committee as the Vice Chairman over the last 4 years.

65. **CORPORATE PERFORMANCE REPORT (00:13:00)**

The Committee had before it, and **NOTED**, a report * from the Corporate Performance and Improvement Manager and the Corporate Manager for People, Performance & Waste providing Members with an update on performance against the Corporate Plan and local service targets for quarter 3 (2022/2023).

It was explained that performance and risk reporting had now been separated out allowing for each area to receive greater focus.

Discussion took place regarding:

- The chargeable household waste measurement had out performed previous predictions.
- Levels of missed collections were very low.
- Customers using the electric car charging points paid using a smart card.

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

66. **CORPORATE RISK REPORT (00:19:00)**

The Committee had before it, and **NOTED**, a report * from the Corporate Performance and Improvement Manager and the Corporate Manager for People, Performance & Waste providing Members with an update on Corporate Risk for quarter 3 (2022/2023).

The Committee were asked to review the Corporate Risk Register which was now presented in a new format highlighting significant risks.

Consideration was given to:

- How new risks might be incorporated into the Risk Register. It was explained that ultimately Leadership Team decided whether a risk should go into the register. However, to support that process the Corporate Management Team met every quarter to discuss new and emerging risks.
- All Members had an opportunity to feed into the financial decisions of the Council, not just the Cabinet. This was particularly the case during the budget setting process where draft budgets were presented to the Policy Development Groups for comment.
- It was confirmed that two financial bids had been made in relation to the Cullompton Relief Road but these had been unsuccessful. All sources of available funding were being explored.
- The challenges faced by the next administration.
- The revised report format, now with colour, was an improvement.
- Members should let senior officers know if they think a risk should be included within the register.

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

67. **RISK MANAGEMENT POLICY (00:32:00)**

The Committee had before it a report * from the Corporate Performance and Improvement Manager and the Corporate Manager for People, Performance & Waste presenting it with the updated Risk Management Policy.

Officers explained that this was the usual annual review of the Risk Management Policy which included recommendations from Internal Audit and input from Leadership Team. Training would be rolled out to staff in the near future.

RESOLVED that the update Risk Management Policy be approved.

(Proposed by the Chairman)

Reason for the decision

As set out in the report

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

68. **INTERNAL AUDIT PROGRESS REPORT (00:35:00)**

The Committee received, and **NOTED**, a report * from the Devon Audit Partnership which highlighted the following:

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

- The report included summaries in Appendix 1 of eight audits delivered since the last audit report; these included one Substantial, six Reasonable and one Limited Assurance report.
- The actual audit reports had been circulated to Committee members in advance of the meeting.
- The Repairs and Maintenance area needed some improvement to the systems and processes in place but these were in hand and being addressed.
- The new style of reporting Risk to members was in line with good practice.
- Some concerns were raised regarding business continuity planning.

Consideration was given to:

- Resource and software issues within the Repairs and Maintenance area. It was noted there were also difficulties in retaining and recruiting officers in this area.
- The opportunities available for income generation, for example, repairs and maintenance on private properties.
- The problem of addressing internal audit recommendations related to Business Continuity and Emergency Planning as resource has not been provided. A new Business Continuity and Emergency Planning role is proposed, however, this post would come at an additional cost to the authority. It was considered that risks in relation to the concerns raised should be flagged up as a risk area and given a greater emphasis.

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

69. **INTERNAL AUDIT CHARTER AND STRATEGY (00:54:00)**

The Committee had before it, and **NOTED**, a report * from the Devon Audit Partnership setting out the Internal Audit Charter and Strategy for 2023/2024.

A brief discussion took place regarding the benefits afforded to Mid Devon District Council as a result of being within the Devon Audit Partnership with a large number of qualified staff. The audit manager noted it was a priority of his to compare and contrast with other authorities within the partnership to help identify and communicate good practice.

RESOLVED that the Internal Audit Charter and Strategy for 2023 – 2024 be approved.

(Proposed by the Chairman)

Reason for the decision:

As set out in the report.

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

70. **DAP INTERNAL AUDIT PLAN 2023 - 2024 (00:56:00)**

The Committee had before it a report * from the Devon Audit Partnership setting out the Internal Audit Plan for 2023 – 2024.

It was explained that the plan was a live document and audits could be brought into it as and when required.

Consideration was given to:

- A reduction in the number of available audit days compared to the previous plan. There was a financial implication to the Council if the number of days was increased. Reassurance was provided that the number of days stated would be enough to cover a good range of work and allow the required annual assurance opinion.
- The effort being taken to address issues identified in the Building Control area with a new manager in post.

RESOLVED that the Internal Audit Plan for 2023 – 2024 be approved.

(Proposed by the Chairman)

Reason for the decision:

As set out in the report.

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

71. **ACCESS TO INFORMATION - EXCLUSION OF THE PRESS AND PUBLIC (01:07:00)**

The Chairman indicated that discussion with regard to the following items, required the Committee to pass the following resolution to exclude the press and public having reflected on Article 12 12.02(d) (a presumption in favour of openness) of the Constitution. This decision may be required because consideration of this matter in public may disclose information falling within one of the descriptions of exempt information in Schedule 12A to the Local Government Act 1972. The Committee would need to decide whether, in all the circumstances of the case, the public interest in maintaining the exemption, outweighs the public interest in disclosing the information.

RESOLVED: That, in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the item 13, for the reason set out below:

- Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person including the authority holding that information).

(Proposed by the Chairman)

72. CYBER SECURITY REPORT 2022-2023 (01:08:00)

The Committee had before it, and **NOTED**, a report * from the Devon Audit Partnership summarising a recent Cyber Security Internal Audit.

The Committee considered the information presented to it and had a brief discussion.

It was **AGREED** that officers would provide a progress update report to the next meeting.

The meeting returned to open session.

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

73. EXTERNAL AUDIT PROGRESS REPORT (01:27:00)

The Committee received a verbal update from Grant Thornton on the work of the external auditors since the last meeting.

This included the following update:

- The certification of the Housing Benefit claim was almost complete. Some issues had been identified but nothing of significance.
- Grant Thornton were waiting for the auditors opinion on 3 Rivers before they could complete their audit on the Financial Statements. The same was also true for their Value for Money opinion.

A brief discussion took place regarding the 3 Rivers audit, the outcome of which was expected next week. It was likely that the report would have some material implications for the authority. It was felt that the timing of the auditors report on 3 Rivers was crucial.

74. CHAIRMAN'S ANNUAL REPORT FOR 2022/2023 (01: 36:00)

It was **AGREED** that the Chairman's Annual Report for 2022/2023 be approved and be presented to full Council on 26 April.

75. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:37:00)**

The Committee had before it, and **NOTED**, the items identified for the next meeting. It requested that an update on the Cyber Security audit also be brought to the next meeting.

(The meeting ended at 7.08 pm)

CHAIRMAN

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1.2 The corporate risks are presented on a risk matrix (heat map), Appendix 1. Information on each risk is presented in a standard template, Appendix 2. These risks have been determined by the council's Leadership Team in consultation with Corporate Managers and other council officers.

2.0 Summary of Corporate Risk

2.1 There are currently 12 Risks on the Corporate Risk Register (CRR). Please note Corporate Risk 6 has been removed from the CRR as detailed at paragraph 2.3.

Risk Name		Risk Owner	Risk Rating
CR1	Culm Garden Village	Adrian Welsh	16
CR2	Cyber Security	Brian Trebilcock	20
CR3	Failure to meet Climate Change Commitments by 2030	Paul Deal	15
CR4	Homes for Ukraine Scheme	Simon Newcombe	9
CR5	Information Security	Giovanni Wallace	12
CR7	Financial Sustainability	Paul Deal	16
CR8	Quality of Planning Committee Decisions	Angharad Williams	16
CR9	SPV – 3 Rivers – Failure of the Company	Paul Deal	25
CR10	Cullompton Town Centre Relief Road	Adrian Welsh	25
CR11	Cost of Living Crisis	Dean Emery	16
CR12	Housing Crisis	Simon Newcombe	12
CR13	Operation of a Waste Management Service	Matthew Page	8

2.2 For each risk the following information is given in Appendix 2:

- Risk name
- Risk description
- Current risk severity and likelihood
- Current risk rating
- Risk Owner
- Risk Type
- Mitigating actions (including name, description, responsible officer, current effectiveness and when it was reviewed)
- Notes.

2.3 Since this report was last presented to committee in March 2023, the following significant changes have been made to the corporate risks being managed:

- Corporate Risk 6: National shortage of chlorine and other chemicals has been removed from the CRR.
- Corporate Risk 11: Cost of Living Crisis has been added to the CRR.
- Corporate Risk 12: Housing Crisis has been added to the CRR.
- Corporate Risk 13: Operation of a Waste Management Service has been added to the CRR.

- The risk rating of Corporate Risk 7: Financial Sustainability has been reduced from 25 to 16.
- The definition of Corporate Risk 3: Failure to meet climate change commitments by 2030 has been amended to include reference to climate change adaptation.

Financial Implications

There are no direct financial implications arising from this report. However, risks which are not mitigated may have financial implications for the council. Equally, the treatment of risk may require resources to be (re)allocated. Having a robust approach to risk management will continue to help the council minimise future financial risks and implications.

Legal Implications

Risk management is an integral part of the Council's Corporate Governance arrangements and there is a statutory responsibility under the Account and Audit Regulations (2015) to put in place risk management arrangements.

Risk Assessment

Failure to take advantage of opportunities and mitigate risks could impact on the Council's ability to deliver its strategic objectives. Assessment of the effectiveness of the framework for identifying and managing risks and for demonstrating clear accountability is a key element of the Council's governance arrangements.

Impact on Climate Change

Corporate Risk 3 relates directly to the council meeting its climate change targets.

Equalities Impact Assessment

Having a council which is resilient to risk means that it is better positioned to support its communities. No issues identified for this report.

Relationship to Corporate Plan

Effective risk management is crucial to enable the council to mitigate risks to achieving Corporate Plan priorities.

Section 3 – Statutory Officer sign-off/mandatory checks

Statutory Officer: Andrew Jarrett

Agreed by or on behalf of the Section 151

Date: 19 June 2023

Statutory Officer: Maria De Leiburne

Agreed on behalf of the Monitoring Officer

Date: 19 June 2023

Chief Officer: Stephen Walford

Agreed by or on behalf of the Chief Executive/Corporate Director

Date: 1 June 2023

Performance and risk: Dr Steve Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

Date: 12/06/2023

Cabinet member notified: Yes

Section 4 - Contact Details and Background Papers



Contact: Dr Steve Carr, Corporate Performance and Improvement Manager

Email: scarr@middevon.gov.uk

Telephone: 3CX: 4217

Background papers:

Appendix 1: Corporate Risk Matrix

 Risk Severity	5	5	10	15	20	25
	4	4	8 CR13	12 CR5, CR12	16 CR1; CR7; CR8; CR11	20
	3	3	6	9 CR4	12	15 CR3
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
	Risk Likelihood 					

Appendix 1: Corporate Risk Register

CR1	Culm Garden Village	Current Severity	Current Likelihood	Current Risk Rating
		4	4	16
Risk Description: Possible discontinuance of Government funding support.				
Risk Owner: Adrian Welsh		Risk Type: Economic/ Financial		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR1.1	Funding opportunities : Lobby for the creation of further funding opportunities and for further rounds of the garden communities capacity funding	Adrian Welsh	Action Required	25/05/2023
CR1.2	Further bids for capacity funding: To continue to secure external funding to support the project	Tristan Peat	Action Required	25/05/2023
Notes:				
CR2	Cyber Security	Current Severity	Current Likelihood	Current Risk Rating
		5	4	20
Risk Description: 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.				
Risk Owner: Brian Trebilcock		Risk Type: Data Protection/Information Security		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR2.1	Audit of Cyber Security: Devon Audit Partnership will be carrying out a cyber security audit during August and September.	Lisa Lewis	Fully Effective	10/05/2023
CR2.2	Awareness training and desktop cyber event testing: National Cyber Security Centre (NCSC) staff/ Member training now mandatory. Cyber SharePoint site created. A cyber desktop exercise planned summer to test Disaster Recovery/Cyber planning/response with Local Government Association/Emergency Planning College will include participation at Director/Member level - schedule tbc.	Lisa Lewis	Satisfactory	10/05/2023

CR2	Cyber Security	Current Severity	Current Likelihood	Current Risk Rating
		5	4	20
An ICT/InfoGovernance board to commence after the May local elections which will meet quarterly to monitor cyber/data related activities and manage/monitor risk at senior levels.				
Notes: CR2.1: Completed LGA Technical Incident exercise is scheduled for early June 2023. LGA/EPC Organisational Incident response exercise is scheduled for 30 June 2023. Review of mandatory Cyber Awareness training ongoing. The introduction of email 'Phishing' simulations will commence as soon as the ICT security board has been convened and approval has been sought. ICT Security Board will be convened as soon as the new elected members are settled - possibly July				

CR3	Failure to meet Climate Change Commitments by 2030	Current Severity	Current Likelihood	Current Risk Rating
		3	5	15
Risk Description: Due to a variety of factors, there is a risk that the Council will not meet its goal of becoming carbon neutral by 2030. There is also a risk that the Council will not achieve district-wide progress to meet obligations under the Climate Act 2008 for climate adaptation (resilience) and mitigation (emission reductions).				
Risk Owner: Paul Deal		Risk Type: Environmental		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR3.1	Council Policy and Strategy: Policy and strategy relevant to the climate emergency includes: <ul style="list-style-type: none"> • Corporate Plan 2020-2024 sets a number of relevant aims; • Climate Strategy and Handbook 2020-2024; • Housing Strategy 2021-2025; • Procurement Strategy (March 2023); • Cabinet adopted a new Climate Emergency planning policy statement (March 2023); 	Jason Ball	Action Required	11/05/2023

	• Local Plan 2013-2033 review; Plan Mid Devon sets the Climate Emergency as the top overarching priority for the next Local Plan.			
CR3.2	Oversight and decision-making: To embed a consistent approach to committee reports, project reports and decision-making, considering the potential climate impacts and opportunities and adaptation needs linked to the climate crisis.	Jason Ball	Action Required	11/05/2023
<p>Notes: Climate and Sustainability (C&S) strategy and action plans in place, adopted by Council. Actions in the Climate Action Plan (CAP) 2020-2030 involves all Corporate and Operations Managers and includes estimates of costs and savings in tCO₂e and financial terms. The CAP enables the Council to identify, evaluate and prioritise measures for implementation and monitoring.</p> <p>Risk description amended in May 2023 from “Due to a variety of factors, there is a risk that the Council will not meet its goal of becoming carbon neutral by 2030” to include “There is also a risk that the Council will not achieve district-wide progress to meet obligations under the Climate Act 2008 for climate adaptation (resilience) and mitigation (emission reductions).”</p>				

CR4	Homes for Ukraine Scheme	Current Severity	Current Likelihood	Current Risk Rating
		3	3	9
<p>Risk Description: There is a risk of the ‘Homes for Ukraine scheme’ failing should the host relationship breakdown and re-matching is not an option. Where refugees cannot afford to pay for private accommodation the Council has a Homelessness Duty.</p>				
<p>Risk Owner: Simon Newcombe</p>		<p>Risk Type: Social</p>		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR4.1	<p>Collaboration: Continue to engage with DLUHC, LGA and DCN on scheme roll out, pressures and risks/updated national guidance etc. Reviewing a Devon-wide exit strategy around pending housing/accommodation pressures once hostings end – joint solutions (work in progress).</p>	Simon Newcombe	Satisfactory	26/05/2023
CR4.2	<p>Finance: Funding for Q1 of the scheme received from DCC under agreed financial arrangement based on numbers and payments out. Further Q2-Q4 returns and payments in due course.</p>	Simon Newcombe	Fully Effective	26/05/2023

	60% of £10.5k per refugee (DCC 25%, 15% contingency for all) which includes £200 subsistence payment per head. 100% payment of £640k banked. Committed spend to date inc. some Q2 expenditure and existing staff time is around one-third of funding received so far @ £235k			
CR4.3	Re-matching demand: Re-matching demand is relatively low (host/guest arrangements ending early) and single figures but starting to see increase due to rurality of some hosts and requirement to be closer to employment, services and schools.	Simon Newcombe	Satisfactory	26/05/2023
CR4.4	Team Devon: Petroc offer a myriad of informal network events that will help support transition to sustainable residency (employment, language, skills, accommodation, schools, etc.) and help during summer holiday period – likely to be testing for some host/guest relationships. Negotiated strong Petroc offer for summer holidays and longer-term programme inc. Tiverton campus. Summer programme (get to know – family cookery, arts and crafts, physical activity, trips to local attractions).	Simon Newcombe	Satisfactory	26/05/2023
CR4.5	Team Devon resettlement strategy: Devon strategy agreed with L&Cs to prevent homelessness presentations & TA costs [Existing host support (host monthly payments top-ups)/Re-matching/utilisation of EOIs/Transition to private rental sector (guest and landlord grants, rent assurance)]. Costs within Q1&2 budget-contingency & Q3/4 funds headroom. 12-mths CHAT contract + MDDC PSH/homeless teams. Support beyond formal HfU scheme end (March 23) to Oct. 23. HfU funds c/f into 2023/24. 215 guests/ 92 hosts – new arrivals now 1-2 families per month.	Simon Newcombe	Fully Effective	26/05/2023
<p>Notes: Local Authority Housing Fund decision in place with Cabinet to provide additional, dedicated temporary accommodation. Devon County Council/Team Devon agreement on contingency match-fund support also in place. Contingency adequately in place (EMR) to deliver existing arrangement with full recharge for internal costs and external contracts for 2023/24. PRS transition arrangements and external contracts working well (MDDC/CHAT and CAB). Payment from Government now £5.9k per person but adequate to support delivery on top of EMR. Host payment monies continue to be covered directly by Government irrespective of per person payment. Actions CR4.2 and CR4.5 are complete.</p>				

CR5	Information Security	Current Severity	Current Likelihood	Current Risk Rating
		4	3	12
Risk Description: Inadequate data protection could lead to breaches of confidential information and ultimately enforcement action by the ICO.				
Risk Owner: Giovanni Wallace		Risk Type: Data Protection/Information Security		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
Notes: Potential for improvement with training, data cleansing and correct data retention schedule. Ropa and asset register being updated which will assist.				

CR7	Financial Sustainability	Current Severity	Current Likelihood	Current Risk Rating
		4	4	16
Risk Description: The council faces a range of financial challenges. We are subject to ongoing budget reductions whilst the cost of providing services continues to increase due to a range of inflationary pressures. We are also subject to single year budget settlements which impacts on the ability for medium term financial planning. We need to be able to plan and meet these challenges so that we can continue to deliver effective services and achieve the priorities we wish to.				
Risk Owner: Paul Deal		Risk Type: Economic/Financial		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR7.1	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.	Paul Deal	Satisfactory	24/05/2023
CR7.2	Identify Efficiencies: Taking proactive steps to increase income and reduce expenditure through efficiencies, vacancies that arise and delivering services in a different way.	Paul Deal	Satisfactory	24/05/2023
CR7.3	Reserves: Cabinet have taken the decision to recommend a minimum general reserve balance of £2m.	Paul Deal	Action Required	24/05/2023

CR7.4	Set Budget: Each year as part of the budget setting process, members are consulted via PDGs in time to evaluate savings proposals.	Paul Deal	Satisfactory	24/05/2023
CR7.5	Medium term planning: Work to close the budget gap is on-going. A range of options are being considered but Covid, business rates and uncertainty over fair funding review make the situation extremely challenging. To close the budget gap and maintain services: We continue to work with managers to reduce costs and explore new income streams.	Paul Deal	Action Required	24/05/2023
<p>Notes: Following recommendations to remove income from the original budget agreed on 7 February requiring the utilisation of reserves, there is a need to identify over £1m of ongoing savings in 2023/24 to balance the in-year budget and avoid increasing the MTFP gap still to be identified. Work is underway to identified savings towards the vacancy target. Cabinet have been tasked with identifying options to replenish reserves.</p> <p>Following a review by Leadership Team, the overall risk rating has been decreased from 25 to 16.</p>				

CR8	Quality of Planning Committee Decisions	Current Severity	Current Likelihood	Current Risk Rating
		4	4	16
<p>Risk Description: Planning decisions are monitored at Government level nationally – the risk is to stay significantly below 10%. Over 10% could put a Local Planning Authority into special measures. Links to Performance Indicator measures 11a, 11b, 12a and 12b.</p>				
<p>Risk Owner: Angharad Williams</p>		<p>Risk Type: Reputation</p>		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR8.1	Planning Advisory Service Committee Review being undertaken: To minimise risk associated with decision making and Government targets	Angharad Williams	TBC	08/03/2023
CR8.2	Planning Advisory Service Training being undertaken: To minimise risk associated with Government targets and decision making	Angharad Williams	TBC	08/03/2023
CR8.3	Regular informal planning committee meetings: Keeping planning committee informed of all appeals and upcoming planning policy, and any actions the Council is making.	Angharad Williams	Satisfactory	08/03/2023
<p>Notes:</p>				

CR9	SPV – 3 Rivers – Failure of the Company	Current Severity	Current Likelihood	Current Risk Rating
		5	5	25
<p>Risk Description: This will depend on economic factors and the Company's success in the marketplace commercially. For MDDC the impacts will be:</p> <ul style="list-style-type: none"> • 3 Rivers are unable to service and repay the loan from MDDC • Not receiving the forecast additional income • Not supporting corporate objectives. 				
Risk Owner: Paul Deal		Risk Type: Economic/Financial		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR9.1	Cabinet: Regular meetings with Shareholder Representatives and updates to Cabinet on progress with the recommendations action plan and projects.	Andrew Jarrett	Satisfactory	26/05/2023
CR9.2	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	Satisfactory	26/05/2023
<p>Notes: Failure to approve a business plan has resulted in the company only being able to continue on existing developments. The Full Council external review has been commissioned.</p>				

CR10	Cullompton Town Centre Relief Road	Current Severity	Current Likelihood	Current Risk Rating
		5	5	25
<p>Risk Description: Inability to deliver the Cullompton Town Centre Relief Road</p>				
Risk Owner: Adrian Welsh		Risk Type: Economic/Financial		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR10.1	Alternative Funding: Alternative funding opportunities continually being explored.	Adrian Welsh	Action Required	25/05/2023
<p>Notes:</p>				

CR11	Cost of Living Crisis	Current Severity	Current Likelihood	Current Risk Rating
		4	4	16
Risk Description: The high rates of inflation experienced in 2022 and 2023 have the potential to impact on council employees, residents, communities and businesses in Mid Devon. In turn this may affect the council in terms of increased costs, reduced council income, and put additional pressure on council services.				
Risk Owner: Dean Emery		Risk Type: Financial, Social		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR11.1	Benefit administration: The council delivers a range of benefits which support the financial position of our residents. This includes the Housing Support Fund, Discretionary Housing Fund, and the Exceptional Hardship Fund.	Fiona Keyes	Fully Effective	07/06/2023
CR11.2	Council Tax Reduction Scheme: The council has introduced a new scheme (from 1 April 2023) which provides a more generous level of support.	Fiona Keyes	Fully Effective	07/06/2023
CR11.3	Shared Prosperity Fund (SPF): The SPF and Rural England Prosperity Fund Investment Plans have a number of projects designed to support businesses and community organisations over Jan 2023 – March 2025. This includes grant schemes to support innovation and decarbonisation projects including those that reduce energy costs and increase productivity.	Zoë Lentell	Fully Effective	13/06/2023
Notes: This risk was added to the Corporate Risk Register in May 2023. Housing Support Fund: Payments are made with funding issued to Devon County Council (DCC) from the Department for Work and Pensions (DWP). Support is made available by issuing vouchers for food and energy costs. Funding is spent within timescales outlined by the DWP. Discretionary Housing Fund: Funding received from DWP and there are legal rules as to how this is distributed, rather than allowing for local policy. Exceptional Hardship Fund: Money from DCC Mitigating actions related to the Shared Prosperity Fund are to follow.				

CR12	Housing Crisis	Current Severity	Current Likelihood	Current Risk Rating
		4	3	12
<p>Risk Description: Failure to supply sufficient housing to meet Mid Devon's needs leading to increased homelessness and increased temporary accommodation (TA). There may be insufficient TA to meet demand and financial pressure is placed on the Council through increasing volume of and dispersed provision of TA. Co-linked failure to prevent homelessness occurring through increasing demand on resources, poor existing housing and failure to meet prevention duty/deliver mitigating actions including support to vulnerable residents.</p> <p>It is a statutory duty on the Council to prevent and provide relief/assistance to people threatened with or actually presenting as homeless. There is a local, regional and national shortage of affordable housing including social housing at the most affordable social rent level with a significant, growing waiting list of those registered on Devon Home Choice. Together with the current, ongoing cost of living crisis and other pressures this is leading to a growing housing crisis.</p>				
Risk Owner: Simon Newcombe		Risk Type: Financial, Social		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR12.1	MDDC Housing Strategy 2021-2025: Coherent, corporate approach to providing affordable homes and maintaining housing quality	Simon Newcombe	Action Required	06/06/2023
CR12.2	MDDC Homeless Prevention & Rough Sleeping Strategy 2020-2025: Focus on rough sleeping, prevention, accommodation options and client support	Simon Newcombe	Satisfactory	06/06/2023
CR12.3	Strategic lobbying on social housing funding, flexibilities and homelessness pressures: Continued membership of DLUHC LA Strategic Housing Advisory Group	Simon Newcombe	Satisfactory	06/06/2023
CR12.4	Devon Housing Forum: Regional engagement and collaboration on affordable housing delivery and supported housing – continued engagement	Simon Newcombe	Satisfactory	06/06/2023
CR12.5	Local Plan housing delivery: Market provision of affordable homes	Tristan Peat	Action Required	06/06/2023
CR12.6	Mid Devon HRA Development Programme: 500 new homes 2022/23 – 2026/27	Simon Newcombe	Satisfactory	06/06/2023

CR12.7	Temporary Accommodation: Opportunities to purchase HMO or similar shared market accommodation to meet TA needs/successful business cases made into capital programme. Two HMOs recently purchased, available 2023/24	Simon Newcombe	Satisfactory	06/06/2023
CR12.8	Empty Homes: Bringing empty homes back in to use/local leasing scheme for TA (link to CR12.7) or to alleviate wider	Simon Newcombe	Action Required	06/06/2023
CR12.9	Long-term development voids: Effective use of long-term development voids in Mid Devon Housing stock as TA where safe	Simon Newcombe	Fully effective	06/06/2023
CR12.10	Ivor Macey House: Ongoing provision of Ivor Macey House supported TA accommodation (MDH HRA lease to G/F)	Simon Newcombe	Fully effective	06/06/2023
CR12.11	Housing Options team staff case load resourcing: Rolling review and successful vacancy approvals	Simon Newcombe	Satisfactory	06/06/2023
CR12.12	Homelessness Prevention Grant: Full utilisation of Homelessness Prevention Grant	Simon Newcombe	Satisfactory	06/06/2023
CR12.13	Funding applications: Successful bids into DLUHC Rough Sleeper Initiative (RSI). £300k+ RSI secured over 3-year programme from 2022/23	Simon Newcombe	Satisfactory	06/06/2023
CR12.14	Successful drawdown of Local Authority Housing Funding (2023/24): Homes for Ukraine/Afghan Schemes, two properties purchased under Phase 1, Phase 2 under review	Simon Newcombe	Satisfactory	06/06/2023
CR12.15	Private Sector Homes for Ukraine: Team Devon Homes for Ukraine scheme Private Sector Housing transition support	Simon Newcombe	Satisfactory	06/06/2023
CR12.16	Residents Financial Support: Cost of living pressure, grants and signposted support, help with/access to benefits (https://www.middevon.gov.uk/residents/residents-financial-support/)	Dean Emery	Satisfactory	06/06/2023
CR12.17	Housing Assistance Policy (Better Care Funding): living well at home/homeless prevention and Home Start grants/loans	Simon Newcombe	Satisfactory	06/06/2023
<p>Notes: There has been an increase in those seeking assistance from the Council due to homelessness of 52% since 2020/21 (550 presentations vs 837 in 2022/23). The level of case complexity is also increasing, impacting on caseload capacity and ability to seek accommodation and support clients appropriately to develop effective Personal Housing Plans.</p>				

Increased regulation and pressures on private sector landlords are resulting in a fall in available private rented accommodation through sale of homes and/or increased switch to short-term holiday let accommodation or other uses. Resultant supply/demand pressures are driving rents upwards beyond inflationary levels in the remaining stock. This impacts financially vulnerable residents further and reduces options for effective homelessness interventions.

Providing the relevant type and volume of TA to meet our statutory responsibilities continues to become more challenging. Beyond increasing demand there is a reduction in available 'spot purchased' accommodation due to changing accommodation market with fewer hotel/B&B bed spaces available for TA with several major national or regional providers withdrawing availability in recent years. More family group presentations, increased complexity of cases and more vulnerable needs means less accommodation is suitable and/or fewer providers are willing to provide accommodation due to actual or perceived level of risk.

Growing refugee support schemes (e.g. Afghan and Homes for Ukraine) increases risk of homelessness presentations further, notably as schemes end and national support is reduced with a legal duty for housing continuing to be held locally.

Other statutory housing standards work (notably damp & mould/Awaab's law and fire safety) will continue to divert potential resource away from some mitigating actions to proactively reduce this risk.

This risk also has interdependencies with Corporate Risk 11: Cost of Living Crisis.

CR13	Operation of a Waste Management Service	Current Severity	Current Likelihood	Current Risk Rating
		4	2	8
Risk Description: Operating and maintaining a continuous waste management service across Mid Devon within budget faces a range of risks. These include staff recruitment and retention, workforce sickness and the maintenance and operation of fleet vehicles.				
Risk Owner: Matthew Page		Risk Type: Financial, Technical, Reputational		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR13.1	Workforce management: Regularly reviewing (Morning Managers' catch-up calls, monthly budget monitoring and quarterly performance reviews) the state of the workforce and how it is performing in terms of vacancies, recruitment, sickness and the impact it is having on collections and rounds. This also	Darren Beer	Satisfactory	06/06/2023

	includes reviewing our Business Continuity Plan and whether we need to widen the flexible provision of the workforce.			
CR13.2	Employment Trends: Review trends in the wider employment market regarding key workers including HGV drivers and what the Council needs to do to ensure we are industry competitive regarding recruitment.	Darren Beer	Satisfactory	06/06/2023
CR13.3	Fleet Vehicles: Vehicle provision including maintenance and operation is reviewed on a daily basis by the Fleet Manager. Two weekly meetings are set up with SFS (maintenance and lease provider) backed up by quarterly meetings with MDDC and SFS management. Regular meetings are set up with other MDDC services that use the fleet to ensure current contractual guidelines and compliance are adhered to.	Darren Beer	Satisfactory	06/06/2023
Notes: Added to the Corporate Risk Register in June 2023				

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- 1.2 This report provides a year end analysis of the overall performance position for the period of 2022/2023. Appendices 1-5 provide Members with details of performance against the Corporate Plan and local service targets for 2022/23.
- 1.3 The Corporate Plan has four themes: Homes, Environment, Economy, and Community. Climate Change is a cross cutting theme of the Plan. Alongside the performance reporting of the Corporate Plan, the council presents performance information on a wide range of corporate performance indicators, these are detailed in Appendix 5.
- 1.4 The Corporate Plan was adopted in February 2020. The three years since the adoption of the plan have seen major changes locally, nationally and globally as a result of the COVID-19 pandemic, war in Europe, and the cost of living crisis (with inflation at 40 year highs).
- 1.5 Given the impact of the COVID-19 pandemic the council conducted a Mid-Point review of the Corporate Plan in April 2022. This found that elements of the Plan were no longer deliverable within the timescales of the Plan, however Members agreed not to make any alterations to the Plan to ensure that line of sight on the priorities was maintained.

2.0 Performance Analysis for 2022/23

Homes Portfolio

- 2.1 The number of empty houses brought back into use for 2022/23 is 14 against a target of 72. A new Housing Initiatives Officer was appointed in 2022 and this post will focus on empty houses, as well as other projects. An additional area of focus for the Housing team in 2022/23 was undertaking inspections of properties for the Homes for Ukraine scheme.
- 2.2 The number of households who considered themselves as homeless that approached the Council’s housing advice service for Quarter 4 was 205, a total of 838 households in 2022/23 (compared to 675 in 2021/22), Figure 1.

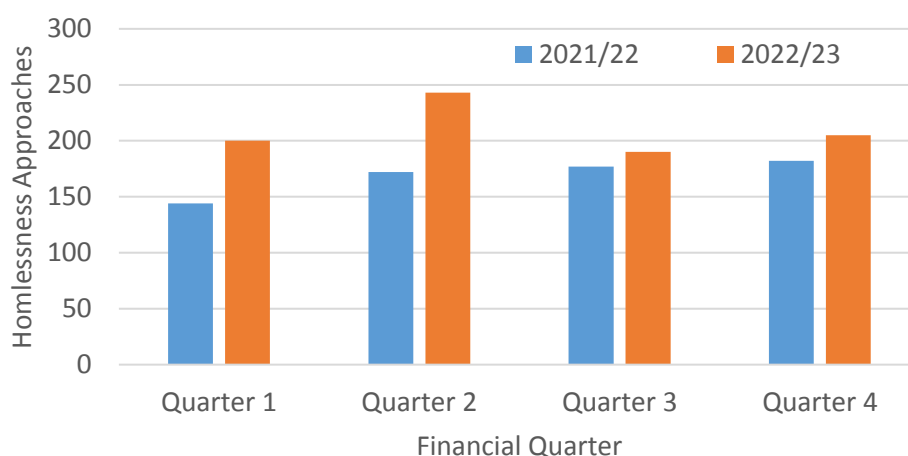


Figure 1: Homelessness approaches per quarter, 2021/22 to 2022/23.

2.3 The data for Council Housing shows overall good performance for Quarter 4 2022/23, Table1.

Table 1: Council housing performance indicators, 2021/22 and 2022/23.

Indicator	2021/22	2022/23	Target (2022/23)
Emergency repairs completed on time	100%	99.7%	100%
Urgent repairs completed on time	99.3%	99.0%	95.0%
Routine repairs completed on time	98.8%	98.4%	95.0%
Properties with a valid gas safety certificate	99.4%	99.8%	100.0%
Housing complaints responded to on time	98.8%	100%	100%

Environment Portfolio

2.4 Levels of household waste collected performed ahead of target for 2022/23 and was 10.2% lower than in 2021/22, Figure 2.

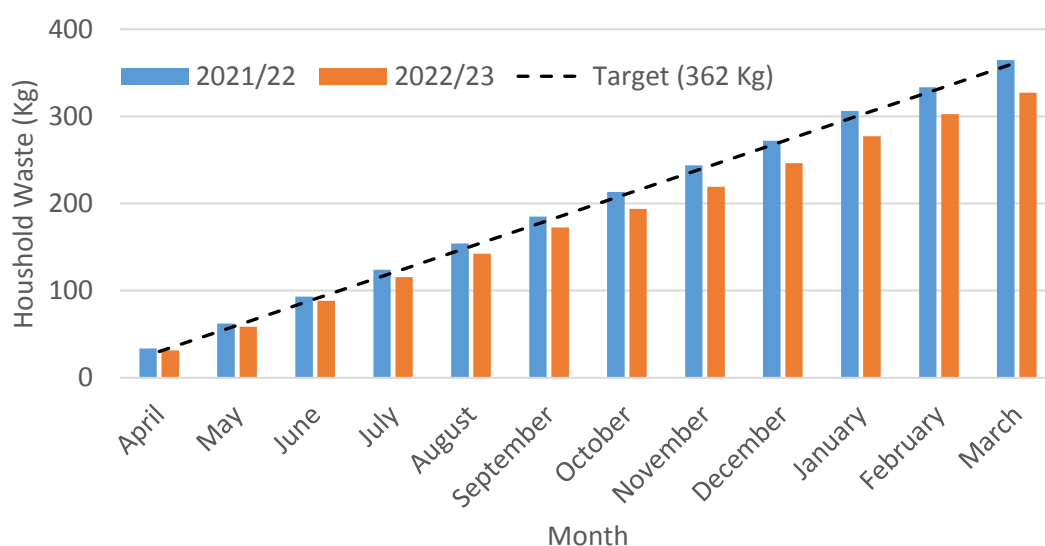


Figure 2: Household Waste per Household (Kg), 2021/22 to present.

2.5 The household recycling rate in 2022/23 was 55.4%, above the target set (54.5%). The recycling rate for 2023/24 is forecast to continue to improve and an initial target of 56.5% is in place.

2.6 Households opted into chargeable garden waste collections is 12,009 (March 2023) compared to 11,882 last year (March 2022).

2.7 Levels of missed bin collections were affected by bad weather conditions in Winter 2022/23 resulting in collections performing below target.

2.8 The Council introduced the Bin-It 123 collection cycle in Autumn 2022 which should improve recycling rates, decrease the amount of waste collected and in turn reduce the carbon impact, and decrease emissions from our collection vehicles. It will also help the Council to meet Government guidelines to

recycle 65% of household waste by 2035 and Devon’s proposed 60% target rate by 2025.

- 2.9 37 fixed penalty notices (Environment) were issued in 2022/23. One of the objectives for the Environment and Enforcement service is to educate the public and ensure a balanced and proportionate approach to enforcement activity. This will enable the service to build public confidence in our enforcement practice.

Climate Change Portfolio

- 2.10 To date, the Council has installed three electric vehicle charger units, each with two charging points. A further five charger units are due to be installed, taking the total to eight (16 charging points). The number of charging point uses in 2022/23 was 4,716 compared to 4,639 in 2021/22, Figure 3.

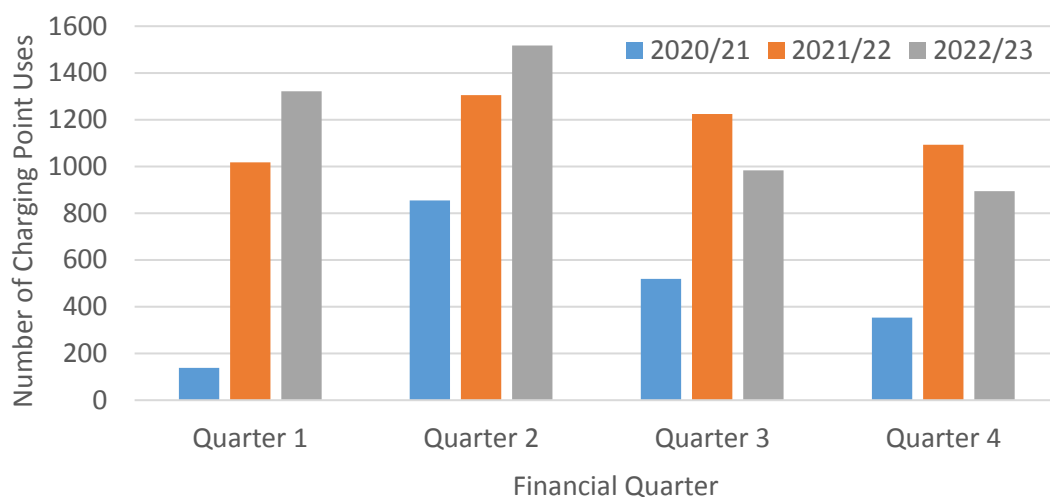


Figure 3: Electric Vehicle Charge Point uses per quarter, 2020/21 to present

- 2.11 Approximately half of Mid Devon District Council’s building electricity supply is on a 100% renewable electricity tariff (Phoenix House, Exe Valley, and Tiverton Pannier Market).
- 2.12 The £2.8m renewable heat projects at Exe Valley Leisure Centre and Lords Meadow Leisure Centre are due to be completed Spring/Summer 2023.

Economy Portfolio

- 2.13 The number of empty business properties is measured by the number of national non-domestic rates (NNDR) accounts receiving empty property relief. There were 253 empty business properties in March 2023, Figure 4.

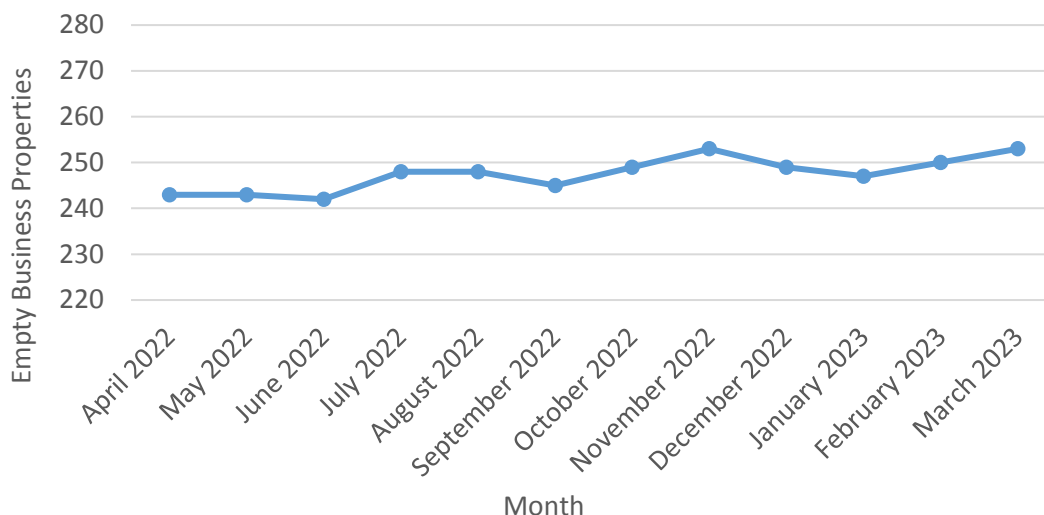


Figure 4: Number of empty business properties, last 12 months.

- 2.14 The Pannier market occupancy rate was 85% for 2022/23, meeting the target of 85%. This represents an increase on the previous year (82%; 2021/22).

Community Portfolio

- 2.15 There were 465 complaints in 2022/23. 92% of complaints were resolved within the relevant target timescales (target was 95%).
- 2.16 Health Referral Initiative starters was 149 in 2022/23, higher than in 2021/22 (102). The number of Health Referral Initiative Completers was 69 and the number of Health Referral Initiative Conversions was 38.

Corporate Portfolio

- 2.17 Total Council Tax collected was 97.1% in 2022/23 (96.7% in 2021/22, target of 97.5%).
- 2.18 96.8% of National Non Domestic Rate (NNDR) was collected in 2022/23 (98.6% in 2021/22, target of 97.0%).
- 2.19 The number of working days/ shifts lost due to staff sickness absence per full time equivalent employee was 3.67% for 2022/23. This is higher than for 2021/22, 2.73%.
- 2.20 Staff turnover at the Council for 2022/23 was 19.3%, Figure 5.

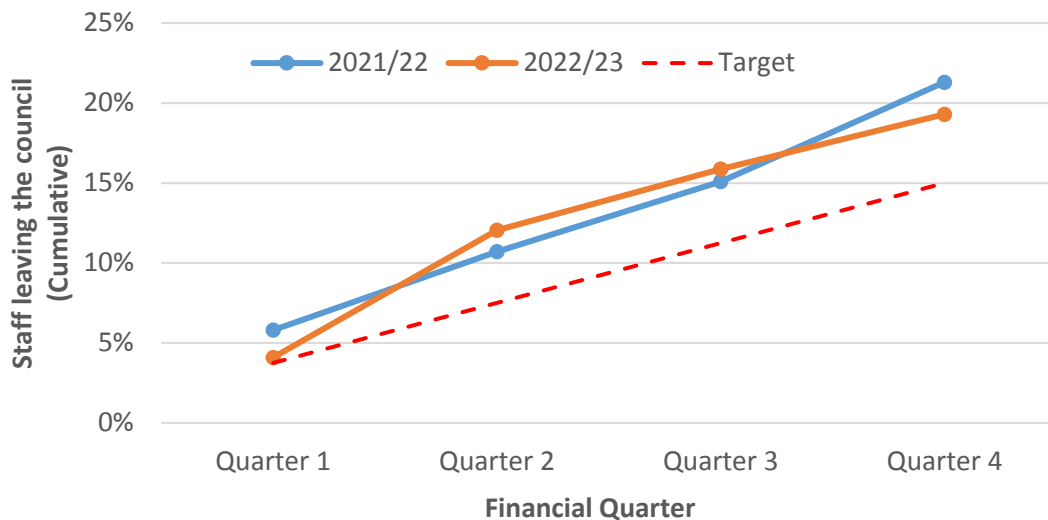


Figure 5: Staff Turnover per financial quarter (Cumulative year to date), 2021/22 and 2022/23.

Financial Implications

There are no direct financial implications arising from this report. However, if performance is not at the expected or desired level then resources may need to be reviewed or redirected to improve performance.

Legal Implications

There are no direct legal implications arising from this report. However, if the performance of some indicators is not at required levels, there is a risk of legal challenge.

Risk Assessment

If performance is not managed we may not meet our corporate and local service plan targets or take appropriate corrective action.

Impact on Climate Change

Several performance indicators are related to our corporate ambition to reduce carbon emissions. Managing the performance of these can help evaluate the impact of Council interventions as well as guide future decisions on spend and investment.

Equalities Impact Assessment

Customer feedback can help the council identify any groups of people who may potentially be experiencing a less satisfactory level of service. When reviewing performance and making recommendations on priorities, the Council should be mindful to consider how services might impact on different sections of the community.

Relationship to Corporate Plan

Corporate Plan priorities and targets are managed and scrutinised on a regular basis using appropriate performance indicators as detailed in this report.

Section 3 – Statutory Officer sign-off/mandatory checks

Statutory Officer: Andrew Jarrett
Agreed by or on behalf of the Section 151
Date: 16 Jun 2023

Statutory Officer: Maria de Leburne
Agreed on behalf of the Monitoring Officer
Date: 16 Jun 2023

Chief Officer: Andrew Jarrett
Agreed by or on behalf of the Chief Executive/Corporate Director
Date: 16 Jun 2023

Performance and risk: Steve Carr
Agreed on behalf of the Corporate Performance & Improvement Manager
Date: 12/06/2023

Cabinet member notified: Yes

Section 4 - Contact Details and Background Papers

Contact: Dr Steve Carr, Corporate Performance and Improvement Manager
Email: scarr@middevon.gov.uk
Telephone: 3CX Ext. 4217

Background papers: Corporate Plan 2020-24, Corporate Plan 2020-24 – Mid Point Review.

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Homes Theme 2022/23

Aim: Deliver more affordable housing and greater numbers of social rented homes

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Additional homes completed (net)	358	237	*	393	TBC
Self Build Plots	1	12	*	5	TBC
Gypsy and Traveller Pitches completed	1	1	*	2	TBC
Number of affordable homes completed (gross)	30	24	*	94	TBC
Number of homelessness approaches	587	675	838	N/A	N/A

**The officer who collects and manages this data is on long term sick leave. Alternative arrangements are being put in place to collate this data, but it will not be available until Autumn 2023 at the earliest.*

- The number of homelessness approaches in 2022/23 was 838, and increase on previous years.

Aim: Work with Community Land Trusts and other organisations to deliver homes retained in perpetuity for local need and Aim: Support the establishment of Community Land Trusts in partnership with parish councils and other local bodies

The Council's Housing Enabling Officer continues to support Thorverton in taking forward a community housing project. The council has commissioned and completed a new housing needs survey on their behalf, assisted with discussions around funding, land availability, planning issues and Community Land Trust establishment. Officers are also liaising with the group regarding Stage 1 of the Community Housing Fund to assist with community consultation, site feasibility and establishing the group as a legal entity.

Aim: Work with landlords to ensure the high quality of homes in the private rented sector

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Deliver homes by bringing Empty Houses into use	101	54	14	72	Red
Houses in Multiple Occupation (HMOs) investigations	96%	100%	96%	100%	Amber
Landlord Engagement and Support	14	14	9	9	Green

- A new Housing Initiatives Officer post was appointed and started in summer 2022. This post is focusing on bringing empty houses back into use as well as other projects.
- The council completed investigations on 96% of notified potential HMOs in 2022/23, less than the target of 100%. This is due to a need to prioritise staffing resources towards the Homes for Ukraine schemes.
- Nine landlord engagement and support activities were undertaken in 2022/23

Aim: Lobby to see the abolition of the ‘Right-to-Buy’ or the devolvement of discounting powers to individual local housing authorities

- Ongoing active participation in Department for Levelling Up Housing and Communities (DLUHC)/ Local Government Association Local Authority Strategic Housing Advisory Group nationally. Recent additional flexibilities announced by DLUHC including 100% retention of Right-To-Buy receipts for 2-years and reduced Local Authority social housing borrowing costs under PWLB.

Aim: Promote the regeneration of our town centres by working with landlords and property developers to improve and increase the supply of quality housing

- Performance for this aim is captured within the Economy 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.”

Aim: Introduce zero carbon policies for new development

- Policy development in this area is subject to Planning Policy/ Law.
- The Local Plan includes policies making clear development will be expected to: meet the challenge of climate change by supporting a low carbon future, energy efficiency and increasing the use and supply of renewable and low carbon energy. The council's recently updated validation checklist for planning applications introduces the local requirement for a statement to identify how the applicant has addressed impacts of their development proposal in relation to climate change. This includes requiring evidence as to how carbon emission reductions will be delivered through design, construction and operational systems. The preferred approach will be through the completion of the Climate Emergency - Planning Application Checklist.

Aim: Encourage the piloting of Modern Methods of Construction (MMC) and self-build opportunities

- Modern methods of construction is a process which focuses on off-site construction techniques, such as mass production and factory assembly, as alternatives to traditional building. It is a fast way of delivering new buildings, by maximising the efficiency of material and human resources. Mid Devon Housing modular housing programme is planned at 80% modular MMC properties. Post Hill development is also MMC non-modular specification. Over 400 units in 500 unit/5-year social housing programme are therefore MMC.

Aim: Use new development as opportunities to help communities to become increasingly sustainable and self-sustaining at neighbourhood level (district heating, energy use, recycling/re-use systems etc)

- Proposed 70-unit Post Hill development specification for tender is for zero-carbon, Passivhaus properties. Ongoing wider modular Mid Devon Housing social housing development programme is 80% modular certified zero-carbon, with the remainder traditional build properties. These will be high energy efficiency properties (A+ EPC rated) increasing overall sustainability of programme with ultra-low energy consumption and costs for tenants.

Aim: Work with local stakeholders to initiate the delivery of the new garden village at Culm

Culm Garden Village has a comprehensive governance arrangements which facilitates the involvement of key stakeholders allowing them to participate in shaping the future community and support delivery.

Aim: Support and grow active tenancy management

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Emergency repairs completed on time	104.2%	100.0%	99.7%	100.0%	Green
Urgent repairs completed on time	99.9%	99.3%	99.0%	95.0%	Green
Routine repairs completed on time	99.6%	98.8%	98.4%	95.0%	Green
Properties with a valid gas safety certificate	99.4%	99.4%	99.8%	100.0%	Amber
Housing complaints responded to on time	100.0%	98.8%	100.0%	100.0%	Green

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Environment Theme 2022/23

Aim: Encourage retro-fitting of measures to reduce energy use in building

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Corporate Renewable Energy Projects	1	8	5	4	Green
Housing Assistance Policy (Retro-fit schemes supported)	5	28	11	5	Green
Home Improvement Loans sanctioned	10	5	14	10	Green

- 100% renewable electricity tariff (Renewable Energy Guarantees Origin backed) for approximately half of council building supply (comprising 3 supply locations: Phoenix House; Exe Valley; Pannier Market).
- Retrofit LED lighting units installed in progress for all-weather pitches at leisure centres.
- The £2.8m dual projects at Exe Valley Leisure Centre and Lords Meadow Leisure Centre is due to be completed Spring/Summer 2023. Retrofit installation of Air Source Heat Pump (ASHP) and Ground Source Heat Pump (GSHP) completed; a new, larger buffer vessel was installed to optimise biomass boiler at Lords Meadow; new buffer vessels and cooling circuits at Exe Valley; solar PV panel arrays being extended; final commissioning of combined heating/cooling systems being done.

Aim: Encourage “green” sources of energy, supply new policies and develop plans to decarbonise energy consumption in Mid Devon

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Electric Car Charger usage (Number of uses)	1,867	4,639	4,716	2,300	Green
Electric Car Charger Units	3	3	3	8	Red

- During 2020 we had 3 rapid chargers - each with 2 charge points - installed at council leisure centres: Culm Valley, Exe Valley, Lords Meadow. These are owned and operated by Instavolt through a lease with the council.

- During 2022 through participating in Devon's DELETTI partnership we secured at least 5 rapid chargers - each with 2 charge points - which will be installed at council car parks: Crediton Market Street, Crediton High Street, Cullompton Forge Way; Tiverton William Street; Tiverton Pannier Market; Tiverton Westexe South. These will be owned and operated by Wenea/Gamma through a lease with the council. Leases being finalised for the first phase of installations.

Aim: Identify opportunities to work with landowners to secure additional hedgerow planting, biodiversity and reforestation

- Community climate and biodiversity grants: Submitted as a priority for budget spend in 2022/23.

Aim: Consider promoting the designation of the Exe Valley as an Area of Outstanding Natural Beauty (AONB)

- This aim was determined as not deliverable within the period of the Corporate Plan as part of the Mid-Point review.

Preliminary research project could be devised to understand the scope and scale of the challenge, albeit early estimates suggested a timeframe of many years and a cost in excess of £250k. No budget or resource has been identified for this work and it is not currently being progressed.

Aim: Encourage new housing and commercial developments to be “exemplars” in terms of increasing biodiversity and reducing carbon use.

- The Local Plan includes policies making clear development will be expected to: meet the challenge of climate change by supporting a low carbon future, energy efficiency and increasing the use and supply of renewable and low carbon energy; and minimising impacts on and providing a net gain in biodiversity.
- The council's recently updated validation checklist for planning applications introduces the local requirement for a statement to identify how the applicant has addressed impacts of their development proposal in relation to climate change, including evidence how reductions in carbon emissions will be delivered through design, construction and operational systems. The preferred approach will be through the completion of the Climate Emergency - Planning Application Checklist. Officers are working with Devon County Council's Ecologist to put in place arrangements for technical support to deliver the implementation of biodiversity net gain through the development management process.

Aim: Increase recycling rates and reduce the amounts of residual waste generated

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Household waste collected per household (kg)	364.5	364.5	327.3	362.0	Green
Household recycling rate	53.5%	53.4%	55.4%	54.5%	Green
Households on Chargeable Garden Waste	11,653	11,882	12,009	11,300	Green
Missed refuse/food/garden collections - collection crew error	0.02%	0.02%	0.04%	0.03%	Red
Missed Recycling/Food Collections - collection crew error	0.02%	0.03%	0.05%	0.03%	Red
Fixed Penalty Notices Issued (Environment)	10	0	37	N/A	N/A

- Over the past year the amount of household waste collected per household has decreased from 364.5 kg to 327.3 kg. This improvement can be attributed to the introduction of 3 weekly bin collections in October 2022 alongside education and enforcement activity
- Related to the above, the household recycling rate has increased to 55.4% (2022/23). A target has been set of 56.5% for the next financial year.
- Missed bin collections were higher in 2022/23 than in previous years and exceeded our performance target. Missed collections increased across the winter period due to extreme bad weather.

Aim: Explore large-scale tree-planting projects and re-wilding to enhance biodiversity and address carbon pressures

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Corporate Tree Planting Scheme	0	650	1,192	500	Green

- On MDDC land: 30 maiden orchard trees (Oak Close community orchard in Tiverton); 33 standards, 5 donated trees, 5 at Tiverton Cemetery, 7 orchard trees planted by volunteers at Newton St Cyres (General Fund land), 12 planted by volunteers (General Fund land). On private land: 1,100 whips planted, achieved through partnership work with Aggregate Industries UK and local volunteers. Total = 1,192 trees.

Aim: Promote sustainable farming practices in partnership with local farmers, district and county councils; including research into best practice re better soil management and animal husbandry

- Reports provided to Environment PDG and to Economy PDG. Engagement supported in partnership through e.g. Connecting the Culm; and at the Mid Devon Show 2021 and 2022. Councillors with farming interests attended the MDDC tent and we hosted farmer advisors with expertise on landscape-scale recovery, natural capital, water catchment conservation, climate adaptation.

Aim: Work with parish and town councils to promote the development and retention of parks and play areas across the district

- Work on this continues and talks with Town and Parish Councils are on-going, the latest meeting taking place on 8 June 2023.

Aim: Support community activities that improve the environment such as litter picks, guerrilla gardening, or community adoption of assets.

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Community Schemes (Environmental)	0	8	14	4	Green

- Actively engaging with community projects/ networks/ groups/ individuals - also local farmers and other enterprises with a green agenda/ project/ exemplar. Proactively promoting the sustainability projects and activities of community schemes on the Sustainable Mid Devon website (resource map, events and news, etc.).
- Community liaison a range of stakeholders, including: Aggregate Industries UK (community tree planting); Blackdown Hills Transition; Connecting the Culm; Creedy Catchment Crayfish Project; Exeter Community Energy; Mid Devon Parish Wildlife Warden Scheme; New Prosperity Devon; Newton Environmental Wellbeing; Sustainable Bradninch; Sustainable Crediton; Sustainable Tiverton; Uffculme Green Team; Community Action Groups (CAG) Devon.
- The Climate and Sustainability Specialist was involved in the concept stages of the 'Net Zero Visions' public artwork project hosted by the council near the Pannier Market (led by Sustainable Tiverton).
- The Climate and Sustainability Specialist developed and coordinated the MDDC 2022 State of the District Debate which involved pre-event engagement with networks/ groups/ individuals/ local farmers/ farming advisors/ enterprises/ partnerships. Pre-event workshops and event debate involved e.g. Carbon Savvy, Heathcoat Fabrics Ltd, Exeter Community

Energy, bike shops, tourism sector, Co-Cars, growers and farmers, farming advisors, the Soil Association, community food growing and composting, local food suppliers, and several of the community groups listed earlier.

- Devon County Show: worked with Recycle Devon and Devon Climate Emergency. Topical theme: re-use, repair, exchange, upcycle.
- Mid Devon Show: Councillors joined multiple staff teams to promote sustainability messages on: sustainable farming and landscapes (nature-based solutions for climate adaptation and flood resilience at a landscape scale); housing (passivhaus design in proposed affordable and social housing); waste and recycling (Bin-It 123); active travel; what the council is doing to reduce its carbon footprint; what makes up your carbon footprint. Teamwork with Westcountry Rivers Trust, Connecting the Culm, FreeTrike, Mid Devon Housing.
- Sustainable procurement promoted to staff and communities by highlighting bid opportunities and workshops by New Prosperity Devon.

Other Performance Indicators

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Council Carbon Footprint (tCO ₂ e)	17,406	20,503	TBC	17,807	TBC

The council's carbon footprint report is commissioned in May (work completed by University of Exeter) and data will be available later in the financial year.

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Economy Theme 2022/23

Aim: Work with developers to secure our ambitious plans for the J27 ‘Devon Gateway’ development site

- Consultants LSH are currently engaged with preparing a Retail, Leisure and Tourism Study for Mid Devon, which will include a critique of current Local Plan and stakeholder proposals for the future development of land adjacent to Junction 27. Engagement with stakeholders will take place in the Autumn 2023.

Aim: Consider acquiring or creating new business parks to accelerate economic growth, and creating new opportunities for incubator and start-up space

- Incubator and Start-up Space has been a major feature of Mid Devon’s UK Shared Prosperity Fund Investment Plan. Two businesses assisted through Shared Prosperity Fund to provide new/ improved flexible workspace, works expected to be completed later in 2023.
- No sites have been acquired for commercial development. Should a site appropriate for commercial development materialise, this would be reported through the applicable committee.

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

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Business rate accounts (number)	3,356	3,426	3,556	3,150	Green
Business rates (Rateable Value)	£45.6M	£46.3M	£47.1M	N/A	N/A
Empty Business Properties	244	231	253	253	N/A
Pannier market occupancy rate	53%	82%	85%	85%	Green

- A report on the Tiverton Town Centre Masterplan was considered by the Economy Policy Development Group in January 2023, and by Cabinet in February 2023. Adoption expected at the end of 2023.
- The Planning Policy Advisory Group considered the Cullompton Town Centre Masterplan in January 2023, and it was further considered by Cabinet in February 2023. Adoption expected at a future Council meeting.
- Cabinet considered a report regarding the commissioning of the Crediton Town Centre Masterplan in November 2022.

Aim: Facilitate the creation of exciting new commercial opportunities within strategic developments at Culm Garden Village and Tiverton Eastern Urban Extension

Work is underway to consider how commercial development could come forwards in conjunction with the development of the new garden village at Culm and how development can also support the existing town centre in Cullompton.

Discussions are also underway in relation to Tiverton Eastern Urban Extension in terms of both community assets and employment opportunities.

Aim: Produce business plans for the creation of a commercial Economic Development function perhaps in partnership with other agencies

This aim was determined as not deliverable within the period of the Corporate Plan as part of the Mid-Point review:

“This concept has not been revisited since it was last considered (circa 2018/19) and with priorities in the economic development team this is unlikely to be taken forward in the near future.”

Aim: Explore commercial opportunities that deliver new or innovative services for customers that can generate revenue for the council

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Industrial Units Cullompton – Kings Mill Industrial Estate (Unit Occupancy)	15	14	14	15	Amber

Aim: Promote zero carbon exemplar sites within commercial settings

- The Council remains supportive of commercial exemplars. The Exe Valley and Lords Meadow leisure centres will be promoted as low carbon exemplar commercial settings.

Aim: Use car park pricing mechanism to effectively balance the needs of vehicular access with those of reducing car use

- New Car Park and Permit tariffs coming in from the 29th June 2023 following publication of advanced notice on Tuesday 5th June 2023. Paper going to June Economy PDG confirming that a consultative working group will be set up which can feed into future permit and tariff setting which involves the community.

Aim: Promote the development of the farming economy and local food production

The Economic Development team has been working on a 'Taste Mid Devon' initiative to promote the farming economic and local food production. Opportunity exists to develop this initiative further – once the team returns to full strength in light of other community priorities.

Aim: Working in partnership with farmers to develop and grow markets on the principle of reducing carbon emissions and sustainability

- This aim was determined as not deliverable within the period of the Corporate Plan as part of the Mid-Point review. No budget or resource has been identified for this work and it is not currently being progressed.

Aim: Support the creation of South West Mutual Bank and seek opportunities to encourage new branches being opened in areas that aren't well-served by existing banking services providers

- After a recent strategic progress review in light of the changing macro-economic environment, the decision has been taken by the SW Mutual Board to suspend all current activities. Therefore it looks increasingly likely that the company will need to be wound up.

Aim: Develop and deliver regeneration plans for all three main towns in partnership with town and parish councils, private and third sector, and communities

- Performance for this aim is captured within the Economy 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."

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Community Theme 2022/23

Aim: Work with developers and Devon County Council to deliver strategic cycle routes between settlements and key destinations

- This aim was determined as not deliverable within the period of the Corporate Plan as part of the Mid-Point review:

“This is a transport authority function, but opportunities will be taken to try and influence transport policy and planning priorities where possible in order to encourage active travel and healthier travel options.”

Aim: Secure decent digital connectivity for all of Mid Devon

The Connecting Devon and Somerset (CDS) programme continues through Devon County Council. Connecting Devon and Somerset (CDS) is a local government-led partnership which helps to deliver next generation broadband infrastructure to areas where the market has failed to invest.

Over 315,000 homes and businesses already have access to superfast broadband as a direct result of investment by CDS – that’s more than any other broadband programme in England.

Aim: Work with education providers to secure appropriate post-16 provision within the district to minimise the need to commute out for A/T level studies

- Work experience provision underway with 13 people due to undertake work experience at the council over the coming months. Career fairs being run in local schools (next date is 7th July at Tiverton High), and Development Sessions have been delivered by the Training and Development Officer to year 7s and year 10s, and also at school assemblies. The Department for Work and Pensions have been partnered with to explore opportunities for younger people. Internships supported at Bicton College for disabled students. T level placements now available with one student about to complete and the other due to start in September 2023.

Aim: Lobby Devon County Council and others to introduce 20mph speed limits where children play, and take opportunities to pilot car-free days/ routes

Would need agreement from members on specific locations to target for 20mph zones or decisions on days for traffic to be restricted. No work is yet taking place on this.

Aim: Promote new, more integrated approaches to promoting good health and healthier living especially in the context of planned new developments

The council have commissioned a review of our Leisure Service. This started formally in June 2023 and the report should be ready in August 2023.

Aim: Seek opportunities to address public health issues and disparities to improve the health and wellbeing of everyone in Mid Devon

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Annual Community Safety Partnership (CSP) Action Plan	12	15	12	12	Green

A number of relevant activities were undertaken in 2022/23, including:

- Safe foundation support for young people project
- Contribution from the Violent Crime Funds was made to South Devon & Dartmoor CSP for the Lets Talk Teenagers Project.
- As part of Anti-Social Behaviour Awareness week, the council did joint visits with the police to our estates and offered support and advice to residents.
- Space (formerly Devon Youth Services) were funded to provide positive summer activities for young people in the Tiverton area over the summer holiday period
- Crediton Community Youth Work - provided schools transition support for Yr 11 pupils
- Mid Devon District Council agreed to become a Trauma Informed council
- Focus group on Sexual exploitation
- Body worn cameras for Street Scene
- Warm spaces project
- Initial review of safeguarding policy
- Attended Let's Talk next steps work shop with a view to introducing the scheme in Mid Devon

Aim: Encourage communities to deliver their own projects to reduce carbon emissions

We continue to proactively engage with communities and promote their ideas and projects e.g. active travel; local food; avoiding food waste; self-build and Modern Methods of Construction; repair cafes.

Aim: Facilitate networking across volunteer and community groups to spread knowledge, expertise and awareness on climate issues

We continue to proactively engage and facilitate between community partners and volunteers - a wide range of groups. Actively promoting networks on the Sustainable Mid Devon website. Public art ideas were realised as the Net Zero mural project created by Sustainable Tiverton - artist collaboration and hosted by the council.

Aim: Work with the NHS and other health bodies to promote use of our leisure centres

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Health Referral Initiative starters	6	102	149	15	Green
Health Referral Initiative completers	0	58	69	10	Green
Health Referral Initiative conversions	0	33	38	5	Green

Aim: Promote community involvement in council activity

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Complaints resolved within timescales (10 days - 12 weeks)	90%	91%	92%	95%	Amber
Complaints (Number)	273	404	465	N/A	N/A

Aim: Promote new approaches to rural transport in partnership with town and parish councils through the deployment of emerging technologies

There may be some locations where Mid Devon District Council can do more by facilitating opportunities for transport hubs in larger settlements (Tiverton, Crediton and Cullompton) by considering what interventions could be delivered as we develop and deliver against masterplans for these towns. However, rural transport provision remains the responsibility of the transport authority.

Aim: Work with county, town and parish councils to identify safer walking journeys to school

We will participate as part of the consultation on safer routes to schools projects and programmes (or their equivalents) as appropriate.

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Corporate Performance 2022/23

Alongside the performance reporting of the Corporate Plan, the council presents performance information on a wide range of corporate performance indicators. These are listed below.

Performance Indicator	2020/21	2021/22	2022/23	Target (2022/23)	Performance
Sickness Absence	2.10%	2.73%	3.67%	2.78%	Red
Sickness Absence (days)	5.8	7.8	9.9	7.0	Red
Staff Turnover	24.5%	21.3%	19.3%	15.0%	Red
Appraisals completed	97%	62%	94%	100%	Amber
Council Tax Collected	97.0%	96.7%	97.1%	97.5%	Amber
National Non-Domestic Rates (NNDR) Collected	96.8%	98.6%	96.8%	97%	Green
New Performance Planning Guarantee determine within 26 weeks	100%	100%	99%	100%	Amber
Major applications overturned at appeal (over last 2 years)	4.8%	5.5%	2.9%	10%	Green
Major applications overturned at appeal (% of appeals)	0.1%	2.3%	3.0%	10%	Green
Minor applications overturned at appeal (over last 2 years)	2.5%	0.4%	0.8%	10%	Green
Minor applications overturned at appeal (% of appeals)	1.7%	0.8%	0.9%	10%	Green
Response to FOI/EIR Requests (within 20 working days)	100%	100%	99%	100%	Amber

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Internal Audit Annual Report 2022-23

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Mid Devon District Council Audit Committee

June 2023

Tony Rose
Head of Audit
Partnership

Paul Middlemass
Audit Manager

Auditing for achievement

Introduction

The Audit Committee, under its Terms of Reference contained in the 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 to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2022-23 was presented and approved by the Audit Committee in March 2022. The following report and appendices set out the background to audit service provision, a review of work undertaken during the year and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance Statement. This report provides that opinion.

Expectations of the Audit Committee from this annual 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.

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 (see appendix 5) and satisfy themselves from this assurance to support signing the Annual Governance Statement.

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Opinion Statement

This statement of opinion is underpinned by:
This

Overall, based on work performed during 2022-23 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.

opinion statement will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement see appendix 5.

The Authority's internal audit plan for the year includes specific assurance, risk, governance, and value-added reviews which, with prior years audit work, provide a framework and background within which we assess the Authority's control environment. The Head of Internal Audit's Opinion is informed by the assurance conclusions obtained in the audits undertaken in 2022-23. Significant weaknesses identified should be considered by the Authority in preparing its Annual Governance Statement for 2022-23.

In carrying out reviews, Internal Audit assesses whether controls are operating satisfactorily and provide an overall opinion on the adequacy of controls to management within the audit report. Audit reports include an action plan with responsible officers and target dates to address control issues. While implementation of action plans rests with management, high priority recommendations are reviewed during subsequent audits or as part of specific follow-up.

Underpinning our overall Reasonable Assurance are the five Substantial and 19 Reasonable Assurance opinion audits (with five Limited opinions).

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems including processes in place to establish and monitor the achievement of the Council's objectives; facilitate policy and decision making; ensure economical, effective and efficient use of resources, compliance with established policy, procedure, law and regulation; and safeguard the Council's assets and interests from losses of all kinds. Core financial and administrative systems were reviewed by us, and controls were found to be effective with some exceptions resulting in agreed management actions.

The Council's overall internal control framework is considered to have operated effectively during the year. Where we have highlighted weaknesses in compliance to key controls, none are considered to have had a material impact on operations.

Risk Management

Risk Management processes at strategic and operational level are in place. There has been progress to support focus on Corporate Risks. Further work is required to improve focus on Service risks and key business objectives and improve mitigation control.

Governance Arrangements

Through our audits we noted the Council has an appropriate Governance framework including senior management and member review and approval of Council budgets and charges. Several audits identified the need for more attention to quality control and oversight of specific areas.

Performance Management

Performance is monitored at management and Council Committees. This is supported by the SPAR system. Further attention is needed to ensure appropriate performance measures are held by all Service areas for effective delivery and performance monitoring.

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

Summary Assurance Opinion

The diagram below shows our assurance opinions broken down by service area. The ratings are relevant at the time of the audit review and assurance may have improved with implementation of agreed management actions since that time.

Assurance Opinion	Service Area - Audit Coverage		
	Deputy Chief Executive	Corporate Affairs	Planning
Substantial Assurance	Treasury Management	Car Park Operations Housing Rents	Development Control Local Land Charges
Reasonable Assurance	Housing Benefits Cemeteries Climate Change Capital Asset Management Income Management Main Accounting Creditors Procurement Risk Management	Electoral Registrations and Elections Customer Care and Complaints Recruitment, Selection & Retention Equality and Diversity Grounds Maintenance Care Services Follow Up Off Payroll Working (IR35) Corporate Health and Safety Payroll	Culm Garden Village Project
Limited Assurance	Culm Valley Leisure Centre Repairs & Maintenance	Cyber Security and IT Corporate Management Information Environmental Health	

Audit Coverage and performance against plan

We delivered 89% of audits in the agreed plan for 2022/23 (to draft /final report stage). The remaining audits have been either cancelled, deferred by the client, or rolled over into 2023/24.

Audit Assurances provided

The chart opposite shows the breakdown of Substantial, Reasonable, and Limited Assurance opinions provided this year. While 24 of the audits were Substantial or Reasonable, we also provided five Limited opinion audits, related to:

- Cyber Security: The need for more effective cyber governance commensurate with risk present in this area.
- Information Governance: Related to the above work we note the progress made but further work is needed to implement and embed improvements.
- Environmental Health (Water): Problems with staff resourcing have impacted on the team output and resultant income derived.
- Repairs and Maintenance: A reactive rather than proactive maintenance approach and the system to manage repairs is not effective.
- Culm Valley Sports Centre: Concerns including costs vs income, and Health and Safety responsibilities and monitoring.

Follow ups will be undertaken in 2023-24 to confirm that management actions agreed in these audits have been addressed.

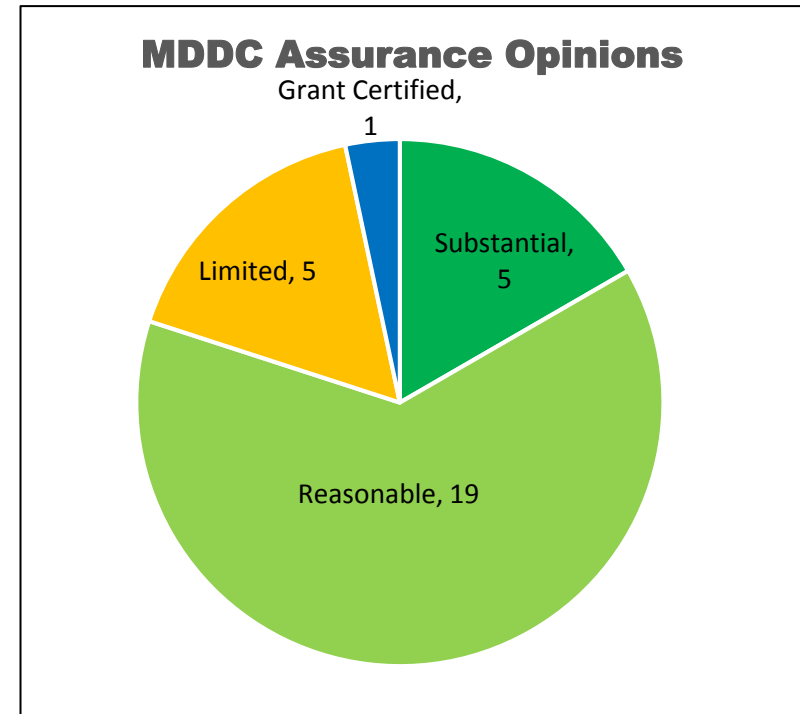
We also provided certifications of grants, consultancy reports, and other support activity.

This year's mix of opinions compare to the 3 Substantial, 17 Reasonable and 2 Limited Assurance audit opinions provided for 2021/22.

In terms of audit days, we have delivered more than the agreed number of audit days, although some audits have required a richer mix of staff resource than planned in the initial audit plan due to the complexity / sensitivity of the area under review e.g., the Cyber Security reviews, and reviews of Governance, and the Corporate Plan.

The Summary Assurance Opinion on the proceeding page shows that we have undertaken audits across different areas of the Council to support an assurance opinion, along with all the Core audits.

At **Appendix 1** we include a summary of the audits delivered since the Audit Committee of March 2023. Summaries of the audits delivered prior to that meeting were included in reports to the Committee during the year.



Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can and 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.

This current year, we have sought to add value by increasing the number of similar audits undertaken in different partners to support compare and contrast activity, and to identify and communicate best practice. We also actively worked with management to progress actions to reduce their risk in areas such as on Housing Voids and Cyber Security.

We also issued relevant information bulletins on:

- Good practice and reflections on District Councils progress to meet Climate Change objectives.
- Comparison of agenda items presented to Devon District Audit and Governance Committee.

Finally, we have provided advice and guidance on good practice related to Governance, Risk Management and Fraud. Appendix 7 provides details of the specific feedback for Mid Devon and all our clients.

Fraud Prevention and Detection

Overall, the risk of fraud at the Council is considered low. All our internal audit assignments include considering the potential for fraud and how the Council prevents such fraud occurring. Work on the key financial systems (payroll, creditors, debtors etc) considered the suitability and robustness of the control framework to prevent, detect and address fraud. The national data matching exercise (National Fraud Initiative - NFI) is supported by the Council every two years. We were not involved in any significant investigations required during the year.

During the year we supported the Council by providing a specific Counter Fraud Resilience and Assessment report in December 2022 which assessed arrangements against CIPFA / CIFAS best practice. We are now undertaking this as an annual exercise. The assessment concluded that the Council complies in almost all areas of best practice. We considered arrangements compared to best practice was encouraging and supports the opinion that it is committed to reducing fraud losses to the minimum level possible.

In February 2023 we helped to update its Anti-Fraud Bribery and Corruption Policy, and Strategy to align them with good practice.

For 2023-24, we are supporting a review of Council Tax Single Person Discounts which is being undertaken by a specialist contractor funded by the County Council.

Appendix 1 – Summary of audit reports and findings since the March 2022 Audit Committee

Audit and Assurance Opinion	Summary, risk exposure and management actions
<p>Housing Rents</p> <p>Substantial Assurance</p> <p>Page 65</p>	<p>There is a good level of control for the approval of rent increases and application to rent accounts. User access to the Orchard system is monitored and user access looks appropriate in line with job roles and with restrictions on those able to make parameter changes. Rent collection is well monitored and current tenant arrears is managed in line with policy. Former tenant arrears is being managed alongside the current tenants but there are occasional gaps in chasing up this debt. Review of rent arrears shows that arrears have increased for several years. Management is aware of this and plan to allocate resource to monitor and recover former tenant arrears.</p> <p>The rent increase was calculated in accordance with the policy and appropriately approved by members. There is double checking of the rent increase before this is applied to Orchard. We checked a sample selection of weekly rates on Orchard and found they were all accurate and processed in line with the guidance.</p> <p>Housing regularly monitors and report on arrears and produce weekly rent arrears stats. A comparison between the 2022-22 financial year and 2022-23 shows a debt increase of £91k (in context, the total rent for the year is £13.1m). Testing a small sample showed good monitoring of accounts and regular contact with the tenant to prevent arrears from escalating. There are factors impacting on debt which the team work hard to manage i.e.:</p> <ul style="list-style-type: none"> • The rising number of tenants moving from housing benefit to universal credit (UC) - housing benefits is paid the week it is due; universal credit is paid in arrears, so this causes a break in payment to the tenant and delay in payment of rent. • Increase of cost-of-living. <p>The factors above have a significant effect on the increase in rent arrears. The rise in tenants moving over to UC and the cost-of-living will likely exacerbate this situation. This poses a big risk to the service, and it should continue to be regularly monitored and reported.</p> <p>We agreed two Medium Management Actions.</p>
<p>Corporate Health & Safety</p>	<p>The Council's Health and Safety Committee meets quarterly and is attended by senior managers and other key staff. Pertinent topics on management of H&S issues are discussed, and actions agreed to address areas of concern. There is a current H&S policy published on the Intranet/Sharepoint. There is a formal process for induction that includes H&S; with a checklist for manager and officer to ensure all areas are covered. The Councils Learning Hub is used to roll out mandatory H&S training for officers. This training is relevant and</p>

<p>Reasonable Assurance</p> <p>Draft Report; still to be finalised.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 66</p>	<p>sufficient to keep officers abreast of employer and employee responsibilities. Risk assessments are in place to identify and manage H&S risks to officers and the public. We reviewed Street Scene risk assessments and the Health and Safety Officer advised that he is content that these are being carried out across other service areas. The Council requires officers working mainly from home to complete Display Screen Equipment assessments; this has not been completed by all relevant officers, but a review is assessing those who have yet to complete it.</p> <p>There are areas where attention is required:</p> <ol style="list-style-type: none"> 1. Mandatory H&S training: Officers are not required to read the Health and Safety policy as part of core training. In addition, there are employees who have not completed the mandatory training. While managers are required to ensure that their staff complete the training this does not appear to be effective. 2. Requirements in the policy related to the Chief Executive do not appear to be in place: <p><i>“The Chief Executive:</i></p> <ol style="list-style-type: none"> 4.2.1 <i>Has responsibility for the management of health and safety and will sign the policy.</i> 4.2.2 <i>Will delegate implementation of the policy through the line management structure.</i> 4.2.3 <i>Will delegate, with the assistance of competent advice, the preparation of a Health and Safety Strategy that will include key safety performance indicators”.</i> 3. Arrangements related to evacuation of mobility impaired individuals. This includes training on the use of the evacuation chair, the location of the chair, positioning of a tannoy system to call for help, and creation of personal emergency evacuation plans. 4. Induction forms. Managers are responsible for completion of induction forms. Monitoring return of induction forms is not undertaken by HR, therefore there is no control to ensure that all inductions are complete. <p>We made seven Medium and two Low Management Actions</p>
<p>Projects – Culm Garden Village</p> <p>Reasonable Assurance</p>	<p>The project is well supported by experienced officers from the Council planning team as well as a Planning Lead provided by Hyas associates. The absence of any request for grants from HE for 2022-23 increases project specific risk that additional future grant funding will not be available. The project is also facing risks related to funding of interdependent projects such as the Cullompton Relief Road, and M5 Junction work. This makes it even more important for the Council to put priority on managing this and the other related projects.</p> <p>Statutory decisions are taken by the Council and other relevant bodies, and key papers have been agreed by Cabinet and Full Council. Specific members are involved; the Leader, and the Cabinet Member for Planning and Economic Regeneration sit on the project Delivery Board. However, the Council does not have a specific committee or group that considers the CGV project, or other relevant projects. We have suggested the Council</p>

consider if a specific committee or Policy Development Group should have responsibility for this and other related projects which have significant impact on the local area.

A Delivery Board is composed of MDDC members and officers, and other individuals with an interest. This is well supported by the project, with update reports, notes of meetings, and an action log. The Board Terms of Reference states that it has “overall responsibility for steering the delivery of the Culm Garden Village project”. However, review of the meeting notes and papers indicates that it is not overtly a decision-making body. This may be a result that many of the statutory decisions are taken by other Council or other bodies. There is a need to review the Delivery Board terms of reference to ensure it is consistent with the actual role of the Board in conjunction with that of other organisations such as the Council.

We suggest the project maintain a risk register and highlight the key risks to the Delivery Board and members to help provide clarity of the significant challenges to be overcome relating to funding for this and other key projects.

Review of the projects finances shows that the project has been funded by Homes England grant monies, but HE bids for 2022-23 have not been invited. The Council holds unspent grant money which should cover all but £25k of costs for the next few years. It is not known if future grant money will be available, and the project team is seeking alternative funding from other sources. However, there are also other significant funding problems relating to interdependent projects such as the Cullompton Relief Road. We have therefore provided a Limited Assurance opinion related to this risk area.

The project has a Communications and Engagement Strategy, but it needs to be reviewed and updated. Work is needed to update the MDDC website related to the project.

We agreed seven Medium and one Low Management Actions.

Off Payroll Working – IR35

Reasonable Assurance

There was a good awareness of the requirements arising from the IR35 regulations. It has provided training modules to officers, including one on completion of the HMRC online assessment tool, CEST. The training is comprehensive and has been completed by a good number of managers, although further work is needed to encourage all those nominated to attend it. Guidance for officers has also been produced and is detailed but this has been in draft for some time and needs review and approval.

There was a process for the Workforce Review Group to review the Service Determination Statements (SDSs) produced from completion of the HMRC online tool. The Council was recently asked by HMRC to confirm details on Employment Status, showing the importance of continued focus on adherence to regulations in this area despite the low numbers of workers applicable to this area.

We agreed three Medium and two Low Management Actions.

**Creditors
Reasonable
Assurance**

Payments are made in a timely manner as demonstrated by the percentage of 97% of invoices paid within payment terms for the 2021/22 financial year.

Good controls exist within the system with members of the creditors team not able to set up suppliers upon the system and once a supplier has been set up being unable to amend and change supplier details (payee sort code, bank account).

We found instances where purchase orders did not contain necessary information on cost, hours, timescales. Staff should be instructed to ensure that all purchase orders raised contain sufficient information regarding description of goods and services required, the quantity required, and the purchase price agreed for each item.

Certain issues raised within the previous audit report were found to be still relevant:

- Regarding the process of receipting of goods and services, from a small sample of invoices tested most had a goods receipted date after the actual invoice date for the goods and services supplied. This is contrary to financial regulations.
- No progress on removal of supplier records no longer required from the supplier Masterfile. Management has been asked to confirm whether this is still an acceptable risk to be tolerated going forward.

We agreed three Medium Management Action.

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**Procurement
Reasonable
Assurance**

The Council has a good procurement framework to support the effective and efficient procurement of goods and services. Most purchases use the standard procurement procedures, supported by the e-tendering system Pro-contract to manage the procurement process within the rules. Feedback from service areas was that the procurement team is providing good support and training to those using the procurement process.

The procurement team includes an experienced Contracts Officer (CIPS qualified) and Procurement Officer both of whom have access to specialist support provided by Devon County Council via its Devon Procurement Services (DPS) team. This support arrangement was formalised in a contract to 2027; the cost was £31,440 for 2022-23. Regular meetings are taking place with the DPS team include training, mentoring, telephone support to nominated officers, system administration, portal maintenance and access to electronic procurement templates. Other discrete work includes review of contract standing orders, procurement financial thresholds and the MDDC Procurement Strategy. We suggest more focus on the support provided from this contract to confirm it represents good value for money.

The Financial Regulations Section 5 provides good guidance on procurement and contracts. The new MDDC Procurement Strategy 2023-27 borrows heavily from and is aligned with the DCC Strategy. Audit Committee agreed an action plan would be created to implement the strategy.

A Request for Waiver (RFW) process is outlined in Council regulations. Waivers are in essence requests to diverge from good procurement practice and should be avoided where possible. There were 11 waivers visible on the contracts register starting this financial year with a combined value of £569k, which is comparable with

peer councils. We asked for but did not receive a list of all the waivers raised in the last year. These waivers are submitted to Cabinet for review.

There is a strong process in place for processing purchase orders, with 3 stages where anomalies can be identified and challenged from requisition, approver, and a final procurement check.

The Local Government Transparency Code states that the Councils should publish their Contracts Registers on a quarterly basis and a link to the database was clearly highlighted, along with a real-time list complying with the requirements. Purchasing card spending data was available online and at the time of our enquiry the January 2023 information had been uploaded. In this audit we did not review or examine use of procurement cards.

We highlight as good practice the approach of another council to classify their contracts as Gold, Silver, and Bronze to support prioritisation of the contract management required.

We agreed one Medium and four Low Management Actions.

Payroll

Reasonable Assurance

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Access to the Payroll system is appropriately limited with the level of access to individual members of staff commensurate with roles and responsibilities. Resilience within the function has been enhanced with the HR Service Desk & Payroll Manager now assisted by a Payroll Coordinator who splits their time 50/50 between the Payroll and HR functions.

Previous concerns we raised regarding payroll back up tapes has been satisfactorily resolved.

Raised previously and still without response from the payroll software supplier is how the calculation of part month salary (first month back pay, final month pro rata to leaving date) is performed. The belief is that the system uses actual working days rather than calendar days. However, the HR Service Desk & Payroll Manager could not balance back to the system calculation in all instances using this methodology. A response is still awaited from the software supplier as to how the system calculates part month payments. The risk is that officers are not paid the correct amount, albeit this would be for small sums of money.

Permitting the Payroll Coordinator, the ability to raise BACS payments, and the HR Operations Manager the ability to authorise / sign off BACS payments will help strengthen and improve resilience within the monthly payroll processes. Currently the former task can only be undertaken by the HR Service Desk & Payroll Manager and the latter task by the Corporate Manager for People, Governance and Waste.

We agreed two Medium Management Actions.

Information Governance

When we started reviewing this area in August 2022, MDCC had recently appointed a Data Protection Officer (DPO) to take responsibility for Corporate Information Governance (IG) aspects. It is pleasing to recognise that since his arrival he has led significant work to strengthen and improve the framework within which corporate information is effectively collected, managed, and secured. This prompted us to consider whether a Reasonable

<p>Limited Assurance</p> <p>Draft Report; still to be finalised.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 70</p>	<p>Assurance should be given, rather than the Limited we have provided. We have decided a Limited Assurance is still appropriate given significant risks remain, and some work is not fully completed, such as on the Information Asset Register and roll out of the webpage on Data Protection. Our observations and agreed management actions in this report, and our report on Cyber Security, will support this ongoing development.</p> <p>We understand that the Record of Processing Activity (RoPA) is now 50% established, and once fully established will allow completion of the RACI model, and population of the Council's Information Asset Register. We recognise the significant work that has been and continues to be undertaken, however until all these aspects are fully embedded and operational, associated risks are still present.</p> <p>IG engagement is critical in ensuring all Information Governance / management requirements are considered, not only to maximise security and useability of information to support decision making, but to ensure compliance with the requirements of the Data Protection Act. We are pleased to acknowledge that the DPO considers Information Governance engagement from Council service areas has significantly improved since the initial appointment, with daily requests from officers for advice and guidance, as well as engagement in major projects such as the CRM. In our view, it would be best practice for the DPO to be involved in review and approval of Service arrangements related to information and data management before they are submitted to Members for agreement. This will provide confidence that they meet Information Management best practice.</p> <p>This report should also be considered in conjunction with our audit report on Cyber Security. In that audit report it was agreed that an IT Security Board will be convened to discuss cyber and related information and data risks.</p> <p>We agreed 14 Medium and one Low Management Action.</p>
<p>Culm Valley Leisure Centre</p> <p>Limited Assurance</p>	<p>Our Limited assessment is based largely on weaknesses to Health and Safety measures, including the need for clarity responsibilities for the people working in this area.</p> <p>Returning to pre-covid income and activity levels has taken time. The latest information provided by the Operations Manager indicates that membership is now at 87% of pre-Covid levels for Culm Valley, and 92% for the wider service (source: March 2023 Live Membership Report). The finance outturn report for 2021-22, as reported to Cabinet on 8 June 2022, shows an overspend across the service of 29%, or £264k. The projections for the current year, as reported to Cabinet on 29 November 2022, anticipate an overspend of 54% at year end, or £491k, although the indication is that 41% of this will be offset by external funding. Efforts are made to publicise its various facilities and sessions via multiple routes including social media. There is also a corporate complaints process.</p> <p>A program of activities is in place and available to service users. A Business Plan covers the wider Leisure Service and includes financial information together with several short, medium, and longer-term objectives for the service. Whilst a spreadsheet is used to monitor data such as footfall and class numbers, performance</p>

3 Rivers Development Ltd

Assurance Opinion: Not Applicable

measures or targets are not apparent to drive improvements and identify under performance.

Health and Safety policies, procedures, and processes are in place. Potential weaknesses were identified, for instance frequency of review of the H&S policy and the Emergency Action Plan. The service has also lost several key staff who were very experienced in Health and Safety.

Processes exist for reporting maintenance issues, and these include assigning of priority ratings which determine response times for resolution. There is no Condition Survey for the building, which we have recommended as a tool for more effective budgeting and to shift the balance from reactive maintenance towards planned maintenance.

The service was recently restructured. From our discussions with staff at the centre, the new structure is thought to be an improvement in some respects, with a more logical assignment of duties within some roles. The new structure, including changes to roles and responsibilities, will take time to embed fully. Staffing levels at the Centre are generally deemed to be adequate. Most, but not all, e-learning was up to date, however more training in key areas such as Health and Safety and Safeguarding may be required to upskill existing staff, because some experienced staff have left the service.

Overtime records are an area of weakness. Claims were sometimes unclear, and errors were found.

We agreed 24 Medium and 11 Low Management Actions. This high number reflects the size of the test plan and number of areas reviewed.

We undertook a review of 3 Rivers at the request of two previous leaders of the Council and agreed the scope with the S151 officer / Deputy Chief Executive. Our assessment is as follows:

Financial Approval Process: Since the creation of 3 Rivers, the Council has identified and reflected the agreed company funding requirement into documents for member agreement, such as in Budget books and the Capital programme. 3 River Business Plans map out the loans required from the council which have been subject to approval by Cabinet. Loan agreements are in place for all the different company projects, and loans have not exceeded the envelope provided, with the exception off the St Georges Court development. Loan payment requests from 3 Rivers to the Council are supported by detail of the underlying transactions relevant to each project. There is an appropriate segregation of duties to approve the transfer of funds and make the Bankwire transaction from the Council to 3 Rivers. Review of the 3 River company accounts show these are clearly recorded as loans received related to each project. It also shows the interest paid to the Council. These accounts have been subject to external audit, and the accounts posted onto Companies House.

Review of allegations: The review was undertaken to obtain any immediately available and obvious intelligence which points towards or away from any criminality. **We did not identify evidence to support the issues or**

allegations to justify a fraud investigation. In our report we addressed each allegation and provided our assessment against them.

We agreed two Medium Management Actions.

Appendix 2 – Assurance Map

The Institute of Internal Auditors provides a summary of the benefits of Assurance Mapping:

- An assurance map brings an organisations risk appetite to life. At the same time as highlighting assurance gaps, it also shows where there is duplication or too much assurance. It is a simple way of aligning assurance resource, risk and internal control.
- It improves awareness of the control environment by looking across the organisation rather than at individual reports which can lead to siloed thinking.
- It drives positive behaviours by enabling robust discussions about risk, educating on the value of assurance and aiding collaboration between functions.
- Collectively, the assurance community of an organisation often has a more powerful voice when it works together; an assurance map is a practical platform benefiting all parties.

Over the last year we have maintained and updated the assurance map to reflect audit work and input from management including the Council's risk register, and cumulative audit knowledge of the Council. The completion of the summary and individual maps provides us with a base from which we can concentrate our audit fieldwork on key risks and areas marked as 'Improvements required' (Amber) or Fundamental Weaknesses (Red) rather than 'High / Good' (Green). Further work is needed to identify the 3rd line assurances the Council may be obtaining in these areas.

As this provides a historical view of assessments, we are not able to place complete reliance on these assessments without undertaking further walkthrough or sample testing of the area. We now intend to discuss the assurance map with senior management every six months to obtain validation. The assurance map has also been used to support creation of the audit plan for 2023/24.

Based on the current assessment we highlight the following:

- Performance and Financial Management Reports: As per last year our work identified instances where performance information is not being collected or reported to allow effective monitoring and decision making, such as Repairs and Maintenance, Culm Valley Sport Centre, Housing Voids.
- Cyber Security and IT Resilience. This continues to be a high-risk area, with Cyber Security including attacks using Ransomware being especially highlighted as a concern by central government. Our latest audit provided a Limited Assurance opinion, noting that system controls were generally good, but that governance aspects could be improved.
- Information Governance. This has elements, particularly governance areas related to our review of Cyber Security. Improvements are being made to governance, including update on Information Asset Registers, creation of an Information Management Strategy, regular review of data quality etc.
- We identified issues related to Quality Control Checks in several areas including Income Management, the Main Accounting System, Housing Benefits.
- Linked to Quality Control, we noted instances where Input Processing into key systems could be improved to ensure data being entered is accurate and completed, including for Housing Voids, Care Service Alarm Income.
- Fraud and Error. Like most organisations, the Council could do more to consider how to identify and prevent fraud and error from occurring and we will make suggestions on this when undertaking our audits.

Assurance Map assessments from our reviews are detailed as follows.

Risk / Key Objective / Key Service	Business Operation - 1st line defence							Financial, Corporate and Governance - 2nd line defence							Independent Assurance - 3rd line defence							Points related to Red / Amber assessments
	Identifying risks and improvement actions. Implementing controls. Reporting on progress. Management assurance							Assurance oversight, management and financial policies, setting direction, risk management, ensuring compliance.							Independent challenge & audit. Reporting on assurance. Audit of assurance providers. Entity level assurance.							
	Internal Control Measures				Management controls																	
	Core systems controls inc. IT system, parameters	Input processing and output controls	Fraud and Error prevention	Authorisation, supervision and segregation	Performance & Financial management reports	3rd Party and Business continuity, Disaster recovery	Strategies and business plans inc. Benchmarking	Financial / Monitoring, reconciliation, reporting, Statutory Returns	Functional & Service compliance reviews	Quality control checks (H&S, Info Governance)	Security inc IT systems & physical	Governance structures and processes (inc. financial & other policy)	Corporate risk management/assurance	External accreditation/Certification (ISO 27001)	External compliance testing - e.g. security, resilience, quality	3rd Party assurance letters	Consultant reviews	Strategic partners assurance reports inc. Peer review	Internal Audit Assignments	Report date		
Culm Garden Village Project	G	G	G	G	G	G	G	G	G	G	G	G						Reasonable	Apr-23	Project risk register, council member governance.		
Corporate Management Information	G	A	G	G	G	G	G	G	G	A	G	A	G					Limited	Apr-23	Information Asset Register, Information Management Strategy, consideration of IM requirements in new systems.		
Procurement and Contract Management	G	G	G	G	G	G	A	G	G	G	G	G	G					Reasonable	Mar-23	Action plan to accompany Strategy, VFM from arrangement with DCC.		
Payroll	G	A	G	G	G	G	G	G	G	G	G	G	G					Reasonable	Apr-23	Payroll system processing of leavers / joiners.		
Corporate Health & Safety	G	G	G	A	G	G	G	G	G	G	A	G	G					Reasonable	May-23	Mandatory H&S training, Evacuation of mobility impaired individuals, delegation of H&S responsibilities.		
IR35 Off Payroll Working	G	G	G	G	G	G	G	G	G	G	G	G	G			PS Tax		Reasonable	Mar-23			
Housing Rents	G	G	G	G	G	G	G	A	G	G	G	G	G					Substantial	Mar-23	Reconciliations, management of debt.		
Environmental Health - Water Supplies	G	A	G	G	A	G	G	G	G	G	G	G	G					Limited	Feb-23	Effective use of Uniform system, procedures need formalising, lost revenue		
Equality and Diversity	G	G	G	G	G	G	A	G	G	A	A	G	G					Reasonable	Feb-23	Equality Impact Assessments, content on website, ED&I Strategy, Working Group		
Local Land Charges	G	G	G	G	G	G	G	G	G	G	G	G	G					Substantial	Feb-23			
Electoral Registration and Elections	G	G	A	G	G	G	G	G	G	G	G	G	G					Reasonable	Feb-23	Training of Presiding officers and Poll Clerks, Photo IDs		
KFS - Income Management	G	G	G	G	G	G	G	G	G	A	G	G	G					Reasonable	Feb-23	Identification of duplicate customers or those no longer used		
KFS - Main Accounting System	G	G	G	A	G	G	G	G	G	A	G	G	G					Reasonable	Feb-23	Dual journal posting & approvals over £25k, Reconciliation of Bank Accounts		
KFS Creditors	G	G	G	A	G	G	G	G	G	A	G	G	G					Reasonable	Feb-23	Raising of GRNs after invoice, Purchase Order detail, supplier deletion from Masterfile		
Cyber Security	A	A	G	G	A	A	G	G	G	R	A	A	R		PSNI			Limited	Jan-23	Governance aspects, other weaknesses.		
Recruitment, Selection & Retention	G	G	G	G	G	G	G	G	G	A	G	G	G					Reasonable	Jan-23	Recruitment training for managers		
Housing Benefits	G	G	G	G	G	G	G	G	G	A	G	G	G					Reasonable	Jan-23	Quality review checks of claims		
Risk Management	G	A	A	G	G	G	G	G	G	A	G	G	G					Reasonable	Jan-23	Service area risks, detail on SPAR, review of risk process and council risks.		
Repairs and Maintenance	G	A	G	G	A	A	G	G	G	G	G	G	G					Limited	Jan-23	Performance measures and indicators, maintenance schedule, reliance on reactive work, documents not saved in files, system not fit for purpose.		

Culm Valley Sports Centre	G	A	G	G	A	G	G	A	G	A	G	G	G					Limited	Jan-23	H&S responsibilities, fire arrangements, financial state, condition surveys, performance measures and monitoring
Housing Voids	G	A	G	G	A	G	A	A	G	G	G	G	G					Not provided	Dec-22	Data accuracy on Orchard, Policy / process needs updating, Monitoring performance
KFS - Treasury Management	G	G	G	G	G	G	G	G	G	G	G	G	G					Substantial	Dec-22	Performance measures.
Cemeteries	G	G	G	G	A	G	G	G	G	G	G	G	G					Reasonable	Dec-22	
Capital Asset Management	A	G	G	G	A	G	G	G	G	A	G	G	G					Reasonable	Jan-23	
Care Services - Alarm Income	G	A	G	G	A	G	G	G	G	G	G	G	G					Reasonable	Jul-22	Contract with main supplier, reconciliation of key assets
Customer Care and Complaints	A	G	G	G	G	G	G	G	G	G	G	G	G					Reasonable	Sep-22	System to record & monitor call resolution incl to Service areas
Grounds Maintenance	G	A	G	G	A	G	G	G	G	G	G	G	G					Reasonable	Sep-22	Record of servicing for assets, review of services to clients
Car Parks	G	G	G	G	G	G	G	G	G	G	G	G	G					Substantial	Dec-22	
Climate Change	G	G	G	G	A	G	G	G	G	G	G	G	A					Reasonable	Aug-22	Risk and Opportunity management, range of performance measures
Waste and Recycling	G	G	G	G	G	G	G	G	G	G	G	G	G					Substantial	Jun-22	
KFS - Creditors	G	G	G	A	G	G	G	G	A	G	G	G	G					Reasonable	Jun-22	Compliance with the procurement process re Pos and GRNs
KFS - Payroll	G	G	G	G	G	A	G	A	G	G	G	G	G					Reasonable	Jun-22	Storing of Back Up Tapes and monthly Reconciliations
KFS - Housing Rents	G	G	G	G	G	G	G	A	G	G	G	G	G					Substantial	Jun-22	Completion of reconciliation checks
KFS - Housing Benefits	G	G	A	G	G	G	G	G	G	G	G	G	G		G			Reasonable	May-22	Quality control checks, Team integration
Planning / Development Control s106	G	G	G	G	G	G	G	G	G	G	G	G	G					Reasonable	Apr-22	
Leisure - Lord Meadows	G	G	G	G	A	G	A	G	G	A	G	G	G					Reasonable	Mar-22	Asset Register, Stock Control and stocktake, Accident
Service Charges	G	G	A	G	G	G	G	G	G	G	G	G	G					Reasonable	Mar-22	Service Charge Recovery
Commercial Rents	G	A	G	G	G	G	G	G	G	G	G	G	G					Reasonable	Feb-22	Property database

Appendix 3 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS)

Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2023. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

Quality Assessment –The Head of Devon Audit Partnership maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

External Assessment - The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

The Institute of Internal Audit (IIA) are the key body involved in setting out the global standards for the profession which form the basis for the Public Sector Internal Audit Standards (PSIAS) and are undergoing review and revision. The proposed new standards which are likely to take effect in 2024 and this document helps clarify and raise awareness of the audit committee's governance roles and responsibilities in respect of this. [IIA Document – Draft Standards](#).

An external assessment must be conducted at least once every five years by a suitably qualified, independent assessor. For DAP this was recently conducted at the end of 2021 by the Head of Southwest London Audit Partnership, and the Chief Internal Auditor of Orbis (a partnership organisation covering Brighton and Hove, East Sussex, and Surrey County Council).

The assessment result was that *“Based on the work carried out, it is our overall opinion that DAP **generally conforms*** with the Standards and the Code of Ethics”*. The report noted that *“As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion”*. DAP is actively addressing these improvement areas.

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated, and a status report reported to the DAP Management Board.

Customer Service Excellence - DAP was successful in re-accreditation by G4S Assessment Services of the CSE standard during January 2023. This accreditation is a UK-wide quality mark which recognises organisations the prioritise customer service and are committed to continuous improvement.

During the year we have issued client survey forms for some of our reports, and the results of the surveys returned were very good / positive. The overall result is very pleasing, with near 97% being "satisfied" or better across our services (see Appendix 4). It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

Appendix 4 - Audit Authority



Appendix 5 - Annual Governance Framework Assurance

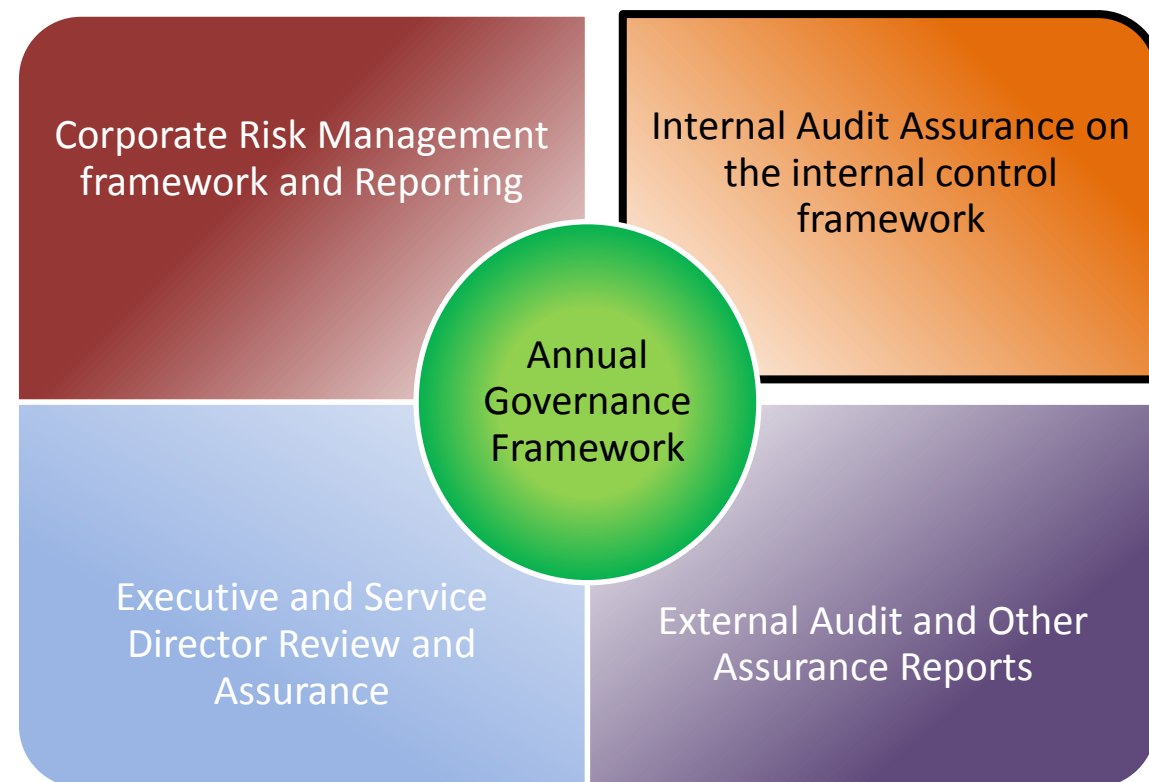
The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

The Annual Governance Statement provides assurance that

- the Authority's policies have been complied with in practice.
- high quality services are delivered efficiently and effectively.
- ethical standards are met.
- laws and regulations are complied with.
- processes are adhered to.
- performance statements are accurate.

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- The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:
 - be prepared by senior management and signed by the Chief Executive and Chair of the Audit Committee.
 - highlight significant events or developments in the year.
 - acknowledge the responsibility on management to ensure good governance.
 - indicate the level of assurance that systems and processes can provide.
 - provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
 - The Authority.
 - Audit Committee.
 - Risk Management.
 - Internal Audit.
 - Other reviews / assurance.

Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Group, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

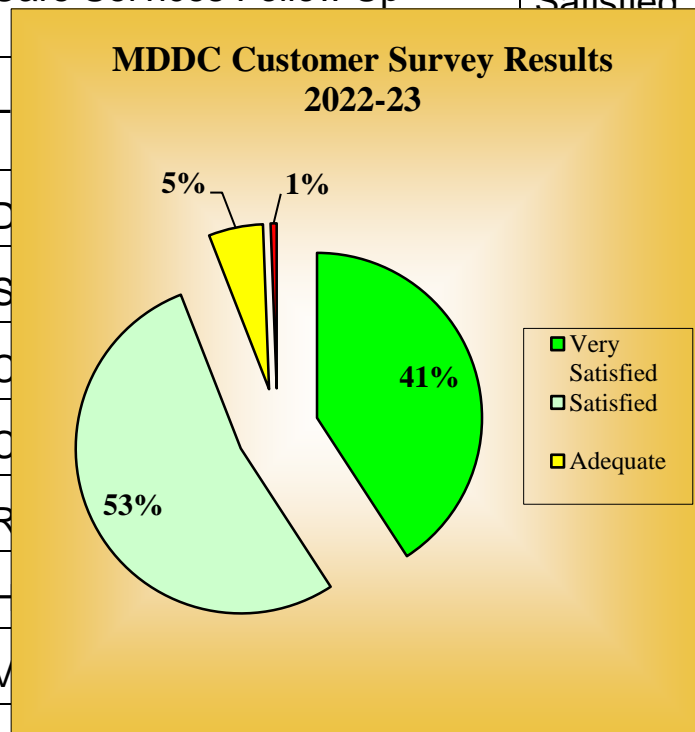
Appendix 6 - Customer Service Excellence

For each audit we issue a customer feedback form. The results we receive help us shape our service; it helps to identify possible training needs for staff and helps us understand the areas of our process that are more challenging for the auditee.

We obtained the following customer assessments related to MDDC audits in the year:

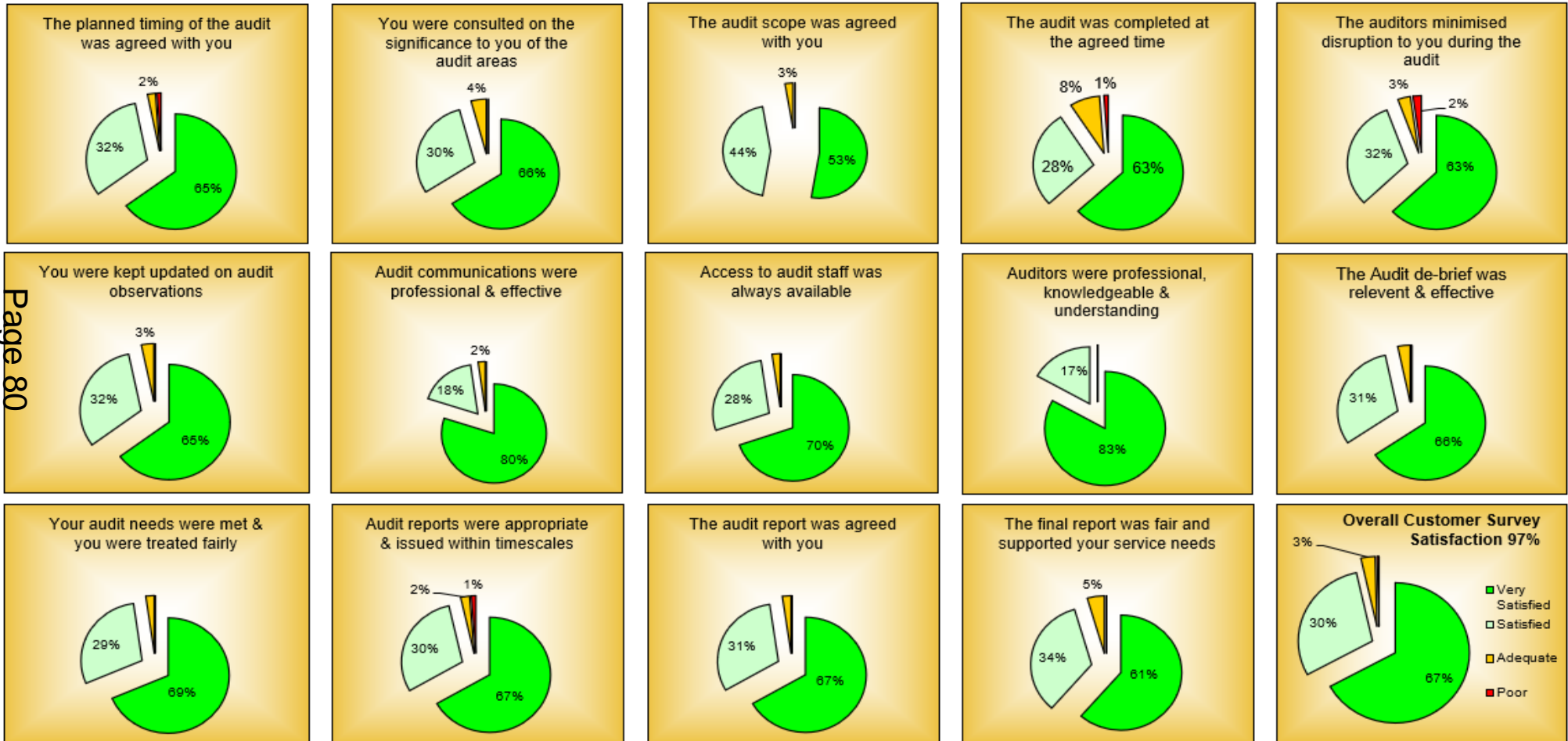
Audit	Marking
Care Services Follow Up	Satisfied
L	fied
D	fied
S	fied
C	fied
C	fied
R	fied
T	fied / Satisfied
V	fied
Equality and Diversity	Very Satisfied
Capital Asset Management	Very Satisfied
Climate Change	Satisfied

The pie chart below provides a breakdown of specific feedback within the customer forms we received.



The detail below relates to all CSQs received by DAP.

Customer Survey Results April 2022 - March 2023



Appendix 7 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- P** a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
- a** a comparison of internal audit activity during the year with that planned;
- a** a summary of the results of audit activity and;
- a** a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

The extent to which our work has been affected by changes to audit plans has not been notable this year and we have been able to accommodate the changes required within planned resources and completed the work.

In previous years, other service priorities have impacted audit delivery in only a small way and this year is no different. This has not affected the level of assurance provided.

The overall audit assurance will have to be considered considering this position.

In assessing the level of assurance to be given the following have been taken into account:

all audits completed during 2022/23, including those audits carried forward from 2021/22;

any follow up action taken in respect of audits from previous periods;

any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the Council's audit need that has been covered to date;

the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;

any limitations that may have been placed on the scope of internal audit.

The Devon Audit Partnership has been formed under a joint committee arrangement. 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 Tony.D.Rose@Devon.gov.uk

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies. This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Introduction

At the request of the council, including requests from two previous Council Leaders, we undertook a review to assess the following areas related to management of 3 Rivers Development Ltd, the housing development company it owns.

We agreed the review would include:

1. Looking at the process to agree loans from the council to 3 Rivers, and whether it was part of a formal business process where approval was provided by members.
2. Review the fraud allegations detailed below and consider whether further investigation or examination is merited or possible.

The council is commissioning a review to consider the future of the company and we have not considered this aspect in our report.

Executive Summary

The Financial Payment Process.

Since the creation of 3 Rivers, the Council has identified and reflected the agreed company funding requirement into council documents for member agreement, such as in Budget books and the Capital programme. 3 River Business Plans map out the loans required from the council which have been subject to approval by Cabinet. Loan agreements are in place for all the different company projects, and loans have not exceeded the envelope provided, with the exception off the St Georges Court development. Loan payment requests from 3 Rivers to the Council are supported by detail of the underlying transactions relevant to each project. There is an appropriate segregation of duties to approve the transfer of funds and make the Bankwire transaction from the Council to 3 Rivers. Review of the 3 River company accounts show these are clearly recorded as loans received related to each project. It also shows the interest paid to the Council.

3 Rivers has provided business plan and supporting information for discussion and agreement by the Cabinet each financial year. The plans set out the projects proposed, and the funds required to deliver the work. Until the last year, these were submitted just prior to the start of the financial year. For 2023-24 these were provided for approval in August 2022 to allow the council to input required loans into core financial documents.

The 2019/20 Business Plan provides the five-year financial forecast providing estimates of the borrowing required from the council; this was estimated at 2019/20 - £14.934m; 2020/21 - £25,429m; 2021/22 - £20,145m; 2022/23 - £22,737m; 2023/24 - £25,942m. The Business Plans in subsequent years include a rolling Summary Cashflow showing forecast expenditure and income. The Business Plans include the annual accounts of the company. Simpkins Edwards LLP was appointed as the company's external auditors in March 2022, and subsequently audited the accounts for 2022-23.

The company has been subject to extensive review by DAP since its formation, and two other independent reviews. Anthony Collins Solicitors provided several reports on various subjects between December 2019 and February 2020. Bishop Fleming undertook a Strategic Review in May 2020 which included review of the financial position of the company over the first three years of the company's existence. The report noted that while the business case was generic in nature, "the accompanying progress reports and appendices provided a good summary of the Company's trading position and future prospects".

We reviewed the current Loan Agreements and confirmed they were in place for all the projects being undertaken by 3 Rivers. Review of 3 River accounts showed us that Loans received from MDDC were clearly recorded by the accountant and ascribed to the specific project. This also included a Working Capital Loan Agreement. We compared the loans received to the Loan Agreements and confirm that they were all within the agreed Loan Agreement Limit. The only exception related to St Georges, which had a Loan Agreement figure of £11,035,488, compared to actual loans provided of £11,494,941.50 by 31 March 2023. This situation has arisen in recent months due to questions on the future of 3 Rivers, and whether it should continue as a company or be wound up. We agree that a decision to stop providing the loans for this project would have resulted in significant immediate realisation of costs to MDDC as the work on the project would come to a halt. We also understand that Full Council formally agreed that funds for this project should continue.

Council officers undertook their own reconciliation of approved year budgets from 2017/18, to 2022/23 to the 3 River projects and provided an explanation of the differences arising over the period. A total of £32,718,000 had been allowed for in each year of the budget, against the £22,372,474 in Loan Agreements raised to cover the projects. This resulted in a difference of £10,345,526. Most of the difference can be explained

by the two significant projects relating to £7,191,888 in not taking forward phase 2 of Knowle Lane, and £3,929,000 in not progressing future 3 River Projects.

Payments requests are provided from 3 Rivers to the S151 Officer / Deputy Chief Executive. Supporting detail of the payment in terms of how it relates to expenditure incurred by each project area is provided to justify the total payment for the month. We understand that monthly transfer requests instigated by the 3 Rivers Finance Director has helped simplify monitoring of transactions.

There was appropriate segregation of duties related to the payment of loans to 3 Rivers. This involved approval of the request by the Deputy Chief Executive / S151 officer, the raising of the Bankwire by one Principal Accountant and Procurement Manager, and approval of the request by the Corporate Manager for Finance, Property and Climate Change.

In regard to the Councils External Auditors, we note that Grant Thornton has commented on operation of 3 Rivers since its inception; mainly related to governance and performance management of the company. It does not appear to have identified any issues related to financial transactions. In respect of this work, Grant Thornton told us that they had undertaken some basic work to confirm that transactions from MDDC to 3 Rivers have been received; it has been subject to some basic audit tests as part of the council accounts for 2021/22. They have liaised with Simpkins Edwards as the External Auditors for 3 Rivers.

We spoke to Paul Steele who maintains the 3 Rivers accounts and he confirmed that he accurately recorded all transactions into the accounting software. We obtained a copy of the 3 Rivers transactions for the years from 2017-18 to 2022-23 and confirm that comprehensive accounts are maintained and that Council loan transfers are recorded. The 3 Rivers external auditor (Simpkins Edwards) audited the 2022-23 accounts before they were placed on Companies House.

It is not part of the Terms of reference of this work to consider the financial performance of the company in detail since 2020. However, it appears that the company has been impacted by poor performance of the contractor resulting in termination of the contract with the main contractor for St Georges; material and labour supply / shortages / price increases; and restriction of the ability of 3 Rivers to operate outside council boundaries impacting on its ability to identify and take forward new opportunities. We also note that except for St Georges, all the developments have or are forecast to have resulted in an overall net profit, albeit the returns have all been less than 11%.

Assessment of Fraud / Wrongdoing

The review was undertaken to obtain any immediately available and obvious intelligence which points towards or away from any criminality. **For this review we did not identify evidence to support the issues or allegations.**

In respect of the allegations of fraud or other criminality the review was undertaken to obtain any immediately available and obvious intelligence or evidence which pointed towards or away from any criminality. Those connected to the allegations were requested to supply any / all evidence of criminality to DAP by the end of the working day on 26th May 2023 to assist in the completion of this report in a timely manner. Despite directly approaching Elstone/Davey/Deed and Officers of 3RDL no evidence of criminality or fraud has been obtained. All involved have been advised that should they possess or become aware of any evidence which could support any allegation of fraud or criminality then they should inform DAP and or Devon and Cornwall Police as soon as possible.

It is therefore our conclusion in line with the Terms of Reference of this review that there is no evidence to warrant a criminal investigation at this time.

This report does not preclude any ‘authority’ from acting appropriately upon information, which may come to light showing evidence of criminality or inappropriate behaviour in the future.

The allegations or suggestion of potentially fraudulent activity that have made have been addressed objectively and in line with the National Intelligence Model (NIM) to show transparency of thought in the decision-making process. Each issue has been addressed separately and given a NIM marking where appropriate. Where a NIM marking is not applicable this has been explained.

There are three **source gradings** to undertake such an assessment are –

- **1 - Reliable** – this grading is used when the source is believed to be both competent and information received is generally reliable. This may include information from human intelligence, technical, scientific and forensic sources.
- **2 - Untested** – this relates to a source that has not previously provided information to the person receiving it or has provided information that has not been substantiated. The source may not necessarily be unreliable, but the information provided should be treated with caution.
- **3 - Not reliable** – this should be used where there are reasonable grounds to doubt the reliability of the source. Corroboration should be sought before acting on this information.

There are a further 5 Information/intelligence gradings which are –

- **A – Known directly to the source.** Refers to information obtained first-hand, for example, through witnessing it. Care must be taken to differentiate between what a source witnessed themselves and what a source has been told or heard from a third party.
- **B – Known indirectly to the source but corroborated.** Refers to information that the source has not witnessed themselves, but the reliability of the information can be verified by separate information that carries the information/intelligence of assessment of A. This corroboration could come from technical sources, other intelligence, investigations or enquiries. Care should be taken when ascertaining corroboration to ensure that the information that is presented as corroboration is independent and not from the same original source.
- **C – Known indirectly to the source.** Applies to information that the source has been told by someone else. The source does not have first-hand knowledge of the information as they did not witness it themselves.
- **D – Not known.** Applies where there is no means of assessing the information. This may include information from an anonymous source, or partners.
- **E – Suspected to be false.** Regardless of how the source came upon this information, there is a reason to believe the information provided is false.

Specific Claims related to Three Rivers, and our DAP Assessment

Date	From	Question	Council response to the Question
22 February Full Council	Mr Elstone	1. A Local Newspaper has quoted the Leader as asking for an external fraud investigation involving 3 Rivers and this Council.	As previously stated, no such investigation has been commissioned. Without greater evidence to substantiate these claims, there is not sufficient reason to investigate.

A written reply on Monday to a question I previously asked, states that a Fraud Investigation has not yet been commissioned.

The Reply also indicates there is no intention to investigate 3 Rivers.

There is Information in the public domain which justifies including 3 Rivers in any fraud investigation:

a) 3 Rivers paid four hundred and twenty thousand pounds (£420,000) for the land at Bampton that a professional land valuer said was only worth Two hundred and thirteen thousand pounds (£213,000).

b) For their Bampton development, 3 Rivers gave one set of viability figures to the Cabinet in their Business Case asking for Council Loans but gave different figures to the Council's Planning Committee.

c) When building materials were removed from St Georges Court. It is understood that an MDDC Executive Officer wrote an email which it was said these events should be kept confidential.

Will the MDDC Chief Executive Officer implement an external fraud investigation that fully includes 3 Rivers?

DAP Assessment

As the request of previous council leaders, we agreed to undertake a review, including assessment of these allegations. DAP is not part of the council operations and provides independent and objective assurances to officers and members.

We are also aware that Grant Thornton as the External Auditor is interested and may report in the context of its responsibility to comment on Value for Money.

Allegation a) Payment of Land at Bampton.

We have reviewed the Viability report, Cabinet Business Case and discussed the procurement process with the Managing Director of 3 Rivers.

The following excerpts are relevant from the "Viability Report in Respect of Land at Elizabeth Penton Way Bampton, Devon, EX16 9GA:

*“2.10 Nevertheless, the first viability test level utilised is a land value of £250,000 per ha, i.e. circa £100,000 per acre. If this were to be applied to the Property, then the minimum land value benchmark would be **£213,000** albeit a land value at that level, as referred to within the DSP Report, is not conclusive evidence that the scheme is deliverable. It is clear from the calculations referred to above and the history of this property that viability is a significant hurdle to delivery in this case.*

7.1 I have calculated the Residual Land Value of this site using inputs which are based on the projected sales values for the houses based on comparable evidence from the adjoining scheme. I have then utilised cost figures based upon those advised by Randall Simmonds cost consultants.

7.2 This residual calculation shows that the site has a Residual Land Value which is negative when all the planning obligations are factored into the calculation. In accordance with the definitions of viability referred to earlier, the site is therefore not viable with the proposed level of planning obligations.

7.5 3 Rivers may for non-financial reasons be prepared to proceed at a lower profit level to deliver the proposed scheme given their wider role and aim to create better quality housing”.

The assessment of viability assumes a figure of 15-20% gross development value as a “suitable return to developers”. It notes that the report adopts a profit of 20% on GDV of the market housing, but also states the company may decide a lower GDV rate.

The Business Case Submission to Cabinet of March 2021 provides the costs of the Land as £420k. The estimate includes a Nil figure for the Contribution for Affordable Housing (compared to the Viability Report above). Other figures such as building costs have been reduced to make the project feasible. The actual Overhead and Profit on GDV is stated to be 12.9% (compared to the 20% listed in the Viability Report).

Conclusion: The Viability Report is not a Land valuation, but a calculation of the viability of the project including the costs of land and building. The price for the Land was decided by negotiations between the Managing Director of 3 Rivers and the Landowner as to what they were prepared to pay (and sell for). The final agreed figure of £420k was apparently less than the landowner initially asked for. We were told that at one stage the landowner asked for £1m, and then £600-700k. The proposal was discussed in Cabinet based on the present in their Business Case and represented a reduced overhead and profit rate of 12.9%, but this still represents a positive figure over 10%. While there are notes of 3 River meetings and other detail on how the purchase price was viable and fit in with the business case for the development, there was no record of actual process and decisions taken to reach an agreement with the landowner. As a significant expenditure we would expect this to be captured in a note, in case of challenge such as on this one (**Management Action One**).

In respect of any allegation of fraud or criminality the NIM marking in this matter is 1A/B, the information supplied in the most part is factually accurate; however, any allegation appears subjective, and nothing stated or found would constitute a criminal offence. The information is freely available to both 3RDL and MDDC, we have no intelligence or evidence that would suggest any offence involving dishonesty as defined by the Fraud Act 2006.

Allegation b) Viability figures

We were told the two sets of figures were provided for different purposes. The figures for the Planning Committee of February 2021 were to get agreement to the houses etc. The business case and figures for the Cabinet in March 2021 were as part of internal 3 Rivers management to agree the estimate costs and predicted profit values on sales. There was therefore no need for them to match up.

Fraud Assessment: In respect of any criminality, the information supplied in this matter has not been subjected to the NIM marking as there is no allegation of criminality linked to any individual that would warrant a criminal investigation.

Allegation c) Removal of building materials from St Georges Court.

We have discussed this with the Managing Director of 3 Rivers, and the S151 officer.

We understand that the Town Clerk for Tiverton e-mailed the Council on 21 Oct 2021 with his concerns that building materials were being taken off site from the St Georges Court Development. We were told that the S151 officer discussed this with the clerk, and that this was also discussed with Board members.

The building materials related to two instances:

- Removal of flagstones that were not fit for purpose.
- Other material related to an order for materials paid for personally by the 3 Rivers project manager who had asked for it to be delivered to the site (rather than his own home address). He subsequently removed the materials. We were told he was subsequently spoken to and asked not to have materials for his own use delivered to the site again.

We have reviewed the e-mail from the S151 officer referred to in the accusation. We do not consider it states that the matter should be kept secret. It merely points out that the matter had been investigated and noted the risk of making public allegations of fraud.

Fraud Assessment: In respect of any criminality, the Managing Director (Nick Sanderson) states that the matter has been dealt with by 3 Rivers Development Ltd, by means of an internal investigation. He also confirms that the company's Board discussed the allegations and what had happened and agreed to take no further action". The 151 Officer has confirmed to us that he was kept informed of the allegations and the actions that the company had taken.

It is clear that any loss would have been to the detriment of 3RDL, therefore we must conclude that the matter has been formally dealt with. The lack of records around the investigation process, decision making, and outcomes does not assist 3RDL, MDDC or DAP to transparently conclude / dispose of this allegation in a fully satisfactory manner.

Where such allegations are made in the future, full and complete records must be kept and made available for scrutiny should the need arise. To give future assurance around protection of the public purse, clarification whether MDDC Policies and the Code of Conduct apply to those being employed by 3RDL would assist all officers in understanding their responsibilities and duties.

We suggest that to protect officers from allegations and suspicion, that future allegations involving theft / fraud or other related criminal offences should be referred to the Devon Audit Partnership at the earliest possible opportunity to assist in the professional, formal process and ultimate disposal of any such allegation.

Date	From	Question	Council response to the Question
7 February Cabinet	Mr Elstone	<p>My last question covers Agenda Items 6, 7, 8 and 9 which all deal with lending to 3 Rivers.</p> <p>I was at the last Cabinet Meeting on 31 January and witnessed the public resignation of the 3 Rivers Finance Director.</p> <p>As he left he told ME and ONE OTHER that he was resigning because of the LACK OF COMPETENCY of MDDC Officers and Cabinet Members.</p> <p>He is an experienced Commercial Director and I took him seriously and was concerned.</p> <p>Will the LEADER OF THE COUNCIL arrange an EXTERNAL INVESTIGATION into whether there is any basis for this statement?</p>	This is for the leader to decide
<p>DAP Assessment.</p> <p>We have spoken to the Finance Director who was said to have resigned. He told us that he made this comment as a personal comment to an individual outside of the meeting. The comment related to his views on the conduct of some members, and not his opinion on internal management of Three Rivers. In the event the Finance Director decided not to resign and continues in position.</p>			
<p>Fraud Assessment: In respect of criminality, the information supplied in this matter has not been subjected to the NIM marking as there is no allegation of criminality linked to any individual.</p>			

Date	From	Question	Council response to the Question
18 January Full Council	Mr Davey	Given that it is obvious that the council and some of its officers are incapable of controlling the expenditure on 3 Rivers will the council bring in some forensic accountants or other external body to examine all of the accounts, contracts and any other documents associated with this company?	<p>Back in 2020 the Council commissioned national accountants and a legal company to review all aspects of the company. They generally gave the company and the Council a reasonable level of assurance in the set-up and ongoing arrangements of the company and in addition recommended a number of improvements that have all been implemented. It is also worthy of consideration that this high profile development has been delivered during 2 years of Covid and the current cost of living crisis (that has massively impacted on supply chains) which has seen material and labour prices increase by circa 20-30% in some areas.</p> <p>We would expect this to be within the scope of the external review being commissioned by the council that will be undertaken shortly.</p>

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DAP Assessment

This is not an area related to fraud or corruption, but the management of the company. The company uses a separate accountancy firm to maintain its finance figures, and these are subject to audit by an external audit firm. The company was also subject to two comprehensive independent reviews in 2020.

Going forward, we would expect effective management of the company to be included as part of the external review being commissioned by the council that will be undertaken shortly.

Fraud Assessment: In respect of criminality, the information supplied in this matter has not been subjected to the NIM marking as there is no allegation of criminality linked to any individual that would warrant a criminal investigation.

Date	From	Question	Council response to the Question
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18 January Full Council	Mr Davey	<p>Of especial concern must be the way in which the original multi million pound contract for the Riverside site was awarded to EBC (who later pulled out) after a cosy chat, without going out to tender!!</p> <p>This is a flagrant breach of the public procurement regulations which 3 Rivers are bound by as a company owned by the council. These regulations insist on at least 3 companies being invited to tender. Even if the Councils usual contractors do not wish to tender there are many national firms who I am sure would have tendered had they been asked. Instead, the contract was awarded "on design and build contract 2016 following negotiations with a contractor". This is the response from my freedom of information request to 3 Rivers in 2019. This alone especially as a councillor and a council officer were directors of 3 Rivers at the time, is I believe another breach of the regulations and surely warrants further investigation by an external body</p> <p>Why was the contract awarded in this way?</p>	<p>As 3Rivers is a non teckal company it is not constrained by the same arrangements as a Local Authority. We are aware that the company utilised the services of a national cost consultant to help with appointment of a main contractor for this development</p>
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DAP Assessment

3 Rivers is a private company registered at Companies House, albeit it is council owned as a non Tekel company. It is not therefore subject to Council regulations related to procurement or to undertake any public procurement process, although it is obliged to obtain best value when buying goods and services which includes seeking several quotes from different bidding companies.

In relation to the above, we were told by the 3 Rivers Managing Director that due to pressure to start the development from members it was decided the procurement did not need to be subject to a procurement exercise but was instead directly awarded to EBC. He agreed it would normally have been subject to procurement action but in this instance, it was decided to continue. The price of the contract was also verified as reasonable by cost consultants. As the build progressed, it was decided that the build was not being well progressed by EBC, and it was mutually agreed to terminate the arrangement with the main contractor.

Currently the company does not have significant contractors; the approach now adopted is for 3 Rivers to act as the Developer Contractor placing lots of Work Packages for different suppliers for materials and works.

Fraud Assessment: In respect of the allegation of fraud or criminality, the NIM marking in this matter is 1A/B, the information supplied in the most part is factually accurate; however, any allegation appears subjective, and nothing stated or found would constitute a criminal offence. The information is freely available to both 3RDL and MDDC, we have no intelligence or evidence that would suggest any offence involving dishonesty as defined by the Fraud Act 2006.

Date	From	Question	Council response to the Question
18 January Full Council	Mr Elstone	When given 3 Rivers current project delivery record. cost exposures, and impaired loans, all available property development loan market evidence shows that the Council are providing highly preferential interest rates and loan terms to its own Company. That 3 Rivers are unable to lend from the market something confirmed by the then Cabinet Member for Finance at Cabinet on 6 September 2022. Are the Council worried about the risk of being accused of giving 3 Rivers a significant commercial advantage in any tendering process, especially where public money is involved?	All development loans made to 3Rivers are at a commercial rate of 4.5% above base rate. This has been agreed after discussions with banks and our external auditors. The company can lend from the market should they wish to, however, as part of the Shareholder Agreement they must inform the Council of this intention. As the company is a non Teckal constituted company it has to bid for any Council business through the normal formal procurement processes and these decisions are then a matter of public record.

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DAP Assessment

On formation of the company, the business case noted that it would need to rely on council loans given that there was no credit record or track record to allow reasonable lending costs. The council reportedly obtained legal advice that this was acceptable.

The question of whether the company was in breach of State Aid Regulations was considered in two reports, by Bishop Fleming and Anthony Collins.

Bishop Fleming concluded in their report of May 2020 that:

“4.4.2 Provided those loans are made on normal commercial terms, then we do not believe there would be a breach of State Aid rules.

4.4.3 Loan terms are summarised in appendix 2 of this report. We noted in Section 2.3.15 that a rate of 4.5% over base, with appropriate security, would be considered a commercial rate in the current lending market.

Anthony Collins (solicitors) noted in their Advice Note of February 2020 concerns relating to the content of the Loan Agreements vis:

“16. For example, the Council should consider that the loan is conditional upon the company granting the Council some security over the property it owns in relation to the loan and should ensure that the other terms and conditions are those which would generally be available in

the market. If the Council is lending money to the company simply based on the interest rate being that which is commercially available without any consideration of the other terms and conditions which should apply to the loan, we are concerned that State aid is being granted in contravention of the regulations”.

They also recommend that the “Council looks very carefully at the proposals, considers obtaining specialist financial advice as to the interest rate charged to the company and our funding team can advise as to the other terms and conditions which should be applied.

The S151 officer has confirmed to us that the loan agreements now in use are those supplied by ACS to resolve the concerns raised by Anthony Collins and Bishop Fleming and confirmed legal charges are in place on assets of the company including any work in progress.

Fraud Assessment: In respect of the any allegation of fraud or criminality, the NIM marking in this matter is 1A/B, the information supplied in the most part is factually accurate; however, any allegation appears subjective, and nothing stated or found by the review would constitute a criminal offence. The information is freely available to both 3RDL and MDDC, we have no intelligence or evidence that would suggest any offence involving dishonesty as defined by the Fraud Act 2006.

Date	From	Question	Council response to the Question
13 January Scrutiny	Mr Elstone	I understand that a senior and very well-informed member of this Council has requested the Devon Audit Partnership have its fraud team look into the 3 Rivers business dealings with the Council. Public money should not be loaned to any Company under fraud investigation. Given that all loans to 3 Rivers are public money, will this Scrutiny Committee ensure that 3 the Rivers Business Plan approvals are rescinded. Also place on hold all future 3 Rivers expenditures, other than for safety or environmental reasons. This until the results of any fraud investigation are published?	Devon Audit Partnership (DAP) have been approached to review the handling of 3RDL finances by MDDC to eliminate any wrong doing by Officers and/or Members of the Council. Any such review will be considered and shaped as necessary before being formally commissioned.

DAP Assessment:

This has resulted in this current review being undertaken. This is not a fraud investigation, but a review to establish whether there are any areas of concern to justify an actual investigation.

Fraud Assessment: In respect of criminality the information supplied in this matter has not been subjected to the NIM marking as there is no allegation of criminality linked to any individual. No fraud investigation has taken place as there is no intelligence to warrant a criminal investigation based on the information available.

Date	From	Question	Council response to the Question
13 January Scrutiny	Mr Elstone	At the same Cabinet meeting I asked; Why was the potential loss of 1.6 million pounds on St Georges Court, known to the Cabinet, kept secret from the MDDC Electorate? The written answer given: This information is restricted due to commercially sensitive nature. This is why the Public have a complete lack of trust in MDDC Executive Officers and Cabinet Members on anything to do with 3 Rivers. Especially so as it seems a senior and very well-informed Member of this Council has said that the Public “do not know the Machiavellian things that have gone on from a finance point of view”. Machiavellian characteristics are marked by cunning, duplicity or bad faith. An example is that 3 Rivers paid four hundred and twenty thousand pounds (£420,000) for low grade land at Bampton but gave the MDDC Planning Committee a viability statement stating the professional land valuation was only two hundred and thirteen thousand pounds (£213,000). Scrutiny Committee – 13 February 2023 36 Will this Scrutiny Committee fulfil their obligation to the people of Mid Devon and remedy this serious situation. This by taking whatever steps are necessary to stop this Business from going any further into decline.	The recommendations of Scrutiny Committee are included within these minutes.
<p>While the company is owned by the Council, it operates in a business area subject to competition from other property development companies. It is reasonable that a proportionate level of confidentiality be maintained in specific areas of 3 Rivers business such as proposed developments and identification and purchase of land for building. That said, the council accepts the need for transparency and openness where commercial interests are not evident. Much detail on the company are actually included as Part 1 details, and only exceptionally as Part 2 if deemed confidential. This will be a matter for the new administration to continue to discuss with officers.</p> <p>We comment above on the valuation of the Bampton Land.</p>			
<p>Fraud Assessment: In respect of criminality the information supplied in this matter has not been subjected to the NIM marking as there is no allegation of criminality linked to any individual that would warrant a criminal investigation.</p>			

Issues for the Annual Governance Statement

The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement.

Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during this review.

Tony Rose
Head of Partnership

Appendix A

Detailed Audit Observations and Action Plan

No	Observation and Implications	Impact / Priority	Management Response and action plan
1.1	The price for the Land was decided by negotiations between the Managing Director of 3 Rivers and the Landowner as to what they were prepared to pay (and sell for). While there are notes of 3 River meetings and detail is held on how the purchase price was viable and fit in with the business case for the development, there was no record of the actual process and decisions taken to reach an agreement with the landowner. As a significant expenditure we would expect this to be captured in a note, in case of challenge such as on this one. Going forward, for significant financial events we would expect the company to keep a record of the process and negotiations.	Medium	Council's shareholder representative will request that the company maintains sufficient file notes (for operational and officer key decisions/issues to ensure an adequate audit trail.

1.2	<p>In respect of criminality and the removal of materials from the St Georges site, the Managing Director (Nick Sanderson) stated to us that the matter was dealt with by 3 Rivers Development Ltd, by means of an internal investigation, although the actual process followed is unclear and unrecorded. (No records have been retained of the investigation or its outcome). The lack of appropriate investigation process and records does not assist 3RDL, MDDC or DAP to transparently conclude / dispose of this allegation.</p>	<p>Medium</p>	<p>Council's shareholder representative will request that the company maintains sufficient file notes (for operational and officer key decisions/issues to ensure an adequate audit trail.</p>
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Scope and Objectives

As part of this review, we will provide assurance to the council on the following:

1. The overarching financial payment process. We will confirm that funds provided by the council to 3 Rivers are in accordance with agreed sums detailed in the Business Plan and annual budget and have been appropriately authorised. We will also speak to the 3 Rivers accountants to discuss the checks they have undertaken of the company's transactions, and whether they have any specific concerns.

2. Review the fraud allegations detailed below and consider whether further investigation or examination is merited or possible.

Date	From	Question	Answer
<p>22 February Full Council</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 98</p>	Mr Elstone	<p>A Local Newspaper has quoted the Leader as asking for an external fraud investigation involving 3 Rivers and this Council.</p> <p>A written reply on Monday to a question I previously asked, states that a Fraud Investigation has not yet been commissioned.</p> <p>The Reply also indicates there is no intention to investigate 3 Rivers.</p> <p>There is Information in the public domain which justifies including 3 Rivers in any fraud investigation:</p> <ol style="list-style-type: none"> 1) 3 Rivers paid four hundred and twenty thousand pounds (£420,000) for the land at Bampton that a professional land valuer said was only worth Two hundred and Thirteen thousand pounds (£213,000). 2) For their Bampton development, 3 Rivers gave one set of viability figures to the Cabinet in their Business Case asking for Council Loans but gave different figures to the Council's Planning Committee. 3) When building materials were removed from St Georges Court. It is understood that an MDDC Executive Officer wrote an email which it was said these events should be kept confidential. <p>Will the MDDC Chief Executive Officer implement an external fraud investigation that fully includes 3 Rivers?</p>	<p>As previously stated, no such investigation has been commissioned. Without greater evidence to substantiate these claims, there is not sufficient reason to investigate.</p>
7 February Cabinet	Mr Elstone	<p>My last question covers Agenda Items 6, 7, 8 and 9 which all deal with lending to 3 Rivers.</p> <p>I was at the last Cabinet Meeting on 31 January and witnessed the public resignation of the 3 Rivers Finance Director.</p>	This is for the leader to decide

		<p>As he left he told ME and ONE OTHER that he was resigning because of the LACK OF COMPETENCY of MDDC Officers and Cabinet Members.</p> <p>He is an experienced Commercial Director and I took him seriously and was concerned.</p> <p>Will the LEADER OF THE COUNCIL arrange an EXTERNAL INVESTIGATION into whether there is any basis for this statement?</p>	
<p>18 January Full Council</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 99</p>	Mr Davey	<p>Given that it is obvious that the council and some of its officers are incapable of controlling the expenditure on 3 Rivers will the council bring in some forensic accountants or other external body to examine all of the accounts, contracts and any other documents associated with this company?</p>	<p>Back in 2020 the Council commissioned national accountants and a legal company to review all aspects of the company. They generally gave the company and the Council a reasonable level of assurance in the set-up and ongoing arrangements of the company and in addition recommended a number of improvements that have all been implemented. It is also worthy of consideration that this high profile development has been delivered during 2 years of Covid and the current cost of living crisis (that has massively impacted on supply chains) which has seen material and labour prices increase by circa 20-30% in some areas.</p>
18 January Full Council	Mr Davey	<p>Of especial concern must be the way in which the original multi million pound contract for the Riverside site was awarded to EBC (who later pulled out) after a cosy chat, without going out to tender!!</p> <p>This is a flagrant breach of the public procurement regulations which 3 Rivers are bound by as a company owned by the council. These regulations insist on at least 3 companies being invited to tender. Even if the councils usual contractors do not wish to tender there are many national firms who I am sure would have tendered had they been asked. Instead the contract was awarded "on design and build contract 2016 following negotiations with a contractor". This is the response</p>	<p>As 3Rivers is a non teckal company it is not constrained by the same arrangements as a Local Authority. We are aware that the company utilised the services of a national cost consultant to help with appointment of a main contractor for this development</p>

		<p>from my freedom of information request to 3 Rivers in 2019. This alone especially as a councillor and a council officer were directors of 3 Rivers at the time, is I believe another breach of the regulations and surely warrants further investigation by an external body</p> <p>Why was the contract awarded in this way?</p>	
18 January Full Council	Mr Elstone	<p>When given 3 Rivers current project delivery record, cost exposures, and impaired loans, all available property development loan market evidence shows that the Council are providing highly preferential interest rates and loan terms to its own Company. That 3 Rivers are unable to lend from the market something confirmed by the then Cabinet Member for Finance at Cabinet on 6 September 2022. Are the Council worried about the risk of being accused of giving 3 Rivers a significant commercial advantage in any tendering process, especially where public money is involved?</p>	<p>All development loans made to 3Rivers are at a commercial rate of 4.5% above base rate. This has been agreed after discussions with banks and our external auditors. The company can lend from the market should they wish to, however, as part of the Shareholder Agreement they must inform the Council of this intention. As the company is a non Teckal constituted company it has to bid for any Council business through the normal formal procurement processes and these decisions are then a matter of public record.</p>
13 January Scrutiny	Mr Elstone	<p>I understand that a senior and very well-informed member of this Council has requested the Devon Audit Partnership have its fraud team look into the 3 Rivers business dealings with the Council. Public money should not be loaned to any Company under fraud investigation. Given that all loans to 3 Rivers are public money, will this Scrutiny Committee ensure that 3 the Rivers Business Plan approvals are rescinded. Also place on hold all future 3 Rivers expenditures, other than for safety or environmental reasons. This until the results of any fraud investigation are published?</p>	<p>Devon Audit Partnership (DAP) have been approached to review the handling of 3RDL finances by MDDC to eliminate any wrong doing by Officers and/or Members of the Council. Any such review will be considered and shaped as necessary before being formally commissioned.</p>
13 January Scrutiny	Mr Elstone	<p>At the same Cabinet meeting I asked; Why was the potential loss of 1.6 million pounds on St Georges Court, known to the Cabinet, kept secret from the MDDC Electorate? The written answer given: This information is restricted due to commercially sensitive nature. This is why the Public have a complete lack of trust in MDDC Executive Officers and Cabinet Members on anything to do with 3 Rivers. Especially so as it seems a senior and very well-informed Member of this Council has said that the Public “do not know the Machiavellian things</p>	<p>The recommendations of Scrutiny Committee are included within these minutes.</p>

		<p>that have gone on from a finance point of view". Machiavellian characteristics are marked by cunning, duplicity or bad faith. An example is that 3 Rivers paid four hundred and twenty thousand pounds (£420,000) for low grade land at Bampton but gave the MDDC Planning Committee a viability statement stating the professional land valuation was only two hundred and thirteen thousand pounds (£213,000). Scrutiny Committee – 13 February 2023 36 Will this Scrutiny Committee fulfil their obligation to the people of Mid Devon and remedy this serious situation. This by taking whatever steps are necessary to stop this Business from going any further into decline</p>	
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Inherent Limitations

The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation’s disclosure policies. This report is prepared for the organisation’s use. We can take no responsibility to any third party for any reliance they might place upon it.

Marking	Definitions
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Official: Sensitive	A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the ‘OFFICIAL’ classification tier but may attract additional measures to reinforce the ‘need to know’. In such cases where there

Appendix C

Definitions of Audit Assurance Opinion Levels

Definition of Observation Priority

Assurance	Definition		
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for	Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision.

	improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

	Important observations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	An observation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These observations do not feed into the assurance control environment.

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, South Hams & West Devon, Torridge, North Devon councils and Devon & Somerset Fire and Rescue Service. We aim to be recognised as a high-quality internal audit service in the public sector. We collaborate 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 conducting 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 tony.d.rose@devon.gov.uk

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Internal Audit Recommendations Update Report

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Mid Devon District Council
Audit Committee

June 2023

Tony Rose
Head of Audit Partnership

Paul Middlemass
Audit Manager

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 Annual Report for 2022-23 are contained in the papers for this June 2023 meeting of the Committee.

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.

Our normal Audit Committee reports progress to deliver our audit plan. For this meeting, audit reports are included in our Annual Audit Report. **This paper therefore just concentrates on clearance of internal audit recommendations.**

Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

- Progress made by officers to complete and close agreed management actions.
- Overdue management actions yet to be completed that pose unacceptable risk.

Current and overdue audit recommendations

There are currently 35 High and Medium priority management actions overdue against agreed target dates. This compares to the 17 recommendations reported at the last Audit Committee. We consider that this increase is partly due to the large number of audits delivered over the last six months, including several where many management actions were agreed i.e., Culm Valley, Cyber Security.

The policy is that only High priority recommendations require Audit Committee agreement to extend target dates and that management can decide to extend Medium and Low recommendation target dates. We provide appropriate challenge if we have any concerns that the weakness has not been addressed

The table below details progress to implement internal audit management actions for each audit.

Priority	H		M		L		Total
	Not due	Overdue	Not due	Overdue	Not due	Overdue	
Audit references				9	3		12
Business Continuity				3			3
Capital Asset Management			4		2	1	7
Care Services			1				1
Cemeteries and Bereavement Services			1	1	2	1	5
Climate Change			1	1			2
Creditors			3				3
Culm Valley Leisure			2	9		4	15
Customer Care & Complaints			1	1			2
Cyber Security	2	5	11	8	6	6	38
Emergency Planning				4			4
Equality and Diversity			5				5
Housing Benefit				3		2	5
Housing Health & Safety			1				1
Housing stores						1	1
Housing Voids			1		1		2
Leisure Centre	1		3			1	5
Local Land Charges						1	1
Main Accounting System			1		1		2
Payroll			2				2
Procurement			2		2		4
Recruitment, Selection & Succession Planning			1			1	2
Risk Management			4				4
Service charges						1	1
Total	3	5	53	30	17	19	127

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The table below provides more detail on the **overdue High and Medium** Management Actions.

Audit references	Priority	Title	Objective	Target Date	Arising - managers comment
Cyber Security	H	Consider reviewing the list of suppliers	To be actioned during February. Data will be confirmed as items 8.1/8.2	30/04/2023	
Cyber Security	H	Exercise the Incident Response Plan	Agreed - Schedule an incident response exercise with an external specialist, who can offer independent review and provide impartial advice. Learn from the experience to improve incident response plans and playbooks.	31/08/2022	The LGA Technical response exercise is planned for late May to be followed with a larger Business Continuity exercise at the end of June '23.
Cyber Security	H	Malware & Ransomware Response	Agreed - An Incident Response Plan covering malware and ransomware attacks should be created to help the Council make better decisions under the pressure of a real attack or incident. The IR plan should link to business continuity, disaster recovery and communications plans (covering internal and external communications). Incident types could include: <ul style="list-style-type: none"> * Malicious code: Malware infection on the network, including ransomware * Denial of Service: Typically, a flood of traffic taking down a website, can apply to phone lines, other web facing systems, and in some cases internal systems. * Phishing: Emails attempting to convince someone to trust a link/attachment. * Unauthorised Access: Access to systems, accounts, data by an unauthorised person (internal or external) – for example access to someone's 	31/07/2022	Work on this documentation is progressing. It has been delayed due to staff departures and focus on preparing for the upcoming elections. The LGA Business Continuity exercise is planned for late May '23 - this will enable us to fully review the current documentation and update in line with current best practice.

			<p>emails or account. * Insider: Malicious or accidental action by an employee causing a security incident. * Data breach: Lost/stolen devices or hard copy documents, unauthorised access, or extraction of data from the network (usually linked with some of the above). * Targeted attack: An attack specifically targeted at the business - usually by a sophisticated attacker (often encompassing several of the above categories).</p>		
Cyber Security	H	NCSC guidance and liaise	Will review NCSC guidance and liaise with Devon County and internal procurement to define best practice.	31/05/2023	
Cyber Security	H	Ransomware & Malware Impact Assessment	Agreed - Carry out a ransomware business impact analysis and risk assessment. Identify critical assets and determine the impact to these if they were affected by an attack.	31/07/2022	The IAR being updated by the Information Management team is almost complete. Along with this will be RoPA and RACI models to identify critical data owners and critical systems.
Housing Benefit	M	There was a write off for the value of £7473.35, this was signed off by the Operations Manager for Revenues Benefits and Recovery. According to the Financial Regs this should be signed off by a Corporate Manager.	There was a miss understanding around limits I believe the regs have been updated for 2022, confirmation is required.	31/03/2023	

bringing the teams together and this was started. Unfortunately, senior management had to deliver business critical grant schemes c16 c £40m over 2 years from just after lock down, it is a shame the team have not recognised that. Team leaders were aware and were given weekly catch-ups. The benefits team leader had never really bought into going generic and never really demonstrated a positive approach. The team were often thanked and efforts were reported to members, The Link and email to the team as they all work from home. Nobody had ever forgotten them. It is acknowledged that officers across the service wish to become more generic, benefits staff already work across the service and always have to a certain level as there is a need to do so as part of administering claims. The senior management also acknowledge the Corporate Manager and the Operations Manager have not really focused on the generic programme and have only looked at their specialist area, more ownership would have moved things forward. Part of the need to go generic is also that the benefits caseload is dropping (UC Migration) this should be seen as an 'opportunity' to evolve the service by way for increasing the focus on billing and collection, the collection fund can always do with some help and the wider LA will benefit from collection.

Emergency Planning	M	Develop an overarching EP and BCP Strategy	Develop an overarching EP and BCP Strategy to confirm and bring together overall MDDC EP and BCP framework, strategic and tactical management arrangements and responsibilities, DEPP and Exeter East and Mid Emergency Responder forum engagement, mutual aid arrangements, training and skills competencies and scheduling for all plan reviews (see also 1.1) and test and exercises Draft Strategy for formal adoption by Council	31/12/2022	VAF approval for Resilience Officer post granted May 2023. Recruitment is live and aim to appoint by end of June 2023. New targets for relevant recommendations will be agreed once post holder in post should recruitment be successful.
Emergency Planning	M	Failure to fulfil Category 1 responsibilities leading to failure to respond in an emergency	Review and update the MDDC R&R Plan in line with latest DEPP versions by 31 May 2022 Review the LRF and County level risk registers alongside local risks to identify any new local plan requirements by 30 June 2022. New local plans to be developed by 30 June 2023. Review existing local plans and update as required by 30 September 2022.	30/09/2022	VAF approval for Resilience Officer post granted May 2023. Recruitment is live and aim to appoint by end of June 2023. New targets for relevant recommendations will be agreed once post holder in post should recruitment be successful.
Emergency Planning	M	Mapping overall EP framework	See 1.2 - Develop an overarching EP and BCP Strategy to confirm and bring together overall MDDC EP and BCP framework, strategic and tactical management arrangements and responsibilities, DEPP and Exeter East and Mid Emergency Responder forum engagement, mutual aid arrangements, training and skills competencies and scheduling for all plan reviews (see also 1.1) and test and exercises Draft Strategy for formal adoption by Council	31/12/2022	VAF approval for Resilience Officer post granted May 2023. Recruitment is live and aim to appoint by end of June 2023. New targets for relevant recommendations will be agreed once post holder in post should recruitment be successful.

Emergency Planning	M	Review and update the MDDC R&R Plan and local plans	Review and update the MDDC R&R Plan in line with latest DEPP versions by 31 May 2022. Review the LRF and County level risk registers alongside local risks to identify any new local plan requirements by 30 June 2022. New local plans to be developed by 30 June 2023. Review existing local plans and update as required by 30 September 2022	30/09/2022	VAF approval for Resilience Officer post granted May 2023. Recruitment is live and aim to appoint by end of June 2023. New targets for relevant recommendations will be agreed once post holder in post should recruitment be successful.
Cyber Security	M	Consider the use of an Information Security Questionnaire	Will review NCSC guidance and liaise with Devon County and internal procurement to define best practice.	31/05/2023	
Cyber Security	M	Council systems after they have left the organisation.	Currently inactive accounts are reviewed on a monthly basis. Script being developed to automate disabling accounts which will run daily	30/04/2023	
Cyber Security	M	database does not include all software assets	No unlicensed software is deployed within MDDC network. No hardware unaccounted for	30/04/2023	
Cyber Security	M	firewall change procedure ensures consistency	Change control documentation to be collated centrally in Teams.	31/05/2023	It has been delayed due to staff departures and focus on preparing for the upcoming elections.
Cyber Security	M	is a backup policy, however, it is out of date	Policy in development.	31/05/2023	
Cyber Security	M	Performing a risk assessment on what administrative accounts	Risk assessment to be completed.	31/05/2023	
Cyber Security	M	roles and responsibilities throughout the Change Management	Change control documentation to be collated centrally in Teams	31/05/2023	

Cyber Security	M	Update ICT Business Continuity Plan	agreed - Conduct a formal review of the ICT Business Continuity Plan to ensure the content is up-to-date and relevant	31/07/2022	Work on this documentation is progressing. It has been delayed due to staff departures and focus on preparing for the upcoming elections. The LGA Business Continuity exercise is planned for late May '23 - this will enable us to fully review the current documentation and update in line with current best practice.
Customer Care & Complaints	M	Complaints and system training	Complaints and system training should be undertaken including managers to improve service areas monitoring of complaints outstanding beyond Service Level Agreement for their areas of responsibility.	31/03/2023	
Culm Valley Leisure	M	Budget monitoring - income generation	Efforts should continue to ensure the service is efficient and to increase income levels.	12/06/2023	
Culm Valley Leisure	M	Central record of statutory building inspections	The central record should be updated with the latest information and consideration given to the addition of any missing inspections/reports.	31/01/2023	
Culm Valley Leisure	M	Condition Surveys	To improve the ability to undertake planned maintenance, periodic Condition Surveys should be undertaken at suitable intervals of around 5 years.	31/03/2023	
Culm Valley Leisure	M	Daily income sheets - sign off	Standard procedures, such as the countersigning of daily income sheets, should be undertaken.	30/04/2023	
Culm Valley Leisure	M	Electrical instalation and testing of emergency lighting systems	The issues with the electrical installation systems should be resolved and routine testing of emergency lighting systems restored.	30/04/2023	

Culm Valley Leisure	M	Emergency plan review frequency	An annual review of the Plan should be considered.	31/05/2023	
Culm Valley Leisure	M	H&S responsibilities/training/knowledge	The Leisure Service should ensure that there are clear delegated responsibilities for Health and Safety at each site, that these delegations are communicated to all staff and that sufficient training and experience building opportunities are provided to develop the skills of existing staff.	31/01/2023	
Culm Valley Leisure	M	Reconciliation to the general ledger	A robust process for reconciling income received to the general ledger should be in place.	30/04/2023	
Culm Valley Leisure	M	Review of the H&S Policy	The Policy should be reviewed annually, as part of an annual Health and Safety review process: https://www.hse.gov.uk/leadership/review.htm The Policy should then be approved each year by the Health & Safety Committee.	31/05/2023	

Climate Change	M	performance measures that will help identify	The Climate and Sustainability Specialist will: a) Work with the Corporate Manager for Finance and Procurement on the best ways to collate and communicate climate-related expenditure and fundraising / income. b) Work with the Corporate Manager for Finance and Procurement to complete the Sustainable Procurement Review, implement actions and devise meaningful monitoring / quality management cycles. c) Work with the Corporate Manager for Finance and Procurement to support Environment PDG influence and understanding of the budget management process. d) Consult with colleagues on target setting and monitoring opportunities for the Climate and Sustainability Programme – linked to the activities of Business Change Managers.	31/05/2023	Part A was done. Part B is ongoing; the new Procurement Strategy presents progress and a framework to attach metrics / indicators. Part C was done.
Cemeteries and Bereavement Services	M	Performance indicators (PIs)	Implement suitable performance indicators that assist the Authority in gauging and improving its performance.	30/04/2023	

Business Continuity	M	Creation of a Business Continuity Strategy	Agreed - The Council does not have a Business Continuity Strategy. The Business Continuity Plan and related Service plans provide some detail, but not in sufficient detail to ensure there is appropriate focus by the Council in managing Business Continuity, including on risk management, resources, review, testing of plans, mitigating action that is desirable etc. Given that Council ways of working and outputs (i.e. delivery of grants, extensive home working, virtual meetings) have been subject to significant change due to the Covid-19 emergency, a review of its approach is timely, including creation of an overall strategy on Business Continuity Management. This strategy should be approved by Cabinet to ensure appropriate member oversight of BCM arrangements.	31/12/2022	The Council no longer has any operational resource or role dedicated to either emergency planning or business continuity following departures in 2022. Due to budget pressures, unable to secure an LT vacancy approval for a combined EP/BC role (though a role has been developed, evaluated and detailed VAF with a business case/risk assessment put forward in Q3 2022). Unable therefore to meet this audit recommendation.
Business Continuity	M	Roles and responsibilities related to Business Continuity (and Emergency Planning)	Agreed - Roles and responsibilities for Business Continuity Management are not clearly set out in the current BC Plan. In managing the current emergency, responsibility has shifted to the Corporate Management Team. The post holder for Governance, Health and Safety and Business Continuity has advised that she has less involvement or visibility of decision being made as she is not a member of that group. Outside of managing the current C19 emergency there is a need for continued focus on other BC risks that may impact the Council, as well as the mitigating action to reduce the likelihood and impact of those risks.	31/12/2022	VAF approval for Resilience Officer post granted May 2023. Recruitment is live and aim to appoint by end of June 2023. New targets for relevant recommendations will be agreed once post holder in post should recruitment be successful.

Business Continuity	M	Update of the Business Continuity Plan	<p>Agreed - The Plan is reasonably recent, being only two years old but is currently disconnected from the Service Plans. Although the Corporate Priorities remain largely the same since it was created there is a risk that it does not reflect changes to ways of working, such as the increased use of laptops and the working at home arrangements. In some areas, there is significant additional risk, particularly remote working and the increased dependence on IT and therefore there is value in ensuring that it incorporates the Service Priorities that have been developed over the last two years, as well as the list of systems and business operations to be prioritised in the event of an incident.</p>	30/09/2022	<p>VAF approval for Resilience Officer post granted May 2023. Recruitment is live and aim to appoint by end of June 2023. New targets for relevant recommendations will be agreed once post holder in post should recruitment be successful.</p>
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Auditor's Annual Report on Mid Devon District Council

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2021/22

30 May 2023

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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Executive summary



Value for money arrangements and key recommendations

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 required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. 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. Our conclusions are summarised in the table below.

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Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	Risk identified because of the Council's challenging financial context	No significant weaknesses in arrangements identified, but improvement recommendations made	No significant weaknesses in arrangements identified, but two improvement recommendation made	↔
Governance	Risk identified because of the developing nature of governance across the Group	No significant weaknesses in arrangements identified, but improvement recommendations made	No significant weaknesses in arrangements identified, but improvement recommendations made – we note developments in relation to group governance which occurred in 2022/23 which present a risk of significant weakness, which we will follow up in our audit of 2022/23 VFM arrangements (see pages 4 and 7).	↔
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weaknesses in arrangements identified, but improvement recommendations made	No significant weaknesses in arrangements identified, but three improvement recommendations made	↔

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Governance

For the most part the Council maintained clear systems and processes to maintain appropriate standards of governance in 2021/22. We have not identified any areas of significant weakness in the Council's governance arrangements with regard to decision making, managing risk, setting ethical standards and internal control in this year of review. However, in the course of undertaking our 2021/22 VFM review in January and February 2023, we observed the emerging escalation of ineffective decision making in respect of the process for approving the 2023/24 business plan for the council's wholly owned subsidiary, 3 Rivers Development Limited.

This area of Council business has always been contentious, but divergent views regarding the future direction of the company have recently surfaced that raise concerns about the Council's ability to take timely decisions in the best interest of the Council. Specifically, delays resulting from the Cabinet and Council not being able to reach an agreed position on the company's 2023/24 business plan. During this period, Members including the then Leader made representations to us as the Council's external auditor, raising concerns around the decision making in respect of these business plans. During mid February 2023, four Cabinet members left their positions and a motion proposing the leader be removed was tabled to the 22 February 2023 full council meeting, in advance of which the leader resigned. This had knock-on impacts for the audit of the company's accounts and the council's own budget setting process. The 2023/24 Council budget finally agreed on 8 March 2023 was based on a limited agreement to fund 3 Rivers to complete sites already in progress, and was subject to an external review of the Company's role being commissioned by the Council.

We consider that these issues, identified during our 2021/22 audit work, could be indicative of significant weakness relating to the 2022/23 year, including with regard to:

- the Council's governance and oversight of its arm's length body in its role as shareholder; and
- a breakdown in normal good relations between key officer and member groups - both of which are key to effective decision-making.

We will undertake our 2022/23 VFM review promptly, following the conclusion of the Council's independent review.

The delay in the approval of the initial draft 3 Rivers business plan for 2023/24 and the subsequent revision to the plan has also resulted in the 3 Rivers auditor undertaking further work to inform their opinion for 2021/22. This in turn has prevented us from concluding the 2021/22 Council opinion audit.



Financial sustainability

The Council delivered a small surplus in 2021/22 and set a balanced budget for the 2022/23 financial year. The Council is not an outlier in terms of its overall level of usable reserves, or its long-term borrowing (relative to long-term assets). The Council continued to rely on contributions from reserves and reprofiling of existing budgets to set a balanced budget. We have not identified any significant weaknesses in arrangements for managing financial sustainability risk, however we make improvement recommendations that the Council establishes a more strategic programme of savings and efficiency plans and that, to support this, it is clearer in its financial reporting when it has identified or implemented efficiencies through savings on staff costs (particularly if such vacancies have adversely impacted activity levels).



Improving economy, efficiency and effectiveness

We have not identified any areas of significant weakness in arrangements with regard to improving economy, efficiency and effectiveness in 2021/22. The Council has demonstrated the capacity to develop and implement specific efficiency measures, particularly through its introduction of 3-weekly residual waste collection and needs to ensure it is adequately focused on realising the benefits of this change. The Council has worked effectively, delivered results and improved services through key partnerships, such as through its recent procurement partnership agreement with Devon County Council. We have made improvement recommendations that the Council build on this by formalising its partnership governance. By identifying its key partnerships and mapping systematically the aims, objectives, key results and financial impact of those partnerships, the Council will be better placed to identify how partnerships could contribute further. We also recommend the Council consider augmenting its performance reporting with more information on operational services and contract performance.

Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

As at the 30 May 2023 our work on the Council's financial statements is substantially complete. We are, however, awaiting receipt of final group findings and audit report in respect of 3 Rivers Development Ltd from Simkins Edwards LLP (3 Rivers external auditors). Our findings are set out in further detail on page 25.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not make statutory recommendations

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to the Courts.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for Judicial Review

Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

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

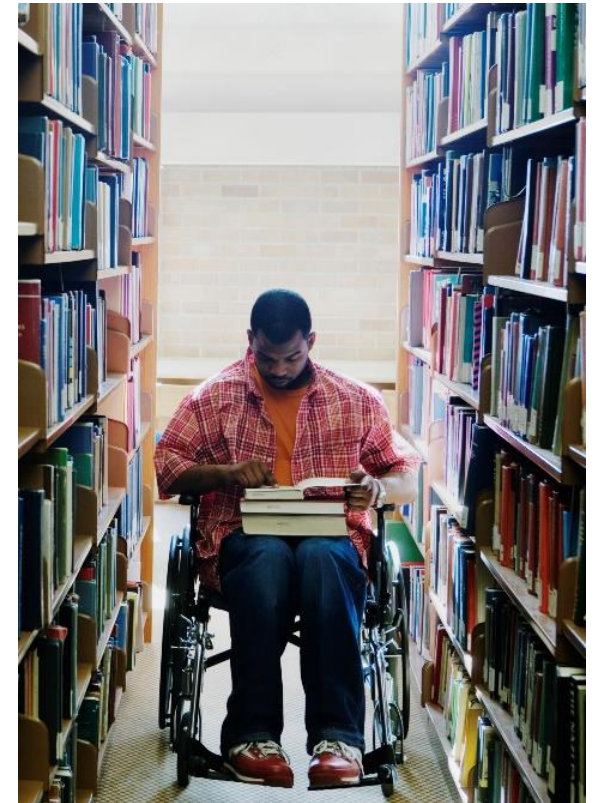


Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 22. Further detail on how we approached our work is included in Appendix B.



Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Informed-decision making and appropriate challenge - 3 Rivers Development Limited

In prior years, we identified a number of issues in relation to the Council's governance of its wholly-owned subsidiary, 3 Rivers Development Limited (3 Rivers). These resulted in a qualified opinion on the Council's VFM arrangements in 2019/20. Our 2020/21 review focused on the Council's implementation of recommendations from external reviews of the Council's governance arrangements in relation to the Company. A number of improvements had been made at this time to governance arrangements to support it in discharging its responsibilities as shareholder including more regular progress reporting to Cabinet, and a revised Shareholder agreement. We did not identify significant weakness in arrangements in this year but made improvement recommendations.

In our Audit Plan for the 2021/22 year, we identified oversight of 3 Rivers as an area that carried a risk of significant weakness, and committed to following up our prior year recommendations, reviewing the work of internal audit (though, at the time of our review, internal audit had not carried out further substantive work in this area) and reviewing the latest business plans and performance monitoring arrangements. Our review in this area did not identify any significant developments from our 2020/21 report, and as such we have not identified a significant weakness in 2021/22.

In the course of undertaking our 2021/22 review of VFM arrangement in January and February 2023, however, it became clear that the usual timeline for Cabinet approval of company's annual business plan had been significantly delayed. Under the terms of the June 2021 shareholder agreement, a business plan is provided to the council in November each year for approval to feed into the Council's budget-setting cycle. The Council's Audit Committee and Scrutiny committee both challenged Cabinet's decisions in regard to approval of amendments to the company's business plans and this matter was subject ongoing debate at Cabinet and Full Council stretching into the final quarter of the 2022/23 financial year.

As our VFM audit progressed, it became clear that, despite further iterations of the business plan, the Cabinet and Council were not able to make a decision on the company's forward business plan. On 13 February 2023, Scrutiny Committee supported Full Council's recommendation of 18 January not to support the company's business plan and "to consider the forward funding plans in the light of external advice." It further recommended that Council undertake an external investigation into the Council's handling of this matter. During this period, Members, including the then leader, made representations to us, as the Council's external auditor, raising concerns around the decision making in respect of the latest 3 Rivers business plans. This included a request for us to undertake an independent review into the decision making on the 3 Rivers business plan.

On 14 February it was reported in local media that four Cabinet members had left their positions. Cabinet was therefore not quorate and could not proceed. The leader subsequently resigned in advance of the 22 February 2023 full Council meeting, at which a motion proposing removing the leader had been tabled, and an independent councillor was elected leader. On 8 March, full Council rejected all 3 Rivers business cases but agreed to fund to completion the development projects at St. Georges Court, Tiverton and Bampton. The Council also agreed to commission an external review of 3 Rivers to assist its decision making, at an estimated cost of £30,000. Subject to this, 2023 full Council approved the Council's budget for 2023/24. While the original draft 2023/24 Budget recommended to Full Council on the 22 February 2023 required a temporary transfer of £58,000 from the New Homes Bonus Reserve, the final budget required (among other changes) a contribution from general fund reserves of £500,000 in 2023/24 (to replace planned interest receivable from loans made to 3 Rivers). MTFP shortfalls increased by around £600,000 a year to £4 million by 2027/28 largely as a result of inflation and removing forecast payments from 3 Rivers.

We consider that these issues, identified during our 2021/22 audit work, could be indicative of significant weakness relating to the 2022/23 year. These could include risks relating to the Council's conduct of its role as the Company's shareholder, including its governance and oversight of its arm's length body, as well as a breakdown in normal good relations between key officer and member groups, both of which are key to effective decision-making.

We are aware the Council has now commissioned an external review of the company's ongoing role and it is appropriate that we await the conclusion of this review and its findings prior to revisiting this area as part of our 2022/23 VFM audit. We will undertake our 2022/23 VFM review promptly, following the conclusion of the Council's independent review.

Governance (2)

Setting and monitoring the annual budget

There was adequate involvement across the Council and consultation with the public in relation to the 2022/23 budget. The budget proposals considered by Cabinet in February 2022 were also circulated and considered by the Scrutiny Committee in January 2022 and were also considered by the Council's Policy Development Groups in November and January. As we note in the previous section the involvement of the policy development groups did not identify any specific savings plans in 2022/23. We make an improvement recommendation in relation to developing strategic savings plans within the Financial Sustainability section of this report (see page 15).

There was evidence of residents being given an opportunity to comment on the Council's spending plans and priorities: the Council held a residents survey on budget in November 2021, reporting the results in March 2022.

The Cabinet is provided with clear and appropriately detailed information to manage the overall budget throughout the year, primarily via quarterly financial monitoring reports. It is also clear that, through these updates, the Council keeps its financial planning assumptions up to date and takes account of factors such as inflation, funding, near-term demand and other factors, as relevant.

The Council also provides Members with a updates on treasury management activity throughout the year, including: an annual treasury strategy in advance of the year reported in February 2021; a mid-year update report in December 2021 and an annual review following the end of the year in June 2022.

We note the 2023/24 budget sign-off was substantially delayed because of a delay in signing off the business plan for 3 Rivers. This does not, however, reflect a lack of involvement by senior members or Cabinet or other Committees – there has significant scrutiny and challenge. We will report on this issue in more detail in our review of the Council's VFM arrangements for 2022/23 (page 7).

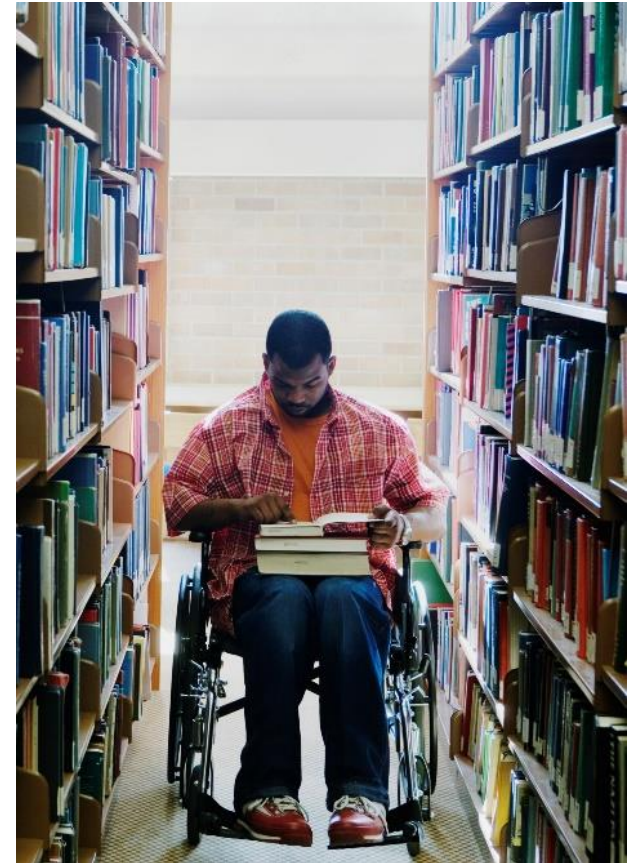
Risk management

The Council's risk management policy is approved annually by the Audit Committee in March, with the 2022/23 version approved in March 2022. The Council uses a risk scoring matrix, where "impact-times-likelihood" determines the total risk score which is RAG rated.

Committee roles in relation to risk are clear: the Audit Committee is responsible for approving the Risk management Policy and monitoring the operation of risk management. The Leadership Team meanwhile is responsible for setting risk appetite and identifying corporate strategic risks. There are regular performance and risk outturn reports submitted to Cabinet, Audit Committee and the Scrutiny Committee. Cabinet considered these reports in February, April, July, September and November 2021. The Audit Committee received the performance and risk outturn 2021/22 report in March 2022.

The risk management strategy demonstrates an awareness of the duality of risk by referring explicitly to opportunities-and to missing opportunities as having a potential financial or non-financial cost. Audit Committee received the performance and Risk Outturn 2021/22 report in March 2022, and both it and Cabinet received quarterly performance and risk updates during the year.

We note that the Council was unable to progress our improvement recommendation from 2020/21 to improve the mapping of risks to corporate priorities, due to staff turnover. The Council is in the early stages of a review of its risk management processes. We therefore do not make any specific improvement recommendations at this stage but will keep this area under review in subsequent years



Governance (3)

Internal Control

The Audit Committee approved the Audit Charter and Strategy for 2021/22 in March 2021. Internal Audit is provided by Devon Audit Partnership (DAP). DAP is a shared service arrangement between Devon County Council, Torbay Council, Plymouth City Council, Mid Devon District Council, Torrington District Council, North Devon District Council and Devon and Somerset Fire and Rescue Authority. DAP conforms to the requirements of the Public Sector Internal Audit Standards for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.

The Internal Audit plan for 2021/22 was also approved by the Audit committee in March 2021. Regular updates reports on Internal Audit progress were submitted to the Audit Committee during the year. These were submitted in July, September, November 2021 and January, March, and June 2022. The updates include an executive summary of work undertaken, performance against the audit plan, fraud issues and audits undertaken with assurance opinion. updates also includes performance indicators and progress against previous audit recommendations. The Annual Audit Report 2021/22 confirms that 90% of the plan was completed (meeting the target level).

The DAP annual report states that, overall, based on its work performed during 2021-22 and 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.

There is evidence that the audit committee challenges risk rating when it considers it appropriate. For example, in January 2023 The Committee received, and noted a report which provided members with an update on performance against the corporate plan and local service targets for quarter 2 (2022/23), as well as providing an update on strategic risks. The committee noted that staff turnover looked to be worse for 2022/23 and the impact this had on service delivery, but the resourcing risk has reduced. The Committee also noted in the years that in their view the risk rating relating to 3 Rivers Development Ltd should be rated higher than it was. Our review did not identify any significant weaknesses in internal controls during 2021/22.

Maintaining standards

We did not identify any weaknesses in the Council's arrangements at a corporate level with regard to maintaining standards maintains a code of conduct which details the expectations and behaviours of officers and members. There is also whistleblowing policy in place. The Members' code of conduct is based on the 7 'Nolan' principles of public life. Both codes of conduct are included in the Council's Constitution which was updated in October 2021. As we note on page 7, we are aware of risks relating to the governance and oversight of 3 Rivers, affecting the 2022/23 financial year, including a breakdown in normal good relations between key officer and member groups, which is key to effective decision-making. We will consider these issues as part of our 2022/23 VFM review, which we will undertake promptly following the conclusion of the Council's independent review.

Members are given an opportunity at the start of every meeting to declare their interests and the code of conduct for officers also requires them to declare interests. A central register of interests is maintained by electoral services and the team review this to identify whether a councillor has not made necessary declarations when newly elected.

The Council reported to us that no data breaches that were reportable to the Information Commissioner's office occurred during 2021/22.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. As already noted, issues identified in relation to 3 Rivers Development Limited during our 2021/22 audit work, could be indicative of significant weakness relating to the 2022/23 year. We will undertake our 2022/23 VFM review promptly, following the conclusion of the independent review of the Company.

Financial sustainability



We considered how the Council:

Page 128

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2021/22 Outturn

The Council's general fund outturn for 2021/22, reported to Cabinet on 28 June 2022, was an underspend of £29,000. This compares to a £65,000 deficit in 2020/21, which was funded from General Fund Reserves. Beneath the small underspend in 2021/22 lay some more significant service-level variances, which largely reflected the ongoing impact of the COVID-19 pandemic, and the changing financial environment in which the Council was operating during the year. For example, car parking income was reduced by a net £118,000 due to the impact of COVID-19, while a large underspend on public health (£758,000 against a budget of £978,000) was attributable to additional \$106 income mainly related to pollution and additional Covid-19 related grants. The majority of these variances were earmarked to offset expenditure in 2022/23.

The Council transferred the 2021/22 surplus to the General Fund Reserve increasing the balance to £2.215 million, which meant that this reserve stayed above the Council's (unchanged) agreed minimum recommended level of £2 million.

The Housing Revenue Account was underspent by £67,000 in 2021/22, compared with a £94,000 underspent in 2020/21.

2022/23 budget

At the time of setting the 2022/23 budget in February 2022, the Council projected a shortfall of £145,000, which reflected the Council's review of available savings and a review of reserves, which identified £195,000 of reserves that the Council considered no longer necessary, or a low priority. The Council proposed to meet the remaining £145,000 shortfall through short term use of the New Homes Bonus (NHB) reserve.

The Council planned to transfer £1,759,000 into earmarked reserves to help mitigate future pressures, such as asset replacement through the use of sinking funds, including £460,000 into the New Homes Bonus reserve (the balance of the 2022/23 grant allocation not supporting the budget, prior to the proposed £145,000 balance adjustment through NHB). However, it also planned to draw down £2,614,000 from reserves on a one-off basis to fund planned expenditure in 2022/23. This implies a net reduction in earmarked reserves of £856,000, prior to the proposed £145,000 balance adjustment through NHB.

The Council has four Policy Development Groups (PDGs) and, in January 2022, ahead of budget-setting for 2022/23, these groups discussed of potential savings that might be made – for example, the Community PDG discussed customer retention and growth in the leisure service. Ultimately, however, no additional budget savings were identified by the PDGs. The February 2022 budget submission to Cabinet also indicates that savings plans played only a minimal part in bridging the 2022/23 budget gap with a greater reliance being placed on reserves, NHB (as set out above) and reprofiling of the capital programme. We cover the Council's approach to developing savings plans on page 11.

The council does not currently include explicit Section 25 statement on the robustness of estimates and adequacy of reserves from the Section 151 Officer in the 2022/23 budget narrative presented to Cabinet (though does so in its Council Tax resolution). The Council's Statement of Accounts for 2021/22 January 2023 also states that "consideration has been given to the levels of reserves as these are the means by which the Council can manage any movements from the planned position in the short term."

Financial Sustainability (2)

Medium-term planning and savings plans

The Council is aware of the difficult task it, alongside many other councils, faces in delivering a balanced budget in the coming years, with inflationary pressures on the Council's own cost-base combining with the increased cost of living for residents and ongoing service demand pressures.

Cabinet considered Council's draft medium-term financial plan (MTFP) covering 2022/23 to 2026/27, on 28 October 2021. The main purpose of the MTFP is to show how the Council will manage its finances in order to support the delivery of the priorities detailed in the Corporate Plan 2020 – 2024 and future years beyond that plan. The Council notes that its MTFP is based on the principle of achieving a balanced budget each year without the need to draw on General Fund Reserves (and to ensure that, if it does need to do so, as it did in 2020/21 outturn, the General Fund Reserve balance does not fall below the minimum agreed level, currently £2 million).

The October 2021 MTFP indicated a deficit of £1.643 million by 2026/27, with the financial shortfall compounded by continued uncertainty from ongoing delays in the Government's reviews of Fair Funding, New Homes Bonus and Business Rates Retention. The Council expected that pressure from the cost of living crisis would further increase this deficit. This future budget gap was equivalent to approximately 13% of the projected budget requirement by 2026/27. However, if no remedial action was taken to reduce the overall level of spend, the MTFP predicted an estimated cumulative shortfall on the General Fund budget of £7.739 million (made up of the cumulative amounts required to balance the budget each year), far exceeding the General Fund Reserve (see page 10). We note that at February 2022 Cabinet a revised MTFP position was presented indicating a deficit of £2.165 million in 2026/27.

This indicates that the Council, while managing to set a broadly balanced budget for the 2022/23 year, had not yet identified the level of ongoing savings that it may require to set its finances on a more sustainable footing over the medium term. Neither the 2022/23 budget nor the MTFP included explicit consideration of longer-term financial impacts of staffing costs or demand for services stemming from longer term changes demand for services or demographic changes. There was however some discussion of other contextual changes such as the introduction of Universal Credit.

In our 2020/21 AAR we noted that the Council had not yet developed a strategic programme of savings plans to evolve its short-term use of reserves to balance the budget, though there were signs of a more strategic approach was being developed. However, our discussions with the Council for our 2021/22 audit and our review of the budget-setting for 2022/23 indicate that while the Council has progressed specific savings plans it has not set these out as an identifiable 'programme' that can be monitored and tracked. For the 2022/23 budget the Council remained reliant on: identifying shorter-term tactical savings; underspends on staff budgets; and contributions from reserves to balance the budget. There is a risk that a short-term, tactical approach to savings focused on the next year's budget may not be effective in identifying savings that optimise for money over the long-term. There is also a risk that identifying short-term savings without carefully working through downstream cost implications or investments needed to realise such savings might even increase long-term costs.

We note that financial monitoring returns presented to Cabinet often refer to "salary savings" but these can conflate efficiency savings (for example, the Council has identified a partnership with Devon County Council on its procurement activity as an efficiency because it has made a net salary saving compared to replacing a vacant procurement manager post); and simple underspends (for example, the November 2021 financial monitoring return to Cabinet references, in the caretaking services cost line, a saving of £118,000 'due to vacant posts', but it is not clear whether or not this had an impact on the service provided).

PDGs are consulted on draft budgets but specific savings plans for the year ahead were not identified in 2021/22. We are also aware that as part of the 2023/24 budget setting process, each of the six members of the Council's senior management team was asked to identify a flat £100,000 of savings within their service area.

The Council is aware that that its planning horizon needs to extend more towards the later years of its medium-term financial planning windows and we note it has shown capacity to develop and deploy longer-term savings initiatives even when these do not always deliver results immediately. For example, efficiencies (such as the Council's recent move to 3-weekly residual waste collection – see page 19) are designed as longer-term savings measures).

We recommend the Council develops process to identify and track key medium-term savings initiatives to help manage the ongoing risk of funding gaps. It would be good practice for its tracking to identify the target savings and payback period and whether any investment is affordable, and whether in-year and cumulative targets had been met.

Financial sustainability (3)

Capital Strategy and Programme

The Council maintains a clearly-written capital strategy, which gives a high-level overview of how capital expenditure, capital financing and treasury management contribute to the provision of the Council's priorities and services, and how risk is managed and the implications for future financial sustainability. Service managers bid annually to include projects in the Council's Capital Programme. Bids are collated by Finance staff who calculate the financing cost before the relevant Policy Development Groups appraise bids. The final capital programme is then presented to Cabinet in February each year and to Council the same month. The plan is couched as an 'enabling' strategy which supports delivery of the corporate plan as a whole. The Council presented a refreshed capital strategy to Cabinet in February 2022.

General Fund capital spend in 2021/22 was £7.4 million, which included £3.7 million of net additional loans to 3 Rivers Developments Ltd, and £2.2 million to help build an NHS hub (Redlands Primary Care). Meanwhile HRA capital spend of £4.2 million included £2.4 million on major repairs to housing stock and £636,000 on new modular housing schemes.

The Council has a significant proposed capital programme over the medium term. The Capital Programme for 2022/23 presented to Cabinet in February 2022 was for a total of £57,542 million comprising £23,239 million carried forward from 2021/22 and 34,303 million of funded investment. Within this, the £39,164 general fund programme includes £13.054 million investment schemes for Infrastructure projects in Tiverton and Cullompton (funding is still being sought for the Tiverton project); and £3.534 million investment in Housing Developments through 3 Rivers Development Limited. Forward capital programmes and forecasts will, however, be significantly affected by subsequent decisions relating to revisions to the business plan for 3 Rivers Development Limited, and we will examine the implications of this for the Council's forward capital and revenue budgets as part of our review of the Council's VFM arrangements for 2022/23. The £18.378 million HRA Capital programme covers both new investment and repairs to existing stock.

The Council makes clear the revenue implications of capital investment in both its annual budget and its MTFP. The most significant funding source required to support the proposed 2022/23 programme was the £12.426 million borrowing from the Public Works Loan Board (PWLb). The associated capital financing costs are included within the relevant general fund or HRA budget.



Financial Sustainability (4)

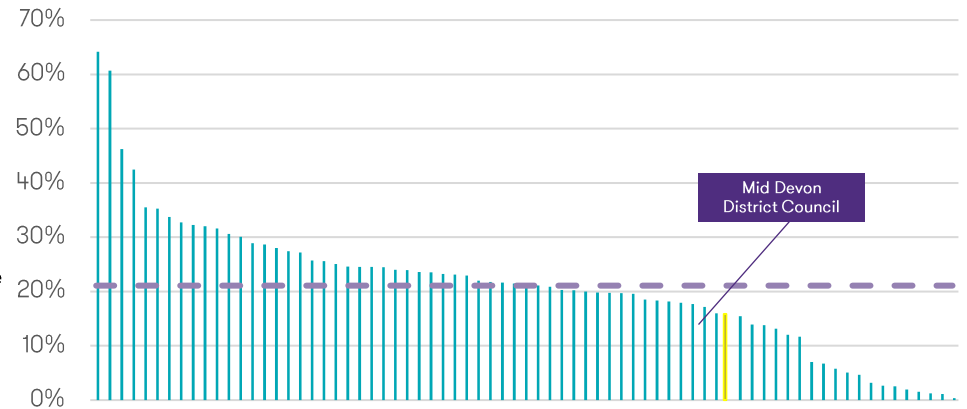
Borrowing and managing the costs of financing capital projects

As set out on page 12, the Council has a significant capital programme over the medium term with proposed investment totalling some £113,981 million over the period 2022/23 to 2025/26. This included £54.7 million of commercial loans to 3 Rivers Development Ltd (though individual schemes would be subject to individual loans agreements made on a project by project basis). As set out on page 12, forward capital programmes and forecasts would inevitably be significantly affected by future decisions relating to the business plan for 3 Rivers Development Limited, and the figures presented on this page do not reflect the impact of any such decisions and reflect the position as the Council understood it during 2021/22.

Analysis of Grant Thornton’s CFO Insights benchmarking data indicates that the Council did not have a particularly high ratio of long-term borrowing to long-term assets in 2021/22 (Figure 1). However during 2021/22 the Council expected to borrow substantially more over the coming years, with a majority being external borrowing (Figure 2). The costs of financing this debt were also expected to rise as a proportion of the Council’s revenue budget. In its 2022/23 budget the Council expected the cost of financing to represent 5.96% of net revenue against the General Fund and some 21.82% of net CIRA revenue expenditure by 2024/25 compared to 0.79% and 15.07% respectively in 2020/21. This represents a significant and rising portion of the revenue budget and it is therefore essential that the Council is robust in monitoring whether this investment is providing the financial and non-financial returns expected.

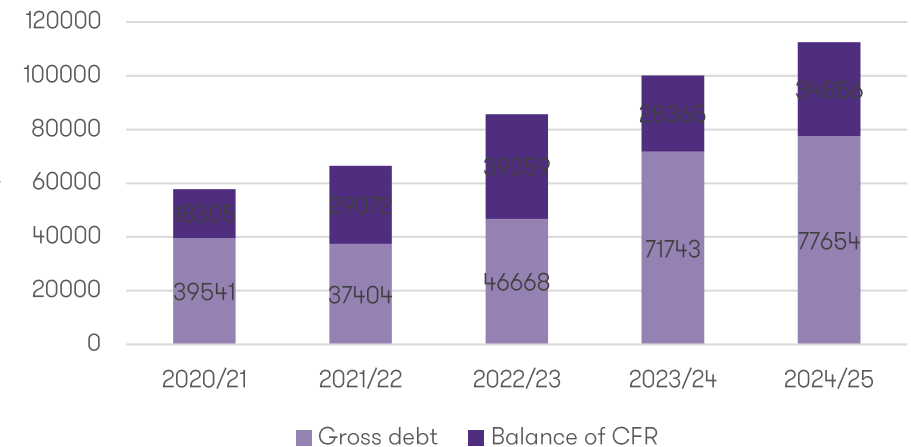
The Council is responsible on an annual basis for determining the amount charged for repayment of debt. This is known as Minimum Revenue Provision (MRP). The MRP charge in 2021/22 was £1.663 million, a net decrease of £0.028 million from 2020/21. Our audit of the Council’s financial statements found that this amount had been calculated in line with statutory guidance and that the Council’s policy on MRP also aligned with statutory guidance. We reported in our 2020/21 Auditor’s Annual Report, and the Council recognises in its budget planning, that the Council does not charge MRP on its loans to 3 Rivers. This is because it funds assets that are under construction – to which MRP does not apply. Once the assets are complete and MRP would normally become chargeable, they are sold by 3 Rivers and the loan is repaid. In November 2021 the Government opened a consultation on potential changes to regulations around MRP charges for ‘commercial’ purposes and we recommended in our 2020/21 Auditor’s annual report that the Council ensure compliance with and revised regulations as necessary. We understand that these changes will apply from 2023/24. We do not repeat our previous recommendation but note that the Council will need to monitor the situation on an ongoing basis.

Figure 1: Long-term borrowing as a proportion of long-term assets (%)



Source: Grant Thornton CFOi Benchmarking data for 2021/22

Figure 2: Forecast Capital Finance Requirement and gross borrowing – 2021/22 to 2024/25



Source: Mid Devon District Council

Financial Sustainability (5)

Treasury management

The Council maintains an appropriate Treasury Management strategy that covers both borrowing and investment activity, and provides updates to members throughout the year. Interest on investments was higher than forecast following the rise in interest rates in the latter part of the year. After including interest from lending to 3 Rivers Developments Ltd the Council generated interest of £558,000 in 2021/22. The Minimum Revenue Provision was also £65,000 lower than forecast due to lower than expected capital expenditure. As noted elsewhere, the Council holds a 100% interest in 3 Rivers Development Limited, a private limited company engaged in construction in the Mid Devon area. The Council makes loans to the Company to with the intent that that they are repaid from the proceeds of the sale of the developments. During the year ended 31 March 2022, a net £3.4 million was loaned to the Company and the total outstanding loan value at this date was £13.6 million. During the year £558,000 interest was received by the Council in respect of these loans.

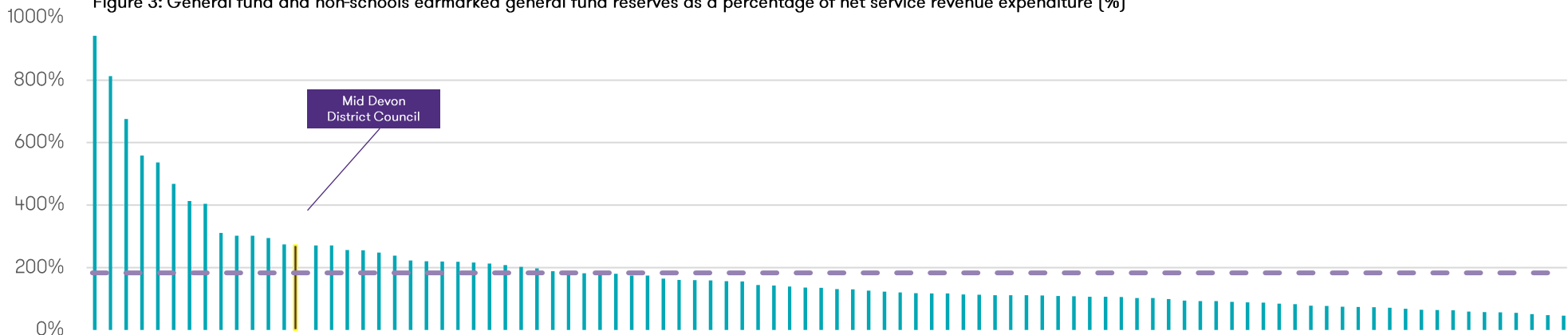
Reserves

The General Fund Reserve held a balance of £2.186 million at the start of 2021/22. On 28 June 2022 Cabinet was asked to approve the final £29,000 surplus generated in 2021/22 to this reserve leaving a balance of £2.215 million, which was above the Council’s recommended risk-based minimum level of £2 million as required by Cabinet agreement on 16 January 2020. In addition to the General Fund Reserve, the Council held £20.7 million in a number of Earmarked Reserves where service underspends are kept to help fund anticipated future expenditure commitments, giving a total of £22.9 million general fund reserves, compared to £22.4 million in 2020/21, an increase of around £0.43 million (note totals do not cast due to rounding). The Council is not an outlier in terms of these reserve levels compared to other District Council. The Council also held £2 million in its HRA reserve and £22.7 million in earmarked HRA reserves, and £9.3 million capital reserves as the end of 2021/22, giving a total of £56.7 million usable reserves. Compared to other District Councils, the Council maintains a relatively high ratio of general fund and earmarked revenue reserves relative to its net cost of services (see Figure 3 below).

Conclusion

Overall we did not identify any significant weaknesses in relation to financial sustainability in 2021/22 but we make two improvements recommendations in relation to setting more strategic savings plans over the medium term and clarity of the reporting of salary savings and underspends in routine financial monitoring returns.

Figure 3: General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)



Source: Grant Thornton CFOi Benchmarking data for 2021/22

Improvement recommendations



Financial sustainability

Recommendation 1

We recommend the Council develops process to identify and track key medium-term savings initiatives to help manage the ongoing risk of funding gaps. It would be good practice for its tracking to identify the target savings and payback period and whether any investment is affordable, and whether in-year and cumulative targets had been met.

Why/impact

There are risks attached to a short-term, tactical approach to developing savings plans and the council will need a medium-term approach to savings delivery to optimise value for money. A rigorous approach to benefits and savings realisation is a key part of managing a savings programme effectively

Summary findings

As in our 2020/21 AAR we noted that the Council's had not yet developed a strategic programme of savings plans to evolve its short-term use of reserves to balance the budget, and this year we found that it currently remains reliant on identifying shorter-term tactical savings, underspends on staff budgets and contributions from reserves to balance budgets year to year.

Management Comments

The Council has a good MTFP forecasting process that identifies the estimated budget gap to be mitigated. The corporate management team look to identify savings or income generation options and review with the political administration to align to the local priorities. Building on this the newly appointed Performance Manager will help to develop a clearer link between budget savings and performance.



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations



Financial sustainability

Recommendation 2

When identifying salary underspends in its financial reporting the Council should be clearer whether the financial underspend has led to any reduction in quality or service level (such as reduced activity, backlogs or delays) or whether a genuine efficiency saving (where costs have been reduced without adversely impacting quality) is being identified.

Why/impact

A cost reduction that also reduces value does not improve value for money. Efficiency gains can be achieved incrementally, and do not always need to come from transformative changes - but in either case the impact on quality and service users' needs has to be considered.

Summary findings

The Council's financial reporting is not always clear on whether reported salary savings result from planned or value-adding changes or are unplanned underspends that may reflect unplanned reductions in activity (or may be offset against increased agency costs).

Management Comments

With the new Performance Manager in post, the Council are looking at options to further integrate financial and performance reporting.



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The range of recommendations that external auditors can make is explained in Appendix C

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance measurement and use of performance information

The Council has established arrangements for reporting key performance indicators (KPIs) to Cabinet and provides detail on each KPI in an appropriate format. Cabinet received a outturn performance report for 2020/21 reported in July 2021, and received updates in September 2021 and February and April 2022. Each report provides a headline narrative with the detailed performance indicators included as an annex. Performance indicators show include the relevant corporate priority and aim, with previous year's performance, target and monthly actual performance. The performance is RAG rated accompanied by the responsible managers' notes.

The Council has a Data Quality Policy and associated data Quality standards, which should be refreshed and presented to Audit Committee every 4 years. The most recent versions were presented to and approved by the Audit Committee on 22 November 2022. The policy confirms the Council's view that fit-for-purpose data is integral to performance management and should be accurate, valid, timely, relevant and complete. Roles and responsibilities are set out as well as the need for adequate controls over data input and verification of data.

There is evidence that the Council has used information from service users' feedback to improve its services. The Council provided an annual report on complaints and compliments to Cabinet in October 2021. While complaints had increased 41% in the preceding year from 252 to 354, compliments also increased 32% from 100 to 132. In May 2022, the Council produced a specific report on housing complaints which aimed to help "promote a positive complaint handling culture and drive service improvement through lessons learned from complaints, to Members."

The complaints annual report detailed 18 lessons learned which along with the specific service improvements undertaken. This report also includes some informal benchmarking with other providers against complaint trends.

In April 2022, Cabinet considered a mid-point review of the Council's February 2020 Corporate Plan, reflecting on performance over the previous two years. The report identified that there were a range of areas in the Plan where no specific KPI (or proxy indicator) existed to measure performance (covering some 21 specific areas or potential KPIs). An LGA peer challenge report from March 2022 recommended that the Council "Use the mid-term re-set of the corporate plan as an opportunity to review priorities in light of capacity constraints and ensure member ownership of both the process and the outcome".

Our review of the Council's performance and risk reports also shows that the Council reports a large number of indicators, and it is not always clear how useful each is as a measure of service performance, particularly from a service-user perspective. For example, the chosen indicator for leisure centres is "health referral initiative" starts, completions and referrals, with 102 starts recorded against a target of just 15. In other cases, there may be further information that would build the picture of performance. For example, the Council was at, or above, target for all its housing repair timeliness indicators – but its annual review of complaints and compliments shows that while it received 51 compliments on this aspect of its service from September 2020 to August 2021, it also received 74 complaints.

Our discussions with the Council indicate that it is at the early stages of a review of its key performance frameworks. This provides a good opportunity to consider whether it its reporting 'measures that matter' to Members and also to its residents, service users and other stakeholders (see recommendation 3 on page 20).

Improving economy, efficiency and effectiveness (2)

Performance measurement and use of performance information (cont.)

Internal Audit's 2021/22 Annual Report highlighted instances where performance information at service level was not being collected or reported to allow effective monitoring and decision-making. For example, its review of the Care Services alarm contract in September 2021 found that the Council did not have effective processes to check that faults were rectified quickly, complaints are resolved, and equipment is accounted for. We note that a September 2022 follow-up report on this specific service returned a 'Reasonable Assurance' opinion and that processes service to rectify faults had improved. Our discussions with the Council confirmed that the Council's contracts are managed only at service level, and there is no particular 'integrating' mechanism by which performance would be reviewed at a higher level. The Council also confirmed that the Scrutiny Committee would not, on a business-as-usual basis, consider contract performance. We recommend the Council review the assurance it has over whether its contracts have key elements of assurance in place, drawing on an established framework such as the Crown Commercial Service contract management framework.

The granular information that service and contract managers need to run their operations effectively can play a key role in tracking the Council's overall performance. As well as complaint information which the Council is monitoring (see page 17), this could include process indicators (how well things are being done) and customer contact indicators, which are 'leading' indicators that highlight problems early or track progress closer to when the issue would actually be experienced by service users, rather than 'lagging' indicators that identify issues track resolution progress after things have gone wrong (such as complaints).

We recommend the Council consider, for example, as part of its current review of performance indicators, whether service and contract managers have access to the information and data they need to run their services effectively, and whether the links between strategic reporting to members and more granular service-level information are sufficiently clear (This does not mean reporting the same information to everybody as the information needs of service managers and members will not always be the same, but it should be clear, for example, when service managers should to escalate a service problem to a more strategic level.)

Partnership working

There is evidence that the Council has worked effectively within a number of its key partnerships, translating aims into meaningful actions and results, particularly in relation to COVID-19 and the Council's wider economic development aims.

In March 2022, an LGA peer challenge report noted that the Council led "an impressive response to the Covid pandemic" and worked in partnerships to support local communities, quickly redeploying staff to meet the constantly changing demands of a dynamic response, which included setting up and maintaining a Shielding Hub to coordinate food deliveries etc for vulnerable residents, as well as running testing centres and administering over £35 million of various Covid Support grants.

The Council has also been open to exploring collaboration with other councils to develop key areas of capabilities. As set out on page 19 below, the Council has a service level agreement SLA with Devon County Council to provide specialist support with procurement activity, which has been useful following the departure of a senior procurement officer. The Council's revenue outturn for 2021/22 identifies a salary saving in the public health area of £46,920 attributable to partnership working with Devon County Council on Covid-19 issues (see page 16, however, for an improvement recommendation in relation to the Council's reporting of salary savings).

The LGA peer challenge report also notes that the Council has delivered results via partnership working in the economic growth and regeneration arena, noting that in particular the successful bid to create a train station in Cullompton, which the report cites as "*an impressive achievement and [...] testament to the Council's successful approach to exerting influence and achieving improved outcomes through partnership working.*" The Council is also engaged in the Team Devon partnership - a public and private sector partnership including representatives from business, education, the Local Enterprise Partnership (LEP) and the public sector brought together to develop a plan for economic recovery in Devon.

The Council has not, however, prioritised improvements to its partnership governance by developing a partnership register as we recommended in 2020/21 Auditor's Annual Report (AAR). Given the important of partnership working as to deliver of aspects of its corporate plan, and the financial savings it has already identified, we continue to consider that investment in partnerships governance would help the Council maximise the value provided by its partnerships. We recommend the Council maps its key partnerships systematically and set outs: their aims and objectives, its financial commitment, the service improvement or other goals, and whether the intended goal are being achieved. This will enable it to identify clearly the value its ongoing partnerships add, and may assist in identifying where similar partnerships offer further opportunities for efficiencies to be made, including other areas in which collaboration could help the Council address skills gaps, particularly where it might otherwise struggle to recruit or retain skilled individuals.

Improving economy, efficiency and effectiveness (3)

Figure 4: indicative benchmarking of Mid Devon District Council service costs against other similar councils

Service area block	Relative position in 2022/23
Housing Services	AVERAGE
Environmental & regulatory*	LOW
Planning & development	VERY HIGH
Highways & transport	AVERAGE
Cultural & related	HIGH
Central services	HIGH

Note: Mid Devon benchmarks low for Environment and Regulatory services unit cost overall but high for some specific services including cemetery, cremation and mortuary services and recycling.

Cost-effective delivery

The Council is aware that the unit costs of services in its Waste and Planning services are high, correlating with high use of agency staff in those areas (the same areas are also highlighted in our benchmarking analysis of the Council’s unit costs of service – see Figure 4 opposite). The Council’s 2021/22 Statement of Accounts confirmed that the Council incurred additional expense across many services because of the use of short term agency staffing to cover absences through vacancies, holiday, sickness and training and the additional requirements from central Government. It noted that recruitment has been particularly difficult with few seeking to change jobs in the economic circumstances.

During the first three quarters of 2021/22 the Council spent £533,028 on agency workers (some of this spend to provide cover to critical services during COVID-19). In the last two financial years the Council has paid out £534,378.49 in 2019/20 and £576,368 in 2020/21 so the year-end projection of a further £150k represents an increase). The Council uses agency workers provide cover to vacant posts, as well as employees who are sick or absent. As well as addressing capacity issues, however, the Council’s ability to recruit and retain skilled individuals to key roles is a key issue affecting value for money in the long term and, as with other councils, Mid Devon District Council has to adapt to a tight post COVID-19 labour market and compete for skilled staff.

On 1 February 2022, Cabinet agreed a move to 3-weekly residual waste collections. Part of that change is to provide households with a wheeled bin for their waste. Approval was sought to add a £750,000 one-off expenditure to the 2022/23 Revenue Budget, fully funded from Earmarked Reserves, for the purchase of larger wheeled bins to help residents manage the increase accommodate volumes of recycling and residual waste. The cost of the bins has previously been estimated at £650,000 with the increase attributed to general inflation. The new service is expected to deliver financial savings (relative to projected costs under the old service) from 2023-24, though the Council acknowledges that the absolute cost of waste collection may still rise do to inflationary pressures on key inputs into the service, such as fuel.

The Council has demonstrated an innovative and pragmatic approach to addressing skills gaps within its procurement team by entering into a partnership with Mid Devon County Council through a Service Level Agreement to provide procurement advice and support. The Council has, in the past, maintained a small in-house procurement team comprising around 3 FTE. In April 2021, a key, senior member left the team and the Council struggled to recruit suitably skilled people to this key role. From June 2021, Devon County Council (DCC) provided interim reactive support, including procurement advice and guidance to services in undertaking procurements including contractual support.

Cost-effective delivery

Overall we did not identify any significant weaknesses in relation to improving economy, efficiency and effectiveness in relation to the 2021/22 financial year. We recommend the Council improve its oversight of key partnerships and contracts and also consider using more operational and service data in its core performance reporting (see pages 20-22). We also recommended in our 2020/21 AAR that the Council make greater use of benchmarking to identify opportunities to identify improvements and potential targets for efficiency savings. Although the Council reported that there was an intent for the 2023/24 budget process the intention to broaden benchmarking against national indicators and statistical nearest neighbours, this has in practice been delayed due to turnover of a core staff member and a delay in recruiting their replacement until October 2022.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 3

In taking forward its review of its performance framework and KPI suite, the Council should: consider including more indicators that capture operational and customer-focused issues, which could be integrated into strategic reporting, to ensure key stakeholders' perspectives are represented.

Why/impact

Integrating operations and strategic performance indicators can provide a more rounded view of how services are performing and better represent the perspectives of multiple stakeholders.

Summary findings

The Council identified as part of its Corporate Plan mid-point review that there are areas of its corporate plan without associated KPIs; meanwhile, Internal Audit reports have drawn attention to issues with service-level performance data in some cases.

Management Comments

With the new Performance Manager in post, the Council are looking at options to refine its performance framework and KPI suite. As part of the business planning process Services are expected to be more transparent in the evaluation of service performance against local and national best practice. Overarching service performance is monitored monthly by a senior corporate officer board.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 4

The Council should map its assurance framework for key contracts. This should include assuring itself that service managers have access to the information and data they need to monitor and report on service performance effectively and whether the links between service-level and strategic reporting to Members is clear, for example, when service managers should to escalate a service problem to a more strategic level.

Why/impact

Good-quality monitoring of service and contract performance is vital to ensuring those services are delivering as the Council – and residents – expect alongside as well as monitoring of more high level and strategic indicators.

Summary findings

The Council does not maintain central oversight of contract performance or a central assurance plan for key contracts to ensure a cross-Council view of whether key contracts are delivering as expected]. Internal audit reports have also highlighted areas of improvement in service-level performance information.

Management Comments

The council will look to review and improve its contract performance framework. Building on best practise examples and support from the Devon Procurement Partnership training will be given to service managers in what to do, proportionate to the value of the contract, with the corporate overview held by the procurement team.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 5

We recommend the Council maps its key partnerships systematically and set outs: their aims and objectives, its financial commitment, the service improvement or other goals, and whether the intended goal are being achieved. This will enable it to identify clearly the value its ongoing partnerships add, and may assist in identifying where similar partnerships offer further opportunities for efficiencies to be made, including other areas in which collaboration could help the Council address skills gaps, particularly where it might otherwise struggle to recruit or retain skilled individuals.

Why/impact

The Council has achieved good results through partnerships but does not have a systematic approach to partnership governance.

Like other councils, the Council has struggled to recruit to some skilled roles given the financial constraints it operates under and the tight post-pandemic labour market.

Summary findings

The Council has incurred additional costs through ongoing use of agency staff in several service areas. Furthermore, it has struggled to recruit skilled individuals to some key posts. However, it has showed an innovative response in its procurement service by entering into an SLA with Devon County Council to provide access to specialist procurement advice without recruiting. The Council has not, however, prioritised improvements to its partnership governance by developing a partnership register as we recommended in our 2020/21 AAR. Given the important of partnership working as to deliver of aspects of its corporate plan, and the financial savings it has already identified, we continue to consider that investment in partnerships governance would help the Council maximise the value provided by its partnerships.

Management Comments

As stated in the previous audit response, the council does not have many key strategic partners and at this time does not feel it necessary to map them. The services provided by the council remain largely insourced and therefore there are limited true partnership arrangements in place. Where they do exist, for example Building Control, there are policies and procedures in place to ensure robust governance. The Council will monitor the situation and, as and when it is appropriate to do so, will introduce a partnership strategy and register.

The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The detailed narrative in the budget report regarding assumptions and minimum levels of reserves should be accompanied with an explicit Section 25 statement from the chief finance officer confirming their robustness and adequacy.	Improvement	March 2022	On review we could not identify this statement in the budget report for 2021/22. However, similar statements were included in the year-end accounts and CTR.	Partly	Yes – this statement should be clear and easy to find in the budget submission
2	The Council should review the difference in interest income to ensure consistency between the 3 Rivers business plan and the Councils revenue budget and provide reconciliations to the commercial capital financing requirement in the Treasury Management Strategy.	Improvement	March 2022	We will report further on progress against this recommendation following our review of the Council's VFM arrangements for 2022/23	-	We will consider whether further action is required following our review of the Council's VFM arrangements for 2022/23
3	Where significant uncertainties exist within financial planning, then a scenario analysis should be included within the medium-term financial plan (MTFP), to give the range of potential impacts.	Improvement	March 2022	Scenario Analysis is undertaken in forecasting income and expenditure and is included within Appendix 1 of the October/November MTFP report.	Yes	No
4	Council should include the actual inflation assumptions used in financial planning within the MTFP report	Improvement	March 2022	The inflation assumptions are included within Appendix 1 of the October/November MTFP report.	No	No
5	The Council should ensure that realistic savings targets are agreed for inclusion within the MTFP which incorporate an element of headroom for if there is slippage to the plan. Savings targets should be separately identified and monitored using RAG ratings during the financial reporting cycle.	Improvement	March 2022	The Council remains reliant on shorter term and tactical savings to balance revenue budgets year-to-year.	No	The Council needs to develop a strategic approach to medium term savings plans (see page 15)
6	The Council should ensure that it complies with the revised 2003 Regulations when they are published by providing prudent MRP provision on capital loans to 3 Rivers Developments.	Improvement	March 2022	The Council believes it is compliant but continues to monitor whether this is required.	Partly	The Council should continue to monitor this and ensure it is compliant
7	The Treasury Management Strategy and Annual Review reports should contain the budget and outturn information where relevant, for interest income, interest costs and MRP.	Improvement	March 2022	MRP and financing costs as a proportion of revenue spend is clearly identified in the Council's Capital Strategy and year-end accounts	Partly	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
8	Risks within the Councils Corporate risk register should be mapped to corporate priorities.	Improvement	March 2022	The Council has not progressed this recommendation. Improvements to this area have been delayed as the previous performance and risk manager left the Council in February 2022 and her replacement started in October 2022. The Council reports that With the new Performance Manager in post, risks will be reviewed and mapped to corporate priorities	Yes	Yes – ongoing development as part of the Council’s review of its performance and risk frameworks
9	Budget reports should distinguish between recurring and non-recurring variances that together make up the net revenue position. An example would be the on-going impact of the pandemic on future years.	Improvement	March 2022	The Council has not progressed this recommendation. The Council considers that the budget is already clear in terms of how we are against the budget gap.	No	No
	The Company (3 Rivers Development Limited) should address the weaknesses identified by internal audit in relation to the 3 Rivers risk register.	Improvement	March 2022	We will report further on progress against this recommendation following our review of the Council’s VFM arrangements for 2022/23	-	We will consider whether further action is required following our review of the Council’s VFM arrangements for 2022/23
11	The Council should continue to adequately monitor the financial performance of 3 Rivers and its progress in achieving the target for breakeven as set out in the business plan.	Improvement	March 2022	We will report further on progress against this recommendation following our review of the Council’s VFM arrangements for 2022/23	-	We will consider whether further action is required following our review of the Council’s VFM arrangements for 2022/23
12	The Council should be routinely benchmarking service costs in order to identify areas where efficiencies could be achieved.	Improvement	March 2022	The Council intends to use benchmarking more from 2023/24 budget onwards via CIFFAstats+	No	No
13	The Council should consider the need for a partnership register and strategy.	Improvement	March 2022	The Council has not progressed this recommendation – see management response to recommendation 5 above.	No	Yes – we recommend the Council invest in its partnership governance to map systematically its involvement in key partnerships and the results it is achieving (see recommendation 5).

Opinion on the financial statements



Audit opinion on the financial statements

As at the 30 May 2023 our work on the Council's financial statements is substantially complete. We are, however, awaiting receipt of final group findings and audit report in respect of 3 Rivers Development Ltd from Simkins Edwards LLP (3 Rivers external auditors).

Subject to the satisfactory resolution of this outstanding issue we anticipated giving an unqualified opinion on the Council's financial statements for 2021/22.

Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee in January 2023. The continued delay in concluding this work is due to the outstanding opinion in respect of the 3 Rivers 2021/22 audit.

Preparation of the accounts

The Council provided draft accounts in line with the agreed timetable along with supporting working papers.

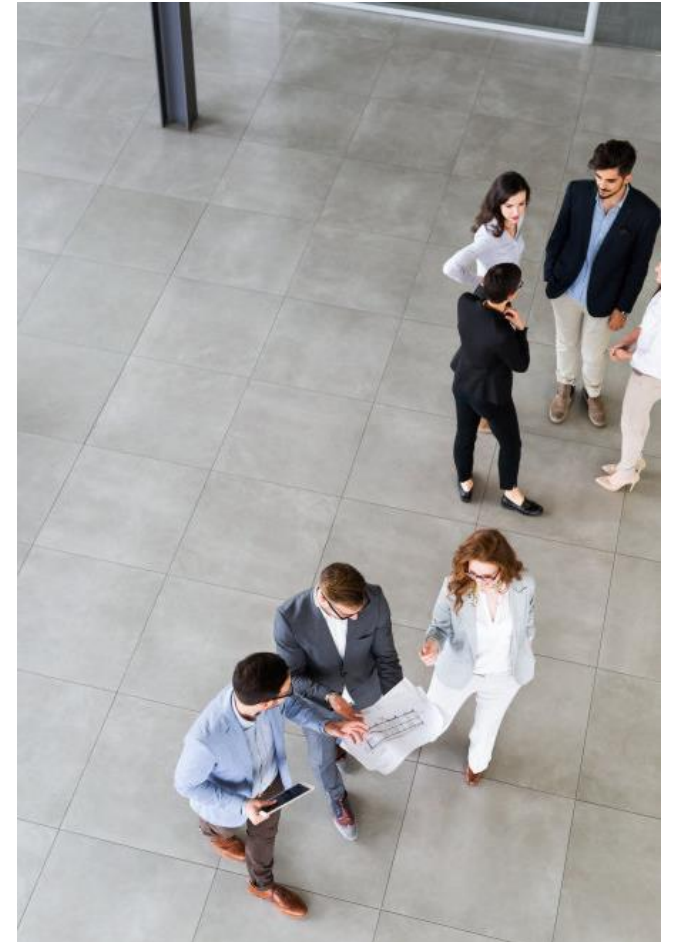
Issues arising from the accounts:

Our work to date has not identified any material errors or adjustments to the financial statements. No adjustments have been identified that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement.

To date, two adjustments to the draft financial statements of 3 Rivers Developments Ltd as a result of their audit, this will require adjustments to the Council's group financial statements.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

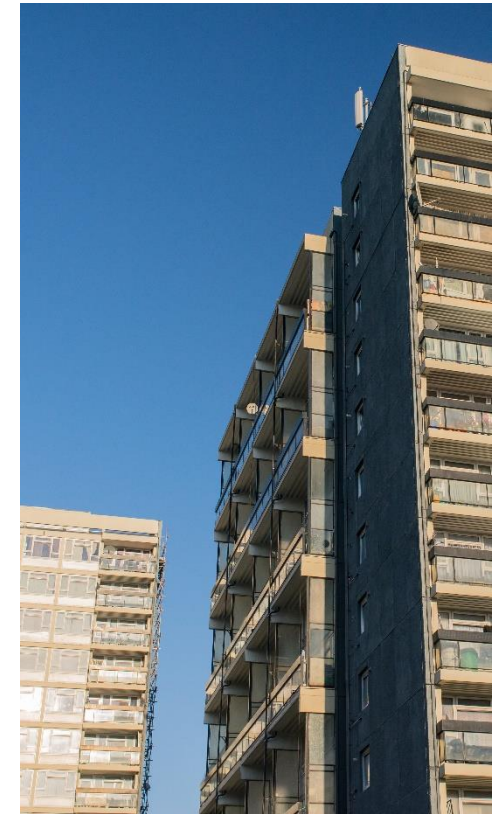
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment 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 that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was identified as a potential significant weakness.	<p>We reviewed the Council's budgeting processes and its MTFPs, and particularly its approach to developing medium term savings plans interviewed the Section 151 officer to identify any changes to the process.</p> <p>We considered established good practice in setting and monitoring efficiency savings targets, including reports from the National Audit Office.</p>	Our findings are set out in the relevant section above and in summary we consider that there were no significant weaknesses in relation to 2021/22, but the Council remained reliant on shorter-term measures to balance the budget.	Two improvement recommendations raised.
Governance of the group (specifically 3 Rivers Development Limited was identified as a potential significant weakness, see for more details.	We set out how we addressed this risk in detail on Page 7.	We did not identify a significant weakness in relation to this risk in 2021/22 – however we have identified issues in relation to 2022/23 which may be indicative of a significant weakness and we will report on this in more detail following the conclusion of the Council's external review of the Company, as part of our 2022/23 VFM audit work.	No recommendations raised in relation 2021/22.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	n/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	n/a – but see pages 7 and 28
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	15-16; 20-22

Mid Devon District Council Audit Plan

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Your key Grant Thornton team members are:

Julie Masci

Key Audit Partner
T 029 20 347506
E julie.masci@uk.gt.com

Andrew Davies

Engagement Manager
T 0117 305 7844
E andrew.davies@uk.gt.com

Suraj Hirani

Engagement In-charge
T 029 20347598
E suraj.m.hirani@uk.gt.com

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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.

Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Deputy Chief Executive.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness. This will follow up on our work in 2021/22 and will consider developments in relation to 3 Rivers Development Limited.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Mid Devon District Council ('the Council') for those charged with governance.

Respective responsibilities

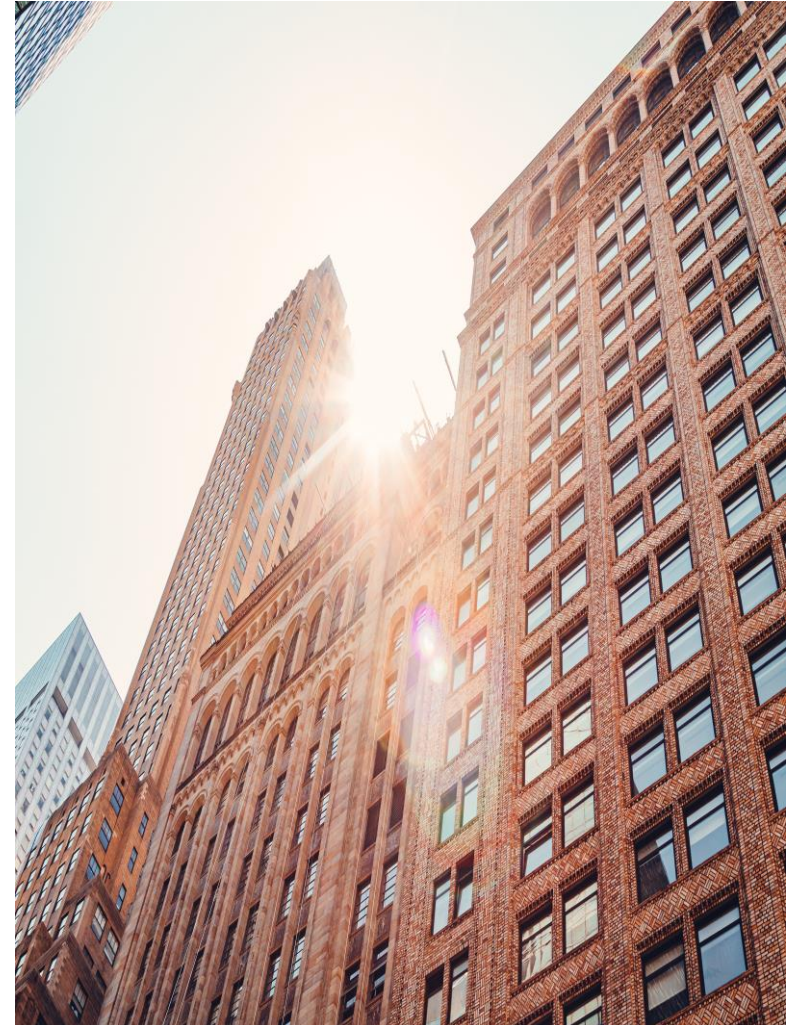
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Mid Devon District Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls;
- Revenue recognition (rebutted for the Council);
- Expenditure recognition (rebutted for the group);
- Assumptions underpinning the valuation of land and buildings;
- Assumptions underpinning the valuation of net pension fund liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of 3 Rivers Development Limited.

Materiality

We have determined planning materiality to be £0.875m (PY £0.875m) for the group and £0.830m (PY £0.830m) for the Council, which equates to 1.8% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £0.035m (PY £0.040m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Financial Sustainability, and
- Group governance

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our planning/interim visit took place in March 2023 and our final visit will take place between July and September 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £68,580 (PY: is to be confirmed as work remains in progress on the 2021/22 financial statements audit). This is subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

Significant risks identified

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.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group and Council	<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.</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 assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The expenditure cycle includes fraudulent transactions (rebutted)	Group and Council	<p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We have rebutted this presumed risk for Mid Devon District Council because:</p> <ul style="list-style-type: none"> • expenditure is well controlled and the Council has a strong control environment; and • the Council has clear and transparent reporting of its financial plans and financial position to the Council. <p>For 3 Rivers Development Limited expenditure is well controlled, with elements of support provided by the Council. There is regular reporting to the Council which includes expenditure.</p> <p>We therefore do not consider this to be a significant risk for Mid Devon District Council and the wider group.</p>	No specific work is planned as the presumed risk has been rebutted.

Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Group Revenue	Subsidiary	<p>Under ISA 240 (UK) there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. The presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue and expenditure recognition.</p> <p>For Mid Devon District Council, we have concluded that the greatest risk of material misstatement relates to Group Revenue.</p> <p>We have therefore identified the occurrence and accuracy of 3 Rivers Developments Limited trading income as a significant risk of material misstatement, and a key audit matter.</p> <p>We have rebutted this presumed risk for the revenue streams of the Council because:</p> <ul style="list-style-type: none"> • Other income streams are primarily derived from grants or formula based income from Central Government and tax payers; and • Opportunities to manipulate revenue recognition are very limited. 	<p>For Group Revenue revenue we will:</p> <ul style="list-style-type: none"> • Evaluate the group's accounting policies for the recognition of income for appropriateness; • Gain an understanding of the group's system for accounting for income and evaluate the design of the associated controls; and • Agree, on a sample basis, the amounts recognised as income in the financial statements to supporting documents. Where possible this will be through placing reliance upon the work of the subsidiary auditor. <p>We will continue to review and test, on a sample basis, material revenue and expenditure transactions within the Council's accounts, ensuring that it remains appropriate to rebut the presumed risk of revenue and expenditure recognition.</p>

Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (and Council dwellings) and the key assumptions and judgements that underpin this significant estimate	Council	<p>The group revalues 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 (£195m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings as a significant risk, in particular any large or unusual assets or where there have been movements in valuations outside our expectations, as well as testing a sample of those within our expectations. This is one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge 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; • test revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluate the assumptions made by the valuer for those assets revalued at 31 March 2023. For those assets not formally revalued, in year, we will assess how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability and the key assumptions that underpin this significant estimate	Council	<p>The Council'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.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£70m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>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.</p> <p>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.</p> <p>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 rate, where our consulting actuary has indicated that a 0.1% change in this assumption would have approximately 1.9% 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.</p>	<p>The latest pension fund triennial revaluation has been issued. As the 2021/22 audit opinion was not signed at the time of issue we are required to consider the impact of this on the pension liability opening balances. At the time of writing this report we are awaiting guidance on the procedures required, and what the impact will be on the Council's financial statements.</p> <p>In addition we will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test 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; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of the Devon 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.

Group audit scope and risk assessment

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.

Key changes within the group:

The group structure remains unchanged comprising the Council and the 100% wholly owned subsidiary 3 Rivers Development Limited.

At the time of writing this report we are aware that the auditor of 3 Rivers Development Limited has issued their opinion on the financial statements. This opinion contained an emphasis of matter in relation to going concern, and a qualification due to an uncertainty on the valuation of work in progress.

We are currently considering the impact of this on our 2021/22 audit report, and the Council's financial statements as well as our 2022/23 group strategy.



Group audit scope and risk assessment

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	Planned audit approach
Mid Devon District Council	Yes		Significant risk are identified on pages 7-11	Full scope audit performed by Grant Thornton UK LLP
3 River Developments Ltd	Yes		<p>We have identified the occurrence and accuracy of 3 Rivers Developments Ltd's trading income as a significant risk.</p> <p>The majority of the transactions of the company are with the Council and will be reviewed as part of the intra-group consolidation adjustments.</p>	<p>Specific scope procedures on Income (significant risk) and other material balances, following consolidation adjustments, will be performed by the subsidiary's auditor.</p> <p>In addition we will perform the following procedures:</p> <ul style="list-style-type: none"> • Agree the overall consolidation including alignment of accounting policies, and • Agree consolidation adjustments.

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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 risks of material misstatement of the group financial statements
- Analytical procedures at group level

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.

We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Group financial statements, which resulted in one recommendation being reported in our 2021/22 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	Our work in 2021/22 identified an area for improvement for the Council's consideration. Selecting samples for our debtors and creditors testing was made more difficult as the Council were unable to provide a list of amounts owed/due at the year end. As the populations are not cleansed the audit team have had to adjust our testing strategy to ensure we are not testing bought forward or contra balances.	We will consider progress on this recommendation as part of our year end testing.

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.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. Materiality at the planning stage of our audit is £0.875m (Group) and £0.830 (Council), which equates to 1.8% of prior year gross expenditure.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>We have not identified any areas where we have set a lower materiality. Two areas of increased sensitivity, where greater precision is required are:</p> <ul style="list-style-type: none"> – Senior officer remuneration. As these are considered sensitive disclosures, we would request that an issues noted would be corrected. – Audit fees, As these are considered sensitive disclosures, we would request that an issues noted would be corrected.

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.

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p>Other communications relating to materiality we will report to the Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.040m (PY £0.040m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.</p>

IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 22.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
e-fin – eFinancials Business Objects - Reporting software used to report on data within eFinancials.	Financial reporting – Core Financial Systems	<ul style="list-style-type: none"> • Test design and implementation of the ITGCs.
Capita Income Management	Cash Receipting and banking system	<ul style="list-style-type: none"> • Test design and implementation of the ITGCs.
Zellis	Payroll	<ul style="list-style-type: none"> • Test design and implementation of the ITGCs.
Northgate	Housing Benefits, Council Tax and NNDR	<ul style="list-style-type: none"> • No specific IT related procedures are planned in this area.
Orchard	Housing Rents (HRA)	<ul style="list-style-type: none"> • Test design and implementation of the ITGCs.

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

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Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the table on the following page, along with narrative setting out the context of these risks. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out on page 28.

Risks of significant VFM weaknesses

We have recently concluded and agreed our 2021/22 Auditors Annual Report (AAR) and this is the June Audit Committee agenda along with this Audit Plan. This report does not identify a significant weaknesses but does identify five areas for improvement. There also remains some recommendations open from the 2020/21 AAR. We will follow up these recommendations as part of our 2022/23 review, and as part of this we will consider when the recommendations were raised and communicated to the Council.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

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Group Governance

Group Governance was included as a risk in our 2021/22 Audit Plan. Our 2021/22 AAR sets out that, whilst we were undertaking our 2021/22 review (in 2022/23), we became aware of ineffective decision-making. This was in respect of approving the 2023/24 business plan for the Council's wholly owned subsidiary, 3 Rivers Development Limited. In our 2021/22 AAR and due to this escalation, we concluded that we would undertake our detailed work in this area in 2022/23. In addition to a more generic review of arrangements we expect, or work will focus on:

- The Council's governance and oversight arrangements of its arm's length body and its role as shareholder, and
- The relationship between key officers and members regarding decision making.

We will also have regard to the independent viability review that has been commissioned for the summer of 2023.

Financial sustainability



Our 2021/22 AAR made recommendations in relation to financial sustainability. These were focused on the need to develop a more strategic process for identifying and reporting progress against savings and efficiency plans.

The environment in which the Council operates is becoming increasingly challenging. The Council's 2023/24 budget of £16,830,364 includes the use of reserves of c£2.2m. Inflation and other general macro-economic factors have impacted quite significantly all Council's with Mid Devon reporting that energy bills have increased by 33%.

The Medium-term financial plan (MTFP), agreed in March 2023 set out a cumulative budget gap of £3.9m through to 2027/28. Bridging this gap represents a significant challenge. As part of our response to this risk we will review the assumptions underpinning the MTFP for reasonableness, specifically the inclusion of £1.4m interest relating to 3 Rivers Developments Limited over the MTFP.

Audit logistics and team



Julie Masci, Key Audit Partner

Responsible for overall quality control; accounts opinions; final authorisation of reports; attendance at Audit and Governance Committee.



Andrew Davies, Audit Manager

Responsible for the overall management of the audit; consideration of VFM work; quality assurance of audit work and outputs.

Suraj Hirani, Audit Incharge

Suraj's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively and efficiently, and is also involved in supervising and co-ordinating the audit team.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for Mid Devon District Council to begin with effect from 2018/19. The fee agreed in the contract was £36,729. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

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Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.

Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.

- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf [and has been agreed with the Director of Finance].

Audit fees

	Actual Fee 2020/21	Actual Fee 2021/22	Proposed fee 2022/23
Council Audit	£67,729	TBC	£68,580
Total audit fees (excluding VAT)	£67,729	TBC	£68,580

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Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA 2022/23	£44,230
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs 540 / 240 / 700	£2,100
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000
Additional procedures in relation to the group audit	£6,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750
Increased audit requirements of revised ISAs 315	£3,000
Total audit fees 2022/23 (excluding VAT)	£68,580

All variations to the scale fee will need to be approved by PSAA

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and component audit firms providing services to the group and Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group and Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits	17,775	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 £17,775 in comparison to the total fee for the audit 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.
Non-audit related			

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•	•	ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•	
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a	Respective responsibilities
Significant findings from the audit		•	As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.
Significant matters and issue arising during the audit and written representations that have been sought		•	
Significant difficulties encountered during the audit		•	The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	

An explanatory note on VFM recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council but are not a result of identifying significant weaknesses in the Council's arrangements.

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