

Audit Committee

Tuesday, 5 December 2023 at 5.00 pm
Phoenix Chambers, Phoenix House, Tiverton

Next meeting
Tuesday, 16 January 2024 at 5.00 pm

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.

The meeting will be hybrid and an audio recording made and published on the website after the meeting.

[To join the meeting online, click here](#)

Membership

Cllr E Buczkowski
Cllr C Connor
Cllr J M Downes
Cllr G Duchesne
Cllr L G J Kennedy
Cllr L Knight
Cllr R Roberts
Cllr S Robinson
Vacancy

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. **Apologies**
To receive any apologies for absence.
2. **Public Question Time**
To receive any questions from members of the public and replies thereto.
3. **Declaration of Interests under the Code of Conduct**
To record any interests on agenda matters.

4. **Minutes of the previous meeting** (*Pages 5 - 10*)
To consider whether to approve the minutes as a correct record of the meeting held on 24th October 2023.
5. **Chairman's Announcements**
To receive any announcements that the Chairman may wish to make.
6. **Corporate Risk** (*Pages 11 - 30*)
To receive a report from the Corporate Performance and Improvement Manager and the Corporate Manager for People, Performance & Waste providing Members with a quarterly update on the Corporate Risk Register.
7. **DAP Internal Audit Progress Report** (*Pages 31 - 48*)
To receive the DAP Internal Audit Progress Report for the year to date.
8. **Grant Thornton Interim Audit Findings Report for 2022/2023** (*Pages 49 - 84*)
To receive the External Auditors Interim Audit Findings Report for 2022/2023.
9. **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:
 - DAP Internal Audit Progress Report
 - Costed reports in relation to Bin-It 123 and Net Zero (tbc)
 - Statement of Accounts for 2022/23 (tbc)
 - Grant Thornton Audit Findings for 2022/23 (tbc)
 - Grant Thornton External Audit Progress Report
 - Introduction to Bishop Fleming

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

Stephen Walford
Chief Executive
Monday, 27 November 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.

Residents, electors or business rate payers of the District may make a statement or shall be entitled to ask questions at a meeting which concerns the Council's powers / duties or which otherwise affects the District. If your question does not relate to an agenda item, the question must be submitted to the Democratic Services Manager two working days before the meeting to give time for a response to be prepared.

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 Democratic 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: 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 24 October 2023 at 5.00 pm

Present

Councillors

L G J Kennedy (Chairman)
E Buczkowski, G Duchesne, B Holdman,
L Knight (Vice Chairman), R Roberts and
S Robinson

Apology

Councillor

C Connor

Also Present

Online

J Downes

Also Present

Councillors

D Broom, J Buczkowski and D Wulff

Also Present

Officers

Andrew Jarrett (Deputy Chief Executive (S151)), Paul Deal (Corporate Manager for Finance, Property and Climate Change), Angie Howell (Democratic Services Officer) and Sarah Lees (Democratic Services Officer)

33. **APOLOGIES**

Apologies were received from Cllr C Connor who was substituted by Cllr B Holdman.

34. **PUBLIC QUESTION TIME**

Mr Nick Quinn

Regarding Agenda Item 8 – Grant Thornton Audit Findings for 2021/2022.

On page 272 of your papers, that is Appendix D of these Audit findings, Grant Thornton state that they are charging the Council an extra £17,500 to cover: *“Additional procedures in respect of the impact of the 3 Rivers Developments Ltd qualified opinion on the Council financial statements”*.

Will the Council bear this additional cost, or will the £17,500 be recharged to 3 Rivers and added to their losses?

It was confirmed that this was a Council cost which had been incurred as a result of providing an audit opinion by Grant Thornton. It would not be charged to 3 Rivers.

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

No interests were declared under this item.

36. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 22 August 2023 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

37. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements to make.

38. **DAP INTERNAL AUDIT PROGRESS REPORT (00:09:00)**

The Committee had before it, and **NOTED**, a report * from the Devon Audit Partnership providing a progress update report for the year to date.

The following was highlighted within the report:

- Devon Audit Partnership (DAP) continued to provide a 'Reasonable Assurance' opinion on the adequacy and effectiveness of the Authority's internal control framework.
- Regarding the Waste and Recycling audit it was confirmed that there had been a reduction in residual waste and that the Council were exceeding their target.
- The steps being taken to recover unpaid Council Tax were comparable to those undertaken by other local authorities.
- The Travel and Subsistence policy needed to be reviewed and updated.
- Regarding 'Performance Management', there were opportunities to improve the framework which was recognised by the Council and a review paper had been drawn up by the officer with responsibility for that area.
- The number of internal audit 'High' priority recommendations had reduced to two and the number of 'Medium' recommendations had reduced to 18. A lot of work had been undertaken by officers to reduce these numbers.
- A review had been undertaken of the single person's discount and some error had been identified.
- A review of the Council's cyber security arrangements would be undertaken in the near future.

Consideration was given to:

- A request was made that the Committee receive quarterly updates from now on in relation to the debtor's position and whilst specific details could not be provided, general trends could be reported upon.
- Some work needed to be undertaken to ensure all officers, where necessary, had provided valid insurance certificates when claiming for mileage. The IT system in relation to this area was being reviewed and updated to take in account a number of changes, for example, in relation to carbon emissions and climate change impacts.

Note: * Report previously circulated.

39. STATEMENT OF ACCOUNTS FOR 2021/22 (00:23:00)

It was requested, and subsequently **AGREED**, that this item and Grant Thornton's Audit Findings Report for 2021/2022 be taken as one item.

The Committee had before it the final Statement of Accounts and Annual Governance Statement for 2021/2022.

The following was highlighted within the report:

- The accounts had been updated since January 2023 when they were 'provisionally' approved by the Committee to reflect changes in relation to the Pension Liability and 3 Rivers.
- There had also been a need to review the 'going concern' statement as at March 2022.

Grant Thornton provided the following highlights from their audit:

- An indicative findings report had been presented to the Committee in January 2023 which had found no material errors, however, at the time it had been clear that they were still waiting for the 3 Rivers audit and a re-running of the figures had been needed as a result of the Pension Liability.
- A 3 Rivers opinion issued in May 2023 had included a qualification in relation to uncertainty around land and progress. It had been wholly appropriate to reflect those observations properly within the accounts.
- A key issue had been around 'going concern' both as a single entity and as a set of group accounts.
- Grant Thornton had been happy with the conclusions made by the auditors of 3 Rivers in relation to this.
- There had been an important update to the 'post balance sheet event' note at number 59 which had noted the full Council's decision in September 2023 to 'soft close' 3 Rivers.
- An opinion on the 2021/2022 accounts would be issued imminently which would be unqualified but which would include an 'emphasis of matter'.
- Audit fees had increased as a result of having to undertake wider consultation.

Discussion took place regarding:

- Where the Council stood in relation to 'Corporate Risk'. It was explained that income streams were slowly being recovered, however, there were still some serious concerns in relation to homelessness, a continuing need to avoid B&B costs and funding in relation to transport infrastructure being unforthcoming.
- A Business Continuity event would be held in the near future to deliberately test some key systems to ascertain whether any weaknesses existed and what lessons could be learnt in the event of a complete outage. Any concerns would be fed back to this Committee.

RESOLVED that the Statement of Accounts and Annual Governance Statement for 2021/2022 be approved and the Letter of Representation be signed by the Chairman of the Audit Committee.

(Proposed by the Chairman)

Note: * Report previously circulated.

40. **GRANT THORNTON AUDIT FINDINGS FOR 2021/2022 (00:23:00)**

The Committee had before it, and **NOTED**, a report * from Grant Thornton providing their findings having audited the Councils Statement of Accounts for 2021/2022.

Discussion in relation to this report had taken place under the previous item.

Note: * Report previously circulated.

41. **GRANT THORNTON PROGRESS UPDATE FOR 2022/2023 (00:54:00)**

The Committee had before it, and **NOTED**, a report * from Grant Thornton providing a progress update on work undertaken in the year to date regarding the 2022/2023 audit.

The following was highlighted within the report:

- This would be Peter Barber's last Audit Committee, he would be handing over to Julie Masci for future meetings. The Committee wished him well.
- Grant Thornton had commenced their audit of the 2022/2023 accounts in July and the audit and substantive testing was going well. They were focussing exclusively on a single entity audit.
- There was some way to go yet before reaching an 'opinion'.
- As at 31/3/23 the future of 3 Rivers was confirmed as being very different to that 12 months previously.
- Only one IT query was outstanding, however, there had been some resource issues within that team.

Note: * Report previously circulated.

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

The Committee had before it, and **NOTED**, the items identified in the work programme for the next meeting. It was also requested that the following come to a future meeting of the Committee:

- An update on the Travel and Subsistence Policy in March 2024.
- Fully costed reports in relation to Bin-It 123 and Net Zero to the January 2024 meeting to provide information as what these initiatives were costing the residents of Mid Devon. It was explained that the Environment PDG received regular monitoring reports in relation to costs but the Audit Committee had a role to play in checking and challenging this information.
- An update in relation to appointing an 'Independent Member' to the Audit Committee to be provided to the next meeting.

- If appropriate, an introduction to Bishop Fleming (the Council's future auditors) at the next meeting.

(The meeting ended at 6.17 pm)

CHAIRMAN

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Report for: Audit Committee

Date of Meeting:	05 December 2023
Subject:	Corporate Risk Report
Cabinet Member:	Cllr Luke Taylor, Leader of the Council
Responsible Officer:	Steve Carr, Corporate Performance and Improvement Manager. Matthew Page, Corporate Manager for People, Performance & Waste.
Exempt:	N/A
Wards Affected:	All
Enclosures:	Appendix 1: Corporate Risk Matrix Appendix 2: Corporate Risk Register

Section 1 – Summary and Recommendation(s)

To provide Members with a quarterly update on the Corporate Risk Register.

Recommendation(s):

That Members review the Corporate Risk Register and feedback any areas of concern.

Section 2 – Report

1.0 Introduction

- 1.1 The Corporate Risk Register contains the strategic risks which are most likely to impact the corporate priorities of Mid Devon District Council. It is reviewed at least quarterly by Corporate Managers and the Leadership Team and updated as required. It is then presented to the Audit committee and to Cabinet. Risks are managed on the council’s corporate performance and risk management system, SPAR.
- 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 16 Risks on the Corporate Risk Register (CRR).

Risk Name		Risk Owner	Risk Rating
CR1	Culm Garden Village	Adrian Welsh	20
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 (superseded by delivery of closedown plan)	Paul Deal	25
CR9a	Reputational Impact of 3 Rivers	Stephen Walford	10
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	12
CR14	Workforce Shortage	Matthew Page	6
CR15	Corporate Property Fire Safety	Stephen Walford	9
CR16	Building Control Service viability	Andrew Howard	9

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 August 2023, the following significant changes have been made to the corporate risks being managed:

- Given the significant decisions taken by Council, CR9 associated with 3 Rivers has been reworked. Please note the addition of CR9a: Reputational Impact of 3 Rivers.

- CR15 Corporate Property Fire Safety was added to the CRR in November 2023.
- CR16 Building Control Service viability was added to the CRR in November 2023.
- The risk rating of CR1 Culm Garden Village has increased from 16 to 20 (The risk likelihood has increased from 4 to 5).

2.4 It can be noted that the number of risks on the CRR is increasing. Some of these risks have high risk ratings and the council's ability to respond to and mitigate these risks is constrained by our available resources. Like other local authorities, the council will be unlikely to fully mitigate some risks without external intervention.

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. A number of the Corporate Risks being managed contain financial risk, such as CR7 Financial Sustainability.

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. A number of corporate risks which relate to equalities are detailed on the Corporate Risk Register. This includes CR4 Homes for Ukraine; CR11 Cost of Living Crisis; and CR12 Housing Crisis. Actions to mitigate these risks will support the council meet its equality duties.

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: 21 November 2023

Statutory Officer: Maria De Leiburne

Agreed on behalf of the Monitoring Officer

Date: 21 November 2023

Chief Officer: Stephen Walford

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

Date: 21 November 2023

Performance and risk: Steve Carr

Agreed by the Corporate Performance & Improvement Manager

Date: 16 November 2023

Cabinet member notified: Yes

Section 4 - Contact Details and Background Papers


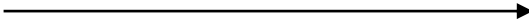
Contact: Steve Carr, Corporate Performance and Improvement Manager

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	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
	1	2	3	4	5	
	Risk Likelihood 					

Appendix 2: Corporate Risk Register

CR1	Culm Garden Village	Current Severity	Current Likelihood	Current Risk Rating
		4	5	20
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	Satisfactory	23/10/2023
CR1.2	Further bids for capacity funding: To continue to secure external funding to support the project	Tristan Peat	Satisfactory	23/10/2023
Notes: This risk relates to the funding sources in place for the Culm Garden Village, rather than the delivery of the project. The risk likelihood has been increased from 4 to 5. Despite a number of requests, no update on funding has been provided.				
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
CR2.4	Multi Factor Authentication on VPN: Reduce risk of unauthenticated/ unauthorised access to network - testing being planned	Lisa Lewis	24/10/2023	Action Required (see notes)
CR2.5	Regular Vulnerability scans on network devices: ICT use 'Nessus' vulnerability scanner to access and detect vulnerabilities on all network devices. Mitigation is then completed to remove or reduce the risk due to the vulnerability.	Brian Trebilcock	24/10/2023	Satisfactory

Notes:

Local Government Association (LGA) Technical Incident exercise was completed, and the report was fairly positive. LGA/EPC Organisational Incident response exercise is scheduled for 29 November 2023, it will include senior staff, ICT, and officers from Revenues and Benefits. The risk rating of CR2 and CR5 will be reviewed following this.

Review of mandatory Cyber Awareness training ongoing, on last check 82% annual completion rate. Ideally this would be at 90%. There is some investigations for other training related to Cyber security, costs and recommendations will be taken to the IT and Information Governance Board meeting in the future for approval and budget planning.

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 has been convened and has had its first meeting. Improvements to the ICT backup and disaster recovery provision have been approved and are in the process of being setup and configured. This will provide MDDC with a Virtual 'Cloud' based recovery centre to re-establish all of the in-house servers. Recovery will go from days to hours.

Multi-Factor Authentication for access to the Virtual Private Network (VPN) has been tested, both using Hardware tokens and Microsoft Authenticator, there is a considerable cost to using hardware tokens and there is some concerns from Officers about that the use of MS Authenticator on personal devices for work use.

Devon Audit Partnership have started the annual ICT audit – results expected towards the end of Jan 2024.

Ongoing review and mitigation from vulnerability scans, however with reduced staffing this takes longer and increases the risk.

CR2.5 Added in October 2023.

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	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); • Local Plan 2013-2033 review; Plan Mid Devon sets the Climate Emergency as the top overarching priority for the next Local Plan. 	Jason Ball	Satisfactory	18/10/2023
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	18/10/2023

Notes:

Corporate activity: Good progress has been made in many aspects such as electricity usage, however the overall carbon footprint has increased since 2018/2019. This is in part due to the additional capital investment undertaken including the Salix decarbonisation works at Crediton and Tiverton leisure centres, plus other building and retrofit projects. This investment will make a difference in the future (reduction of annual footprint from energy use). Plans are being developed for the next major projects which will also contribute to carbon reduction in the future. The Corporate Management Team agreed draft guidance on climate and sustainability statements (e.g. projects and committee reports).

Community activity: relevant Council activities in partnership with and in support of communities include engagement projects, efforts to boost green transport, planning policies and Local Plan review (climate change being the over-arching priority), development masterplanning, public health initiatives (e.g. private sector housing) and emergency / resilience planning.

CR4	Homes for Ukraine Scheme	Current Severity	Current Likelihood	Current Risk Rating
		3	3	9
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.				
Risk Owner: Simon Newcombe		Risk Type: Social		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date

CR4.1	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).	Simon Newcombe	Satisfactory	25/10/2023
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	25/10/2023

Notes:

Team Devon collaboration remains effective and implementation of private rental sector (PRS) transition support together with acquisition of accommodation under Local Authority Housing Fund (LAHF) funding is managing risk. Ongoing budget review around remaining funding with high likelihood of being able to extend VSCE support contracts (e.g. CHAT) across scheme end in March 2024.

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
CR5.1	Completion of ROPA/RACI: Audit of our Records of Processing Activities (ROPA) and data ownership comprised of identified Responsible, Accountable, Consulted, Informed (RACI model) being compiled.	Lisa Lewis	Action Required	25/10/2023
Notes: ROPA / RACI coming on at a steady pace. With the implementation of the redacted versions on SharePoint, risks and ownership will be managed with select champions. This will help drive data minimisation and accountability, complying with the ICO principles.				

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	27/10/2023
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	27/10/2023
CR7.3	Reserves: Cabinet have taken the decision to recommend a minimum general reserve balance of £2m.	Paul Deal	Fully Effective	27/10/2023
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	Fully Effective	27/10/2023
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	Satisfactory	27/10/2023
Notes: Work continues to identify the in-year savings required to offset the draw from reserves with good progress being made. Medium Term Financial Plan discussions also are in progress with a strategy being developed that will deliver a balanced budget for 2024/25 and mitigate longer term shortfalls. The council's financial position is closely linked to its ability to provide high performing services.				

CR8	Quality of Planning Committee Decisions	Current Severity	Current Likelihood	Current Risk Rating
		4	4	16
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.				
Risk Owner: Angharad Williams			Risk Type: Reputation	

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	Satisfactory	25/10/2023
CR8.2	Planning Advisory Service Training being undertaken: To minimise risk associated with Government targets and decision making	Angharad Williams	Satisfactory	25/10/2023
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	25/10/2023
Notes: Committee continues to make sound decisions and follow recommendations. At the next review it is hoped to reduce the risk rating to reflect the continued positive progress that committee have made.				

CR9	SPV – 3 Rivers – Failure of the Company (superseded by delivery of closedown plan)	Current Severity	Current Likelihood	Current Risk Rating
		5	5	25
Risk Description: Ability to deliver the close down plan to timetable/ budget and generate the estimated sales receipts. Finishing the Haddon Heights development per budget. Generating the estimated sales at both developments - set against a challenging housing market.				
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	Completed	18/10/2023
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	Completed	18/10/2023
CR9.3	Weekly meetings: Meetings are now held each week between the Shareholder Representative, the Corporate Manager for	Andrew Jarrett	Fully Effective	18/10/2023

	Finance, and the company to track progress against the closedown plan. An update on all material transactions will be provided to Cabinet at regular intervals.			
<p>Notes: Please note the addition of the text in parentheses as part of the risk name. The risk description has been amended from: “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.” <p>Actions CR9.1 and CR9.2 are marked as complete and have been replaced by the new action CR9.3.</p> <p>The company are actively marketing their current remaining development projects. St George’s Court is now substantially complete and negotiations are ongoing with the Council’s Housing Revenue Account. Haddon Heights is estimated to be completed in the next couple of months and the company currently has 3 good offers and interest in a number of the other units.</p> <p>Please note the addition of Risk CR9a.</p>				

CR9a	Risk Name: Reputational Impact of 3 Rivers	Current Severity	Current Likelihood	Current Risk Rating
		2	5	10
<p>Risk Description: A decision has now been made to soft close the company, so the remaining reputational risks are that public debate in future inadvertently damages the value of assets by hindering the remaining sales. Public debate has, at times, included unhelpful and inaccurate statements about the company and the consequential impact on the council, with these inaccurate statements being repeated in wider circles. This risk is likely to continue until such time as all remaining assets are sold and company activity is wound down.</p> <p>This risk is expressed as damage to the company (and hence the council as shareholder).</p>				
Risk Owner: Stephen Walford		Risk Type: Reputational		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date

CR9a.1	Committee and council chairs feeling empowered to appropriately challenge poor behaviour during public meetings.	Stephen Walford and Maria De Leburne	Satisfactory	October 2023
CR9a.2	Elected members being comfortable with steps being taken and managing debate amongst themselves in a respectful way.	Andrew Jarrett and Maria De Leburne	Satisfactory	October 2023
Notes: Unanimous decision on next steps provided the council with an opportunity to move away from the uncompromising and often tribal debate of the past, which many past members reported as hostile and toxic. There has been a welcome movement in the risk arising from public debate being represented in local sales markets via a range of media channels.				

CR10	Cullompton Town Centre Relief Road	Current Severity	Current Likelihood	Current Risk Rating
		5	5	25
Risk Description: Inability to deliver the Cullompton Town Centre Relief Road				
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	Satisfactory	23/10/2023
CR10.2	Ongoing Homes England Discussions: Officers discussing ongoing Housing Infrastructure Fund support and potential for other funding possibilities	Adrian Welsh	Satisfactory	23/10/2023
CR10.3	Ongoing discussions with land promoters: Ongoing discussions to maximise private funding potential.	Adrian Welsh	Satisfactory	23/10/2023
CR10.4	Land Assembly: As part of the next steps Officers also propose to continue land assembly discussions so as to seek opportunities to de-risk the project and assist in unlocking the scheme's delivery.	Adrian Welsh	Satisfactory	23/10/2023
CR10.5	Continue to develop and deliver complementary projects: Continued delivery of related schemes (such as the Railway Station and the Heritage Action Zone public realm scheme) help to demonstrate the case for investment in the town and that Cullompton is geared up for delivery.	Adrian Welsh	Satisfactory	23/10/2023

CR10.6	Government Lobbying: Working with local MPs, Devon County Council and senior Members to lobby for investment.	Adrian Welsh	Satisfactory	23/10/2023
Notes: Conversations ongoing with government agencies regarding funding options, particularly regarding recent government transport funding announcements. Work continues with Devon County Council to explore options to further de-risk the project.				

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	18/10/2023
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	18/10/2023
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	18/10/2023
Notes: The community are still struggling with increasing costs, and this is reflected in the Council Tax and Business Rates collection rates. The Housing Support fund is seeing many applications including repeats. Council Tax Reduction is high and MDDC has a 100% scheme which helps reduce the Council Tax that people need to pay. Support is available for vulnerable people and households when referred.				

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	25/10/2023
CR12.2	MDDC Homeless Prevention & Rough Sleeping Strategy 2020-2025: Focus on rough sleeping, prevention, accommodation options and client support	Simon Newcombe	Satisfactory	25/10/2023
CR12.3	Strategic lobbying on social housing funding, flexibilities and homelessness pressures: Continued membership of DLUHC LA Strategic Housing Advisory Group	Simon Newcombe	Fully Effective	25/10/2023
CR12.4	Devon Housing Forum: Regional engagement and collaboration on affordable housing delivery and supported housing – continued engagement	Simon Newcombe	Satisfactory	25/10/2023
CR12.5	Local Plan housing delivery: Market provision of affordable homes	Tristan Peat	Action Required	16/11/2023
CR12.6	Mid Devon HRA Development Programme: 500 new homes 2022/23 – 2026/27	Simon Newcombe	Satisfactory	25/10/2023
CR12.7	Temporary Accommodation: Opportunities to purchase HMO or similar shared market accommodation to meet TA	Simon Newcombe	Satisfactory	25/10/2023

	needs/successful business cases made into capital programme. Two HMOs recently purchased, available 2023/24			
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	25/10/2023
CR12.9	Long-term development voids: Effective use of long-term development voids in Mid Devon Housing stock as TA where safe	Simon Newcombe	Satisfactory	25/10/2023
CR12.10	Ivor Macey House: Ongoing provision of Ivor Macey House supported TA accommodation (MDH HRA lease to G/F)	Simon Newcombe	Satisfactory	25/10/2023
CR12.11	Housing Options team staff case load resourcing: Rolling review and successful vacancy approvals	Simon Newcombe	Satisfactory	25/10/2023
CR12.12	Homelessness Prevention Grant: Full utilisation of Homelessness Prevention Grant	Simon Newcombe	Satisfactory	25/10/2023
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	25/10/2023
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	Fully Effective	25/10/2023
CR12.15	Private Sector Homes for Ukraine: Team Devon Homes for Ukraine scheme Private Sector Housing transition support	Simon Newcombe	Satisfactory	25/10/2023
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	25/10/2023
CR12.17	Housing Assistance Policy (Better Care Funding): living well at home/homeless prevention and Home Start grants/loans	Simon Newcombe	Satisfactory	25/10/2023
<p>Notes: Draft Housing Options audit provides for good assurance on process but increasing pressures on caseload and temporary accommodation costs noted alongside increase pressure on provision of care leaver accommodation - these factors may result in risk likelihood increase to 4 to overall risk, however pending Housing Options team structure and budget review to inform first. Delivery against other mitigating actions is on-track and positive regards; HRA development programme, LAHF properties acquisition and PRS transition under Homes for Ukraine scheme, Q1-Q2 Housing Assistance Policy outputs and strategic engagement with Devon Housing Commission.</p>				

CR12.5 Local Plan housing delivery: Positive action is being taken including Cabinet approving the Meeting Housing Needs Supplementary Planning Document (November 2023). The council supports Community Land Trusts (and associated housing schemes) and continues to negotiate with developers etc.

CR12.14 was marked as complete in October 2023.

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	3	12
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 includes reviewing our Business Continuity Plan and whether we need to widen the flexible provision of the workforce.	Darren Beer	Satisfactory	26/10/2023
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	26/10/2023
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	Darren Beer	Satisfactory	26/10/2023

	MDDC services that use the fleet to ensure current contractual guidelines and compliance are adhered to.			
Notes: Levels of sickness including long term sickness is being managed with the sickness rate per FTE reducing and keeping staffing under close review. The risk remains going into the Winter period.				

CR14	Workforce Shortage	Current Severity	Current Likelihood	Current Risk Rating
		3	2	6
Risk Description: If the Council fails to manage sickness absence, recruit and/or retain sufficient suitable staff it may not be able to maintain essential and/or statutory services.				
Risk Owner: Matthew Page		Risk Type: Legal, Financial, Reputational		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR14.1	Sickness Absence: Review and monitor sickness absence data to identify trends and patterns behind sickness absence	James Hamblin	Satisfactory	19/10/2023
CR14.2	Monitor and Manage Staff Turnover: Review data from the exit interview process to identify trends and patterns behind why staff leave.	James Hamblin	Satisfactory	19/10/2023
CR14.3	Retention: Consideration of employee benefits at the Council.	James Hamblin	Satisfactory	19/10/2023
Notes: Pay award is now finalised. Sickness, turnover being discussed within services at the Quarterly Performance Meetings. Ongoing conversations with LT regarding benefits.				

CR15	Corporate Property Fire Safety	Current Severity	Current Likelihood	Current Risk Rating
		3	3	9
Risk Description: Upcoming changes in legislation will place more stringent demands on the council in terms of fire safety across its corporate property estate. Failure to meet these standards could lead to penalties being imposed by the Fire Service including fines, which would be an additional cost to any investment required to complete repairs. The corporate property estate requires investment to ensure that significant fire safety risks, identified through external fire safety health checks, are mitigated. Budget is in place for 2023/24 but this process will take some time to complete.				

There are a number of sites which require fire safety checks. It is likely that these will identify fire safety risks that will require remediation. These will be addressed on a priority basis.				
As with any risk associated with fire, there is a potential for damage or loss to property and/or life.				
Risk Owner: Stephen Walford			Risk Type: Physical, Reputational, Financial	
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR15.1	Fire Safety Investment (2023/24): Funding has been allocated to implemented fire safety improvements.	Keith Ashton	Satisfactory	October 2023
Notes: Added to the Corporate Risk Register in November 2023.				

CR16	Building Control Service viability	Current Severity	Current Likelihood	Current Risk Rating
		3	3	9
Risk Description: The NMD Building Control Partnership has been struggling with maintaining staffing levels for the past two years owing to a national shortage of skilled Building Control officers and skilled support staff. The service has continued to meet obligations by utilising agency staff. But changes presented through the Building Safety Act 2023 and the creation of the Building Safety Regulator are likely to result in further pressures in terms of attracting and retaining skilled permanent staff and in terms of service viability owing to additional duties placed upon the service in an increasingly challenging economic climate.				
Risk Owner: Andrew Howard, Building Control Manager			Risk Type: Reputational	
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR16.1	Staff skills: Ensure existing staff are adequately trained and qualified in order to meet the new requirements of the Building Safety Regulator so that NMD can effectively discharge its legal duties	Andrew Howard	Satisfactory	October 2023
CR16.2	Recruitment and retention: Address staffing and skills shortage and reliance on agency surveyors by continuing to seek to recruit new staff to the service, building on recent successes.	Andrew Howard	Action required	October 2023

CR16.3	Fee Income: Ensure the service remains competitive and robust in terms of its fee charging, balancing the need for market share with effective cost recovery	Andrew Howard	Satisfactory	October 2023
CR16.4	Prepare for new reporting obligations: Continue to preparation for the introduction of the new reporting obligations for the BSR, due to commence in April 2024 – including ensuring appropriate systems are in place.	Andrew Howard	Action required	October 2023
Notes: Added to the Corporate Risk Register in November 2023.				

Internal Audit Progress Report 2023-24

Mid Devon District Council Audit Committee

Page 31

5 December 2023

Tony Rose
Head of Audit Partnership

Paul Middlemass
Audit Manager

CUSTOMER
SERVICE
EXCELLENCE



Auditing for achievement

Agenda Item 7.

Introduction

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

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

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion for use by the organisation to inform its governance statement. This report provides our proposed opinion for 2023-24 based on work undertaken to date in the Opinion Statement.

The Internal Audit plan for 2023-24 was presented and approved by the Audit Committee in March 2023. The following report and appendices set out the background to audit service provision; summaries of audit work undertaken during the year and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

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

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

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2- Overdue Recommendations

Opinion Statement

Based on work performed during 2023/24 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

This opinion statement supports Members in their consideration for signing the Annual Governance Statement.

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews. An opinion on the adequacy of controls is provided to management within the audit report.

All audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified.

Implementation of action plans is the responsibility of management and may be reviewed during subsequent audits or specific follow-ups.

Directors and Senior Management are given details of Internal Audit's opinion to assist them with compilation of their year-end Annual Governance assurance statements.

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

Summary of Audit Results

In this report, we provide summaries of five audit reports, all rated as Reasonable Assurance.

The first relates to Housing Options and how the council manages Homelessness. Members are aware of the growing number of Homeless presentations that councils are experiencing. Officers will put priority in highlighting how the council is managing this issue including reducing the financial risk.

We noted that the Trade Waste area was working well, with net income slightly higher than last year.

We also reviewed management of council debt by the Corporate Debt Recovery Team. We consider formation of the team has been beneficial in bringing a systematic approach to debt for all service areas.

We confirmed Member Allowances were being paid appropriately, and in line with Local Authority Regulations.

Finally, we reviewed arrangements to engage and consult with the public and noted the range of activities undertaken. The council has recently issued an Engagement Hub to facilitate better management of engagement exercises. It is also starting its annual public survey to seek views and opinions.

Summaries of reports are contained in **Appendix 1**. Copies of the reports have also already been distributed to members.

Fraud Prevention and Detection

We continue to work with council officers on measures to identify and prevent fraud. We have started our annual fraud assessment, which provides assurance on whether the council has effective measures to address fraud.

The review undertaken by Liberata on Single Person Discounts of Council Tax has completed. This review was paid by the County Council. It has led to an annual increase of approx. £150k in additional council tax income. The council was the first district council to progress this review.

Audit Coverage and Performance Against Plan

Our work on the audit plan has started and we are ramping up our work to ensure it is delivered. We do not currently anticipate any problem in substantially delivering this year's plan, to inform our Annual Assurance Opinion. We have recently started work on our follow up audit report on Cyber Security, and other reports are close to completion.

We have agreed to defer our audit follow up work on Repairs and Maintenance (we provided a Limited Assurance Report in January 2023), and on Asset Management, until the interim management arrangements are introduced, and the new Property Services System has been procured and is operating. We will include these audits in the 2024/25 audit plan.

The Committee will know the Internal Audit Plan is intended to cover the period April 2023 to March 2024. We know from experience that our work does not start on the 1 April or finish on the 31 March. Delivery of our work plans leans towards commencing in April with the bulk of the work delivered within each financial year, concluding with our reports being finalised up to and including the following April and May. This timeframe ensures the Annual Head of Internal Audit Assurance Opinion is based on the fullest possible breadth of work in line with each Internal Audit Plan.

Audit Recommendations

Appendix 3 - There are currently 2 High and 22 Medium management actions overdue (See **Appendix 3**). This compares to the 20 High and Medium recommendations reported at the last Audit Committee.

The agreed 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.

Customer Satisfaction – We ask for feedback on every audit we undertake. We have received the following CSQ scores in the last year:

Audit	Satisfaction Score
Lord Meadows Leisure Centre	Very Satisfied
Development Management	Very Satisfied
Service Charges	Very Satisfied
Cyber Security	Very Satisfied
Risk Management	Very Satisfied
Housing Benefits	Very Satisfied / Satisfied
Void Management	Very Satisfied
Performance Management	Very Satisfied

Value Added

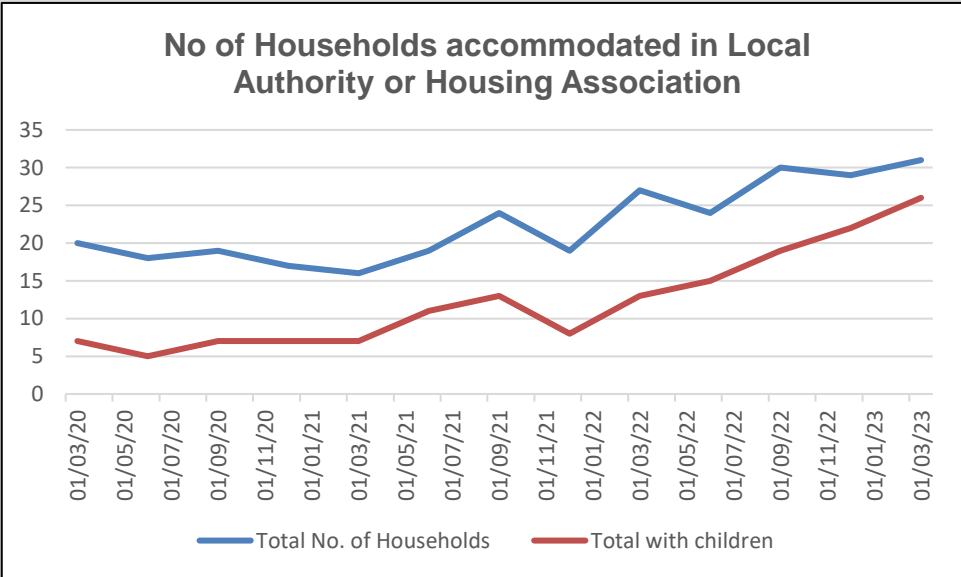
It is important that the internal audit service seeks to "add value" whenever it can. Internal audit activity has added value to the organisation and its stakeholders by:

- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- Undertaking similar audits across different councils to identify and share good practice.
- Confirming that core controls continue to be effective despite changing work conditions and current pressure of work.

Recruitment of Independent Audit Committee members

An advert for co-opted members has been placed in [Devon Jobs](#), and will be placed on other relevant websites. We anticipate having a pool of interested individuals for interview by mid-January 2024.

Appendix 1 – Summary of audit reports and findings

Audit and Assurance Opinion	Summary, Risk Exposure and Management Actions																																																												
<p data-bbox="212 352 566 400">Housing Options</p> <p data-bbox="212 552 416 627">Reasonable Assurance</p>	<p data-bbox="589 352 1977 459">The legal requirement to accommodate homeless people is being discharged, supported by a knowledgeable Housing Options team. However, the council has experienced growing numbers of Homeless presentations in the last three years, as shown below:</p> <div data-bbox="851 475 1809 1054">  <table border="1"> <caption>No of Households accommodated in Local Authority or Housing Association</caption> <thead> <tr> <th>Date</th> <th>Total No. of Households</th> <th>Total with children</th> </tr> </thead> <tbody> <tr><td>01/03/20</td><td>20</td><td>7</td></tr> <tr><td>01/05/20</td><td>18</td><td>5</td></tr> <tr><td>01/07/20</td><td>19</td><td>7</td></tr> <tr><td>01/09/20</td><td>18</td><td>7</td></tr> <tr><td>01/11/20</td><td>17</td><td>7</td></tr> <tr><td>01/01/21</td><td>16</td><td>7</td></tr> <tr><td>01/03/21</td><td>18</td><td>10</td></tr> <tr><td>01/05/21</td><td>24</td><td>13</td></tr> <tr><td>01/07/21</td><td>19</td><td>8</td></tr> <tr><td>01/09/21</td><td>27</td><td>13</td></tr> <tr><td>01/11/21</td><td>24</td><td>14</td></tr> <tr><td>01/01/22</td><td>27</td><td>15</td></tr> <tr><td>01/03/22</td><td>24</td><td>18</td></tr> <tr><td>01/05/22</td><td>27</td><td>20</td></tr> <tr><td>01/07/22</td><td>30</td><td>22</td></tr> <tr><td>01/09/22</td><td>29</td><td>24</td></tr> <tr><td>01/11/22</td><td>31</td><td>26</td></tr> <tr><td>01/01/23</td><td>31</td><td>27</td></tr> <tr><td>01/03/23</td><td>32</td><td>28</td></tr> </tbody> </table> </div> <p data-bbox="589 1114 2072 1220">It has managed to cope with this through increased use of its own housing stock and has also purchased some multiple occupancy houses. There has also been an increasing amount of Bed and Breakfast accommodation procured.</p> <p data-bbox="589 1241 2072 1418">Given this increasing problem, more formal briefing should be provided to members. No recent formal review of the Homelessness or Housing Strategy has been undertaken, and the impact of this increasing burden should be highlighted to Homes PDG. While the legal requirement to accommodate homeless people is being discharged, more consideration of the costs and resources required to enable this increasing demand is needed to ensure resources are effectively allocated. DAP was unable to obtain</p>	Date	Total No. of Households	Total with children	01/03/20	20	7	01/05/20	18	5	01/07/20	19	7	01/09/20	18	7	01/11/20	17	7	01/01/21	16	7	01/03/21	18	10	01/05/21	24	13	01/07/21	19	8	01/09/21	27	13	01/11/21	24	14	01/01/22	27	15	01/03/22	24	18	01/05/22	27	20	01/07/22	30	22	01/09/22	29	24	01/11/22	31	26	01/01/23	31	27	01/03/23	32	28
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details of the costs associated with placing persons within third party accommodation; although certain costs may be recovered via Housing Benefit any shortfall will be met by Mid Devon. .

We agreed four Medium and one Low priority recommendation. These include increasing the focused information being provided to members to increase awareness and quantifying the costs of different accommodations to inform decision making.

Trade Waste

Reasonable Assurance

The Trade Waste and Recycling service is operating well, providing a good level of service and appears to be considered good value for money by its customers. The Trade Waste Officer has only been in post since June but has developed a monitoring system for Waste Transfer Notes that addresses previous audit recommendations. Financial monitoring has been covered by senior management during this initial phase; regular meetings between the Accountant and Trade Waste Officer will be held from October.

Financial management is effective, with income levels forecast to improve again this year with new customers being acquired and the removal of the annual price cap incorporated into this year's WTNs. Invoicing is still being done in April and October for most customers with ad-hoc events produced at the time of ordering. Debtors are managed well and where invoices remain unpaid, the collection service is withdrawn which appears to be effective. There is one historic invoice more than a year old for £1k which we consider a doubtful debt as the business has closed and legal debt recovery action is underway. Of the 45 outstanding debtors at our inspection, 11 invoices were over 90 days old and four had a balance owing less than £100. The debtor book totalled just £6.6k which is a low amount.

Expenditure is tracked in detail and variances to budget are investigated. Anecdotally, actions were taken earlier this year when some fleet costs were found to be going to the wrong service which was picked up by tracking formulae and corrected. Overall, the level of income at the end of year is likely to be affected by several factors including the annual pay negotiations currently in progress, the ongoing uncertainty over the price of fuel and higher waste disposal costs from the Exeter processing site. The income (surplus over cost) for the service in the current year is forecast to be £135k (see table below).



Retention of staff, particularly drivers has been well documented across local authorities, and retention payments have negatively impacted net income in the current year. The improved standard of driving with regular staff on known routes has resulted in few incidents or accidents resulting in budgeted costs year to date being lower than anticipated.

There are several competitors for business in Trade Waste, including Biffa, Viridor, Coastal Waste and Devon Contract Waste. We are told they find it difficult to provide a reliable, competitive service in this rural area, MDDC has more than 50% of the market share. New customers have been acquired this year, resulting in the rounds increasing in size and the need to optimise them.

We agreed three Opportunities. An important one is to formally seek the views of customers.

Debt Management

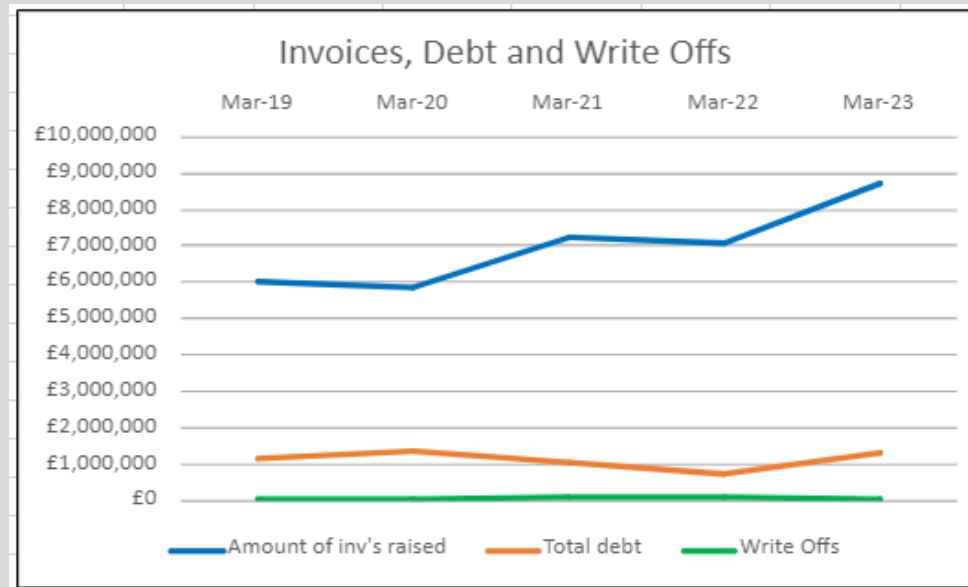
Reasonable Assurance

The Central Recovery team provides a good service in reviewing, monitoring and actioning debt recovery. Debt is monitored and prompt action taken to support effective debt recovery. There is good liaison with managers when required, to escalate recovery processes. Centralisation of debt management into the recovery team has improved council awareness and visibility of overall debt and provides confidence that effective action is being consistently taken. While we were not able to compare recovery figures before and after the formation of the team, there is good reason to believe debt collection rates have improved.

Statistics and debt management performance are regularly monitored with monthly reports of outstanding debt provided to managers. There is a monthly process to monitor the level of outstanding debt and

whether the debt is collectable or uncollectable (i.e., in dispute). Monthly reports with useful information are provided to the Deputy Chief Executive (S151) and the Portfolio holder.

Recovery rates extracted from Spar.net show good recovery rates and reflect the effectiveness of the team. Recovery for 2022/23 was 98.55%; as of August 2023, the collection rate for 2023/24 is 99.58%. The level of debt held by the Council at end of September 2023 is £905,956.79.



The chart shows the amount of debt held (Sundry debts, Leisure, Care Services and Trade Waste) has been relatively stable over the period, currently standing at £900k. This compares to the value of invoices raised which has significantly increased from £6m to £9m. The amount of write offs raised has continued at a low annual figure under £100k.

The Corporate Recovery Policy clearly sets out the purpose, aims and principles and scope for recovery of debt alongside other aspects of debt recovery. We could not confirm it has been recently reviewed as there is no version control sheet.

Our review identified instances where recovery of the debt was facing problems due to business inaction. An action plan for cases where debt recovery is being delayed should be implemented.

The team was formed to take responsibility for all debts. We identified a service area who use the Corporate Recovery team to send the automated first reminder but continue to undertake their own debt

recovery. It would be beneficial to have clarity on the expectation for services to utilise the Corporate Recovery team.

Debt collecting agencies are used to support debt recovery. Corporate Recovery monitors the debts referred to each agency every three-weeks to ensure information is accurate and confirm that the debt collectors' recovery action is being effective. If recovery is not effective i.e., recovery has been exhausted or debtor can't be found, then the debt is brought back for escalation or write off action.

Write offs are carried out periodically. All the writes off reviewed were signed off in accordance with the Financial Regulations.

We agreed one Medium and two Low priority management actions.

Member Allowances

Reasonable Assurance

The Mid Devon Members' Allowances Scheme complies with the Local Authorities (Members' Allowances) Regulations 2003. These regulations require the local authority to have regard to the recommendations of an Independent Remuneration Panel (IRP). This panel undertakes a review of 'Members' Allowances' at Mid Devon, making comparison with similar authorities elsewhere, then reporting back its recommendations upon levels of payment regarding the agreeing of the Basic Allowance, Special Responsibility Allowances, along with other allowances payable to councillors. The IRP report is presented to Full Council where a decision is made to approve the recommendations within the report or make amendments to them and then approve the amendments.

All councillors are entitled to a Basic Allowance and several positions also carry a Special Responsibility Allowance (SRA). The value of the SRA payable differs depending on the position held. The monthly payments (1/12) made to councillors was in accordance with the Basic Allowance and Special Responsibility Allowance payments agreed. However, the initial part month pro rata payment of SRA (from date of appointment to month end) had not been paid to relevant councillors. The Payroll manager is making system changes to allow this payment to be made in December 2023. In addition, no SRA payment appears to have been made to the Chair of Homes PDG from the spreadsheet provided. We confirmed that these payments are being made.

The Member Services Team have produced a 2023 Members Induction Booklet in addition to a Members Induction Programme to assist new councillors in understanding and undertaking their roles and responsibilities.

The Council website shows via ‘Yearly allowances paid’ link upon the Members allowances webpage the following payment levels:

Financial Year	Basic Allowance	Special Responsibility Allowance	Travel / Subsistence / Other Allowances	Total
2022/23	£230,903.45	£100,981.49	£5,922.98	£337,807.92
2021/22	£222,431.05	£98,324.48	£8,253.62	£329,009.15
2020/21	£206,091.27	£99,557.40	£6,528.75	£312,177.42
2019/20	£213,032.48	£88,662.94	£22,396.18	£324,091.60

Review of allowances indicates the cost of travel and subsistence has significantly reduced at the start of the C-19 pandemic and has not reverted to those previous levels.

We did not make any Management Actions.

Community Engagement and Consultation

The council has put additional emphasis in improving communication and engagement for several years. There is a central communications team of three officers, and services also use resources to communicate and engage. The council issues a wide range of social media posts, and e-mail news items and other information.

Reasonable Assurance

The council agreed a Communications and Engagement Strategy in August 2023. The Strategy provides some detail on how the council currently communicates and engages with the public, but we think it could include more of an assessment of the effectiveness of current arrangements, and the improvement activity needed in the next two years. Members are currently reviewing corporate priorities which will enable review of the Strategy.

A resident’s survey has been issued for several years. The last was undertaken in November / December 2022, and had 1,015 responses. Responses were positive in respect to the question “*The council keeps you informed*”, where 62% of people said that they were “*Very*” or “*Fairly Well informed*”; this compared to the Local Government Association (LGA) average score of 57% and the previous 2021 score of 45%. That said there were also some areas of concern, such as the question “*Does the council act on the concerns of residents*” only 39% thought that the council “*acts on the concerns of residents*” compared to an LGA

score of 52%, and a 2021 score of 38%. For the next survey, there is an opportunity for the council to address the scores and comments more systematically, and to link this effort to the Communications and Engagement Strategy.

The council's website contains much information and guidance, but parts have not been updated for some time. There is an intention to review and move to a new website engine, but current focus is on roll out of the new Customer Relationship Management system, and resources are limited. Update of the website may not therefore occur for more than two years.

The council has recently rolled out an Engagement Hub (Let's Talk) which is being trialled to ascertain if it increases the amount and effectiveness of engagement activity. Priority will need to be given to promote this tool and ensure it is well supported by service areas, who may consider it a duplication of current website activity. Other councils have found it an effective tool for management of consultation exercises.

We reviewed arrangements in Mid Devon Housing to meet their obligations to engage and consult effectively with tenants. The team undertakes a wide range of activities including an annual report, newsletters, and Walkabouts of officers and members of all neighbourhoods to meet residents. It also includes an annual survey, which must now be submitted to the Regulator of Social Housing in April 2024. Given the increased focus on ensuring social housing is managed responsibly, the team is aware it will need to continue to prioritise improvements in this area.

Service areas issue a range of different consultations; some of these are required by statute such as the Planning department. We reviewed previous consultations listed in the central Consultations area and noted that the responses provided and the impact on policies or services were not often included following the consultation. This meant that the public could not see how their comments were being reflected in the proposed policy or process changes.

Recent audits on social media (Feb 22), and Comments and Complaints (Jan 23) provided a Reasonable Assurance, confirming that social media was well controlled, and that comments and complaints were being tracked and managed through to resolution.

We agreed four Medium and two Low priority recommendations.

Appendix 2 – Clearance of audit recommendations

The table below shows all recommendations by audit subject. There are 2 High and 22 Medium Actions overdue.

Audit references	H Not Due	H Overdue	M Not Due	M Overdue	L Not Due	L Overdue	Total Due and Overdue
Business Continuity	0	0	0	3	0	0	3
Capital Asset Management	0	0	4	0	3	0	7
Care Services	0	0	1	0	0	0	1
Cemeteries and Bereavement Services	0	0	1	0	2	0	3
Corporate Health and Safety	0	0	2	2	4	0	8
Corporate Repairs and Maintenance	0	0	7	0	1	0	8
Council Tax and NNDR	0	0	2	0	0	0	2
Creditors	0	0	3	0	0	0	3
Culm Valley Leisure	0	0	4	5	2	2	13
Customer Care & Complaints	0	0	1	0	0	0	1
Cyber Security	1	1	4	2	5	3	17
Emergency Planning	0	0	0	4	0	0	4
Environmental Health	0	0	0	0	1	0	1
Equality and Diversity	0	0	2	1	0	0	3
Homelessness - Housing Options	0	0	4	0	1	0	5
Housing Health & Safety	0	0	1	0	0	0	1
Housing rents	0	0	2	0	0	0	2
Information Governance	0	0	11	0	0	0	12
IR35	0	0	0	1	0	0	1
Leisure Centre	0	1	1	1	0	1	4
Main Accounting System	0	0	1	0	1	0	2
Payroll	0	0	0	2	0	0	2
Performance Management	0	0	5	0	1	0	6
Procurement	0	0	1	1	2	0	4
Recruitment, Selection & Succession Planning	0	0	1	0	0	1	2
Risk Management	0	0	1	0	0	0	1

Service charges	0	0	0	0	1	0	1
Travel and Subsistence	0	0	3	0	3	0	6
Total	1	2	62	22	27	7	123

The table below provides more detail on the overdue High and Medium Recommendations.

Audit references	Priority	Title	Objective	Target Date	Managers comment
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.	30/11/2022	Phase one, Technical Incident Review, was successful and results were positive. Planning meeting for BC exercise scheduled for 11 Oct. Currently scheduled for BC Exercise 29 Nov.
Leisure Centre	H	Ordering system	The MDDC procurement system (ordering system) should be reviewed to identify changes to make stock control fit for purpose.	30/06/2023	
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	VAF approval for Resilience Officer post granted May 2023. Recruitment is complete and appointment confirmed July 2023 with start date of 18 Sept. 2023. New targets for relevant recommendations will be agreed once post holder in post and induction is complete.

	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 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 complete and appointment confirmed July 2023 with start date of 18 Sept. 2023. New targets for relevant recommendations will be agreed once post holder in post and induction is complete.
	M	Update of the Business Continuity Plan	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.	30/09/2022	VAF approval for Resilience Officer post granted May 2023. Recruitment is complete and appointment confirmed July 2023 with start date of 18 Sept. 2023. New targets for relevant recommendations will be agreed once post holder in post and induction is complete.
Corporate Health and Safety	M	Fire Evacuation Procedures	Currently all staff are trained in fire safety – via an online training delivered through RoSPA. A review of procedures with respect to zone cards is still required and will be completed once the responsible person for fire is appointed.	11/10/2023	Discussions are ongoing with the newly appointed responsible person. A 'test' of a proposed procedure is being undertaken at Carlu Close to understand if it can be rolled out to the wider council

	M	Completion of DSE training	An online DSE form has been introduced for new starters. This system has an IT prompt to remind staff to complete the form which is followed up by the H&S officer. As part of the move to Hybrid working exciting staff were asked to complete the DSE form, those forms are subject of a review. Areas of concern e.g., discomfort are raised with the respective manager.	30/09/2023	An extension to the end of December 2023 is requested to capture all Hybrid employees
Culm Valley Leisure	M	Closing during normal opening hours	Action: Agreed, however recruitment challenges have been well communicated through the organisation and priority of the greater H&S risks, (pools) and greater income generating facilities will always be prioritised should a staffing shortage occur.	30/09/2023	
	M	Mandatory e-learning training	Action: Continue as current, chasing up staff who have not completed or have modules due.	30/09/2023	
	M	Emergency plan review frequency	An annual review of the Plan should be considered.	31/05/2023	
	M	Daily income sheets - sign off	Standard procedures, such as the countersigning of daily income sheets, should be undertaken.	30/04/2023	
	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	
Cyber Security	M	Consider reviewing the BCP	Currently engaged with LGA to inform DR/BCP playbook and documentation	31/10/2023	This will be addressed following the imminent Incident Response Exercise
	M	Government playbooks to assess for appropriability for MDDC.	Will be addressed as part of overall DR/Ransomware playbook documentation.	31/10/2023	This will be addressed following the imminent Incident Response Exercise.
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	31/12/2022	VAF approval for Resilience Officer post granted May 2023. Recruitment is complete and appointment confirmed July 2023 with start date of 18 Sept. 2023. New targets for relevant recommendations will be agreed once

			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		post holder in post and induction is complete.
	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 complete and appointment confirmed July 2023 with start date of 18 Sept. 2023. New targets for relevant recommendations will be agreed once post holder in post and induction is complete.
	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 complete and appointment confirmed July 2023 with start date of 18 Sept. 2023. New targets for relevant recommendations will be agreed once post holder in post and induction is complete.
	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 complete and appointment confirmed July 2023 with start date of 18 Sept. 2023. New targets for relevant recommendations will be agreed once post holder in post and induction is complete.
Equality and Diversity	M	Workforce planning	Obtain further information about the composition of the internal council workforce and compare it to the local population to inform workforce planning.	31/10/2023	Implementation of CRM within the HR team is delayed. Zellis (HR and Payroll System provider) are being met on 23/11/2023 to explore functionality to provide this. However, making this mandatory is not possible as it will be for the employee to share their information

IR35	M	Off Payroll Working training	Reminders will be issued to managers (escalation to service heads. Look to improve the narrative content of these reminders. Aim for 90% of managers to have completed their training by end July 23.	31/10/2023	Of 43 'live' users on the PS tax system, 11 are yet to complete the training. Therefore, the current completion rate is 74%. Reminders have been set to the 11 yet to complete it
Leisure Centre	M	Mission statement	A mission statement should be implemented at its next opportunity to enhance the development of the Centre to maximise income and reduce costs, whilst continuing to provide a broad-based leisure programme of activities	04/09/2023	
Payroll	M	Reconcile back to the 'back pay'	Await the response from the payroll supplier as to how the back pay is calculated.	31/07/2023	Used the information that Zellis gave us to correct the system, this didn't work and therefore awaiting further instruction
	M	BACS process/payments	The HR Operations Manager can now authorise and sign off the BACS payments. The request regarding the ability of the Payroll Coordinator to raise BACS payments is still outstanding and will be followed up with IT Services.	30/06/2023	Software available on the coordinators system however still waiting on a card to generate payment. Item with the Finance team.
Procurement	M	Contract detail within the contracts register	Ensure that the links to detail of the contract register are operational at the earliest opportunity.	31/07/2023	Work is continuing within Procurement and Digital Services on preparing the new contracts register for rollout. Testing identified some minor issues which have recently been resolved, with the contracts register now expected to go live in the next few weeks.

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The Interim Audit Findings for Mid Devon District Council

Year ended 31 March 2023



Contents



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

Name: Julie Masci
For Grant Thornton UK LLP
Date: 5 December 2023

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.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Mid Devon District Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

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

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

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

Our audit work to date has been completed on a hybrid basis between July and November 2023. Our findings are summarised on pages 6 to 22. At the time of writing this report, we have identified no significant adjustments to the financial statements which would result in an adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised one recommendation for management as a result of our audit work. This is set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

The draft group and Council financial statements were submitted for audit in June 2023. The Council consolidates one subsidiary company, 3 Rivers Development Limited, into its group financial statements. The draft group financial statements presented for audit were prepared and consolidated on the basis that the company would continue to trade.

On 6 September 2023, the Council reached a decision to 'soft close' 3 Rivers Development Limited. This means that the subsidiary company accounts can no longer be prepared on a going concern basis and that the valuation of assets and liabilities within the subsidiary would need to be reassessed, along with any consequential impact on the Council's own and group financial statements. We raised this issue with management and facilitated a meeting of representatives from the Council and 3 Rivers Development Limited on 26 September 2023 to understand the Council and company's plans for its revised accounts preparations. At this meeting it was apparent that no arrangements to reconsider the accounts had been made at that time and it was agreed that the subsidiary's accounts would need to be revisited, to allow the subsidiary's audit to be undertaken.

The Council has yet to agree with 3 Rivers Development's Limited a clear timeline for the company's closure or set out clear actions plans to manage its exit strategy, which could result in failure to produce the revised group and subsidiary accounts in a timely manner. With the government considering a 'backstop' for audits not completed as at 31 March 2024, this delay causes concern about how this might impact on our 2022/23 audit opinion.

This, coupled with some delays encountered in the receipt of outstanding working papers, has informed our decision to pause the audit.

At the time of writing this report all audit work on the Group consolidation and connected balance sheet items within the Council's own accounts remain outstanding. Other outstanding areas of work are set out on page 6 of this report. The completion of a number of these items rely upon the Council providing supporting working papers or evidence. We will revisit these items when all supporting information is available and the audit of the subsidiary company is completed.

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

Our work on the Council's value for money (VFM) arrangements is well progressed but not yet complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

We have not yet completed all of our VFM work and so are not able to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by January 2023.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of group governance and the link of this into the Council's own financial sustainability.

We have completed our document reviews and held meetings with key officers to address these risks. Our key findings have been shared with officers for discussion and agreement. Following the receipts of managements responses we will undertake any further work required and we will then draw our final conclusions ahead of issuing our Auditors Annual Report. We plan to finalise our VFM review in early December 2023.

Statutory duties

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

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

At the time of writing this report we have not exercised any of our additional statutory powers or duties.

As set out on page 3, we have paused the audit whilst the group accounts are clarified. We have completed the majority of the other work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion. Our VFM work is well progressed and the status of this work is set out later in this report.

Significant matters

We have experienced some delays in responses to our audit queries. In addition, the uncertainty around the group position and the time involved to agree a way forward following the decisions to soft close the subsidiary has impacted our progress on the audit. A number of balances in the Council's financial statements are linked to the group position. This has made undertaking efficient testing of debtors and expenditure in particular more difficult.

As set out earlier in this report, we have paused the audit whilst the group accounts are revisited, and potentially restated. There are other areas of the accounts that are set out on page 6 of this report, where we will aim to finalise our procedures on recommencement of our work.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)

The 2022/23 audit is currently paused and is unlikely to be restarted until into the new year at the earliest. The financial statements of the Council's subsidiary company are being revisited on the basis of the decision to soft close the company. The accounts submitted for consolidation into the draft financial statements were prepared on a going concern basis. These are now required to be prepared on a breakup basis. This could significantly impact on the numbers within the subsidiary company's financial statements, and subsequently the group accounts. Other areas of the Council's financial statements are also likely to be impacted as the impairment of loans is considered.

With the government considering a 'backstop' for audits not completed as at 31 March 2024, this delay causes concern about how this might impact on our 2022/23 audit opinion. On this basis we have paused all outstanding work until we have clarity on the revised financial statements.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. The Council has borrowing on its balance sheet totalling c£33m, a decrease of c£2m on the prior year. Whilst this is significant level of borrowing it is not deemed excessive, at this stage. As is set out in the VFM section of this report the Council have made loans to its subsidiary company totalling c£23m.

The Council has already recognised impairments of around £5.3 million in its accounts, including £4.5m in 2022/23. The Council notes that the implications of impairments in 2022/23 will need to be met from Reserves (£1.5m) and Service Underspends in 2022/23 (£3m). Its assessment in November 2023 of a further £3.7 million impairment would be funded from £1m of New Homes Bonus Earmarked Reserve and £2.7 from various Earmarked Reserves and Sinking Funds.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. For Mid Devon we have not been able to fully scope the group audit. The draft financial statements were submitted for audit with the Council's subsidiary company consolidated on a going concern basis. Subsequent to this submission a decision was taken in September 2023 to 'soft close' the company. This means that the company can no longer prepare its accounts on a going concern basis. We are therefore not able to complete any work on the group and associated balances within the Council's financial statements until this situation is resolved and the group and the single entity accounts (council only) are re-stated.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Within the context set out above we have had to alter our audit plan, as communicated to you in June 2023.

Conclusion

As set out earlier in this report the audit has currently been paused. There are a number of areas where work is required to complete our work. These items are set out below:

- Receipt of the valuation report for agreement of financial instrument fair values;
- Completion of our work on the Council's pensions liability, including receipt of the letter of assurance from the pension fund auditor;
- Receipt of responses to queries raised on the movement in reserves statement;
- Completion of our debtors work (linked to 3 Rivers);
- Related Parties;
- Agreement of capital disclosures;
- Receipt of outstanding evidence for 5 items in our fees and charges testing;
- Receipts of 5 evidences of receipts for 5 items from our cut off testing;
- Completion of our testing of operating expenditure; (linked to 3 Rivers)
- Receipt of working papers supporting the HRA disclosure notes;
- Receipt of revised and restated group and single entity financial statements;
- Completion of group audit procedures;
- Completion of final manager and engagement leader quality reviews;
- Receipt of management representation letter; and
- Review of the final set of financial statements.

Acknowledgements

We have experienced some delays in responses to our audit queries. In addition, the uncertainty around the group position and the time involved to agree a way forward following the decisions to soft close the subsidiary as impacted our progress on the audited. A number of balances in the Councils financial statements are linked to the group position. This has made undertaking efficient testing of debtors and expenditure in particular more difficult.

The finalisation of the audit will incur additional charges, which will be agreed with management in advance of re-commencing our work.

2. Financial Statements



Our approach to materiality

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

We have revised the performance materiality due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in the table our determination of materiality for Mid Devon District Council.

We have not yet re-assessed group materiality due to the expected changes to the financial statements.

	Group Amount (£000)	Council Amount (£000)
Materiality for the financial statements	Not yet determined	950
Performance materiality	Not yet determined	710
Trivial matters	Not yet determined	47



2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary	Risk relates to
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls 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>As part of our work we have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determine the criteria for selecting high risk unusual journals; gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions; reviewed the component auditors work in relation to management override on control; and tested high value and unusual journals processed during the year and at the accounts production stage for appropriateness and corroboration. <p>Our audit work has identified that the Council do not have an inbuilt journals authorisation process in place. This means that users can post and authorise their own journals. A mitigating detective control exists wherein all journals above £25,000 posted in a month are reviewed by principal accountants in subsequent month has been put in place. Our testing of this control identified that this control did not operate as designed and the retrospective review was not undertaken until September 2023, once the evidence was requested. In response to this finding, we fully assessed the control and tested impacted journals. This did not identify any material errors or indications of management override of controls.</p> <p>We have raised a recommendation to ensure that this key control operates as designed and is completed on a timely basis.</p>	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Risk relates to
<p>Improper expenditure recognition</p> <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 rebutted this presumed risk for Mid Devon District Council and the group 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. The prior year audit of the subsidiary accounts did not identify any issues or expenditure being poorly controlled or incorrectly recognised.</p> <p>We therefore did not consider this to be a significant risk for Mid Devon District Council and the wider group.</p> <p>We re-considered this assessment on receipt of the draft financial statement and have not identified any reasons to change this assessment.</p> <p>We will continue to assess this whilst completing our work.</p>	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Risk relates to
<p>Improper revenue recognition 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 concluded that the greatest risk of material misstatement relates to Group Revenue.</p> <p>We 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 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 taxpayers; and Opportunities to manipulate revenue recognition are very limited. <p>This assessment remains unchanged.</p> <p>At the time of writing this report we have not commenced the group audit and are therefore unable to conclude on this risk.</p>	Subsidiary only

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Risk relates to
<p data-bbox="114 472 495 616">Valuation of land and buildings (and Council dwellings) and the key assumptions and judgements that underpin this significant estimate</p> <p data-bbox="114 632 495 887">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 (£202m) and the sensitivity of this estimate to changes in key assumptions.</p> <p data-bbox="114 903 495 1214">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 data-bbox="528 472 831 496">As part of our work we have:</p> <ul data-bbox="528 512 1464 879" style="list-style-type: none"> • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out; and • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation. • tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated the assumptions made by the valuer for those assets revalued at 31 March 2023. <p data-bbox="528 895 1464 1038">Our work has identified one error above our reporting threshold. As part of our work we noted that the valuation for Phoenix House, included in the financial statements was incorrect. This was due to the valuer not updating the rounding figure that was subsequently included in the Council fixed asset register. The value should have been £3.750m but was rounded in error to £3.550m.</p> <p data-bbox="528 1054 1005 1078">We are satisfied that this is an isolated error.</p>	Council only

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Risk relates to
<p>Valuation of the pension fund net liability and the key assumptions that underpin this significant estimate</p> <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 (£16m 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>As part of our work we have:</p> <ul style="list-style-type: none"> updated 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; evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and <p>We are currently awaiting assurances from the auditor of 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.</p> <p>Subject to the completion of our work above our audit work has not identified any issues in respect of valuation of the net liability.</p>	<p>Council only</p>

2. Financial Statements: Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Mid Devon District Council	Yes	The findings for the Council are set out within this reports.	Significant risk are identified on pages 8-12 – there are no findings to date that impact upon the overall group position.
3 Rivers Developments Ltd	Yes	<p>The draft financial statements were submitted for audit in June 2023. The group financial statements consolidated in the draft financial statements of the subsidiary company 3 Rivers Development Limited. The subsidiary’s accounts were prepared and consolidated on the basis that the company would continue to trade.</p> <p>On 6th September 2023 the Council decided to ‘soft close’ the company. This meant that the subsidiary company accounts could no longer be prepared on a going concern basis and that the valuation of assets and liabilities within the accounts (and group accounts) would need to be assessed.</p> <p>We raised this issue with management and facilitated a meeting of all parties. At this meeting it was agreed that the accounts would be revisited and that Simkins Edwards LLP would then undertake their audit procedures.</p> <p>The decision was therefore taken at this point to pause the audit and re-commence once this work is completed.</p> <p>The Council has not yet set a clear timeline for the company’s closure, which could result in failure to produce accounts in a timely manner. With the government considering a ‘backstop’ for audits not completed as at 31 March 2024, this delay causes concern about how this might impact on our 2022/23 audit opinion.</p>	Not yet concluded

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £43m	Other land and buildings comprises £23.8m of specialised assets such as leisure centres and public conveniences, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£19.2m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged the District Valuer to complete the valuation of properties as at 31 March 2023 on a five yearly cyclical basis. 20% of total assets were revalued during 2022/23, with the remainder subject to a desktop review using indices. The total year end valuation of land and buildings was £42.980m, a net increase of £0.724mm from 2021/22 (£42.256m).	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> Assessed management's expert to ensure suitably qualified and independent, Assessed the completeness and accuracy of the underlying information used to determine the estimate, Confirmed there were no changes to valuation method, Assessed the consistency of the estimate against near neighbours and using the Gerald Eve report, and Assessed the adequacy of disclosure of the estimate in the financial statements. 	Light purple

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Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £159m	The Council owns 2,960 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged the District Valuer to complete the valuation of these properties. The year end valuation of Council Housing was £159m, a net increase of £6m from 2021/22 (£153m).	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> Assessed management's expert to ensure suitably qualified and independent, Assessed the completeness and accuracy of the underlying information used to determine the estimate, Confirmed there were no changes to valuation method, Assessed the consistency of the estimate against near neighbours and using the Gerald Eve report, and Assessed the adequacy of disclosure of the estimate in the financial statements. <p>No issues to date have been identified in relation to the judgements and estimations underpinning this account balance.</p>	Light purple

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Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Net pension liability

The Council's [total] net pension liability at 31 March 2023 is £16.077m (PY £56.098m), comprising the Devon Pension Fund Local Government pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £45m net actuarial gain during 2022/23.

We have carried out the following work in relation to this estimate:

- Assessed management's expert to ensure suitably qualified and independent,
- Assessed the actuary's roll forward approach taken,
- We have used PwC as auditors expert to assess actuary and assumptions made by actuary. The table below summarises where Torridge District Council fall in the acceptable ranges set by PwC:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.80%	4.80% - 4.85%	●
Pension increase rate	2.90%	2.65% - 2.95%	●
Salary growth	3.90%	3.65% - 3.90%	●
Life expectancy – Males currently aged 45/65	23.1 21.8	20.9 – 23.4 19.5 – 22.1	●
Life expectancy – Females currently aged 45/65	24.4 22.9	24.3 – 25.9 22.9 – 24.5	●

- We are currently awaiting assurance over the completeness and accuracy of the underlying information used to determine the estimate,
- We are currently awaiting assurance over the reasonableness of the Council's share of LGPS pension assets, and
- We have reviewed the adequacy of disclosure of the estimate in the financial statements.

Not yet fully assessed until we have received and reviewed the pension fund auditors' letter of assurance.

Work completed to date would support an assessment of light purple.

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Assessment

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

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating				Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure			
eFinancials	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Finance and General Ledger	N/A	
ResourceLink	ITGC assessment (design, implementation and operating effectiveness)	●	●	●	●	HR and Payroll	N/A	
My360 (AIM)	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Income Management	N/A	
Revenues and Benefits	ITGC assessment (design, implementation and operating effectiveness)	●	●	●	●	Revenues and Benefits	N/A	
Orchard	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Housing Management	N/A	
Business Objects	ITGC assessment (design, implementation and operating effectiveness)	●	●	●	●	Information Management	N/A	

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

2. Financial Statements: other communication requirements

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

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	We have not yet drafted the letter of representation. We will draft the 2022/23 letter of representation nearer to the completion of our work, including additional representations, as necessary.
Audit evidence and explanations	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.

2. Financial Statements: other communication requirements



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Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. All of the requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements



Our responsibility

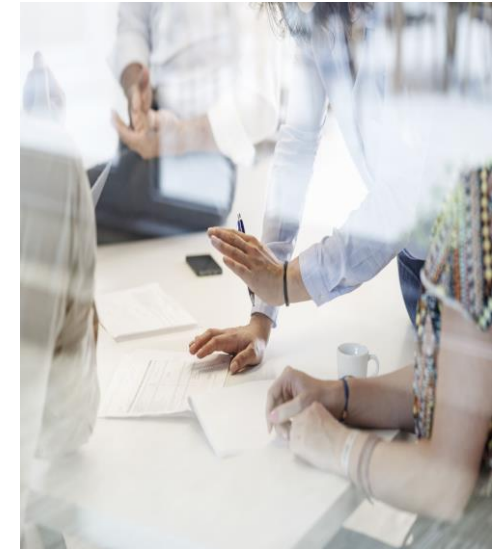
As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability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

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. <p>As set out earlier in this report, 3 Rivers Development Limited is no longer a going concern following the Council's September 2023 decision to 'soft close' the company. The Company's accounts are currently being re considered on a 'non' going concern basis. This is likely to impact of a number account balances, for example the valuation of work in progress.</p> <p>Whilst this is unlikely to impact on our assessment of the overall group as a going concern, it is likely that additional disclosures will be required within the financial statements and restatement of the group financial statements. This is to reflect any revisions to the subsidiary accounts.</p> <p>We will have regard to 3 Rivers Developments Limited auditors report as part of our overall assessment.</p>

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>We have nothing significant to report on these matters. A small number of minor changes were made to the draft statements.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>



2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>No detailed work is required in this area as the Council is below the thresholds set by the NAO.</p>
Certification of the closure of the audit	Our financial statements work is not yet completed. We intend to certify the closure of the 2022/23 audit of Mid Devon District Council in the audit report, once this work is completed, and we have issued our final Auditors Annual Report.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM: our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risks set out in the table below. Our work on these risks are reaching conclusion and the factual findings are set out on the following pages.

Risk of significant weakness

Work performed to date

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.

We have completed our document reviews and held meetings with key officers to address these risks. Our key findings have been shared with officers for discussion and agreement.

Following the receipts of managements responses, we will undertake any further work required and we will then draw our final conclusions ahead of issuing our Auditors Annual Report. We plan to finalise our VFM review in early December 2023.

Our full findings will be reported in our Auditors Annual Report.

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.

4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	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 indicative fee for the audit of £68,580 and in particular is not significant 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Home England Compliance Audit	£5,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,500 in comparison to the total indicative fee for the audit of £68,580 and in particular is not significant relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Pooling of capital receipts	£7,500	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 £7,500 in comparison to the total indicative fee for the audit of £68,580 and in particular is not significant 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments

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A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
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 findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

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.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action plan – Audit of Financial Statements

At the time of writing this report we have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Page 78	We identified as part of our work on journals that the Council do not have an inbuilt journals authorisation process in place. This means that users can post and authorise their own journals. A mitigating detective control exists wherein all journals above £25,000 posted in a month are reviewed by principal accountants in subsequent month has been put in place. Our testing of this control identified that this control did not operate as designed and the retrospective review was no undertaken until September 2023, once the evidence was requested.	We recommend that going forward the Council ensures that retrospective controls operate as designed. Management response We will ensure that this control operates as designed.

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Mid Devon District Council's 2021/22 financial statements, which resulted in one recommendations being reported in our 2021/22 Audit Findings report. This remains an area of focus for the Council.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Our work identified an area for improvement for the Council's consideration. Selecting samples for our debtors and creditors testing has been 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.</p> <p>We recommended that going forward the Council endeavour to provide cleansed populations in these two areas.</p>	<p>This remains a recommendation for the Council as the debtor and creditor populations were not cleansed, and as such additional work was required in order to select our samples.</p> <p>Management response</p> <p>The Local Authority (SOA) disclosure requirements for Debtors/Creditors makes it difficult for us to simplify our reports without considerable work. Historically this hasn't been a significant issue and seems more to do with a change in the audit requirements. We will of course endeavour to refine our reports and working papers to benefit future audits and will work with the audit team, in advance of the year end, to try and ensure we can provide data to assist the testing process.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

Impact of adjusted misstatements

At the time of writing this report there are no adjusted misstatements to bring to your attention.

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

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Adjusted?
Due to when the 2021/2022 audit was finalised there were a number of amendments that were made to the 2021/22 financial statements, that had not been reflected in the 2022/23 draft financial statements.	To be confirmed as part of checks of the final financial statements.
During the course of the audit a number of small disclosure amendments were made to the financial statements, Annual Governance Statement and Narrative Report. These have not been reported separately due to their insignificant nature.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

At the time of writing this report there is one unadjusted misstatements to bring to your attention. The table below provides further details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
As part of revaluation work we noted that the valuation for Phoenix House, included in the financial statements was incorrect. This was due to the valuer not updating the rounding figure that was subsequently included in the Council fixed asset register. The value should have been £3.750m but was rounded in error to £3.550m. We are satisfied that this is an isolated error.	25	(200) (175 to revaluation reserve 25 to CIES)	25	(25)	Not material
Overall impact	25	(200)	25	25	

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements.

Detail	Statement of Financial Position £' 000	Reason for not adjusting
An estimated understatement of long-term debtors (LTD) of £128k was noted. This is in relation to an historic rent to mortgage scheme. The LTD figure in the financial statements is based on the property value when the purchases were made in 2006 and 2007. The value of these properties can be reasonably predicted to have increased, so this figure is understated. A valuation was made of similar properties and using percentage increase in value experienced we have be able to estimate the potential understatement. This error is isolated to this item as there are no other rent to mortgage schemes operating at the Council and we have confirmed there are no similar debtors in the population sampled from. The Council have not amended this figure.	(128)	Not material and will be corrected in the 2022/23 financial year. This error has not yet been corrected.
Overall impact	(128)	

E. Fees and non-audit services

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

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

* subject to PSAA approval

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Housing Benefit Subsidy	£17,775	£17,775
Homes England Compliance Audit	£5,500	£5,500
Pooling of capital receipts	£7,500	£7,500
Total non-audit fees (excluding VAT)	£30,775	£30,775

Due to the late communication of the proposed 22/23 audit fee the audit fee included in note 14 of the financial statements does not agree to the value set out here and set out further on the following page.

The Council has inserted a disclosure note setting out the updated audit fee.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69)). None of the above services were provided on a contingent fee basis.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

