

Audit Committee

Tuesday, 26 March 2024 at 5.00 pm
Phoenix Chambers, Phoenix House, Tiverton

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

E Buczkowski
C Connor
J M Downes
G Duchesne
L G J Kennedy (Chairman)
L Knight
R Roberts
S Robinson

A G E N D A

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

1. **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 - 12*)
To consider whether to approve the minutes as a correct record of the meeting held on 16th January 2024.
5. **Chairman's Announcements**
To receive any announcements that the Chairman may wish to make.
6. **Independent Person - introduction**
To introduce a candidate for the Independent Person position on the Audit Committee.
7. **Access to Information - Exclusion of the Press and Public**
Discussion with regard to the next item, may require the Committee to pass the following resolution to exclude the press and public having reflected on Article 12 12.02(d) (a presumption in favour of openness) of the Constitution. This decision may be required because consideration of this matter in public may disclose information falling within one of the descriptions of exempt information in Schedule 12A to the Local Government Act 1972. The Committee would need to decide whether, in all the circumstances of the case, the public interest in maintaining the exemption, outweighs the public interest in disclosing the information.

Recommended that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the next item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 respectively of Part 1 of Schedule 12A of the Act, namely information relating to the financial or business affairs of any particular person (including the authority holding that information).
8. **3 Rivers Development Ltd - soft closure plan** (*Pages 13 - 22*)
To receive a report from the Deputy Chief Executive (S151) providing reassurance that a formal company closure plan was produced and utilised to assist with a structured closedown process. This plan was followed by the officer/director working group and updated with both progress and new items as identified.
9. **Grant Thornton - Interim Annual Report for 2022/23** (*Pages 23 - 66*)
To receive a report from Grant Thornton providing their interim assessment of the Council's value for money arrangements.
10. **Corporate Risk Report** (*Pages 67 - 92*)
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.

11. **Risk Management Policy** (*Pages 93 - 108*)
To receive a report from the Corporate Performance and Improvement Manager and the Corporate Manager for People, Performance & Waste updating the Council's Risk Management Policy for 2024/25 financial year.
12. **DAP Internal Audit Progress Report 2023-2024** (*Pages 109 - 124*)
To receive a report from the Devon Audit Partnership (DAP) providing a progress update.
13. **DAP Internal Audit Charter and Strategy (DAP)** (*Pages 125 - 144*)
To receive the Internal Audit Charter and Strategy from the Devon Audit Partnership (DAP).
14. **DAP Internal Audit Plan 2024-25** (*Pages 145 - 164*)
To receive a report from the Devon Audit Partnership (DAP) providing the Internal Audit Plan which the Audit Committee is required to review and approve.
15. **DAP - Counter Fraud Resilience and Assessment Report** (*Pages 165 - 176*)
To receive a report from the Devon Audit Partnership (DAP) outlining the ever-increasing fraud threats affecting all areas of public spending and the responses expected from Mid Devon District Council.
16. **Bishop Fleming - 2023/24 Audit Plan** (*Pages 177 - 190*)
To receive the 2023/24 Audit Plan from Bishop Fleming providing an overview of the nature and scope of their audit work and bringing the Committee's attention to key aspects of the audit.
17. **Chairman's Annual Report 2023/2024** (*Pages 191 - 192*)
To receive the Chairman's Annual Report on the work of the Audit Committee for 2023/2024.
18. **Identification of items for the next ordinary meeting**
Members are asked to note that the following items are already identified in the work programme for the next ordinary meeting:
 - Election of Chairman
 - Election of Vice Chairman
 - Start time of meetings
 - Corporate Risk Q4
 - Internal Audit progress Report
 - External Audit Progress Report

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

Stephen Walford
Chief Executive
Monday, 18 March 2024

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.

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 16 January 2024 at 5.00 pm

**Present
Councillors**

E Buczkowski, C Connor, J M Downes,
G Duchesne, L Knight (Vice Chairman),
R Roberts and S Robinson

**Apologies
Councillor(s)**

L G J Kennedy

**Also Present
Councillor(s)**

D Broom, J Buczkowski, S J Clist, J Wright and D Wulff

**Also Present
Officer(s):**

Andrew Jarrett (Deputy Chief Executive (S151)), Paul Deal (Corporate Manager for Finance, Property and Climate Change), Tanya Wenham (Operations Manager for Public Health and Housing Options), Suzanne Kingdom (Auditor), David Parker (Democratic Services & Policy Research Officer) and Sarah Lees (Democratic Services Officer)

**Councillors
Online**

A Glover, S Keable and J Lock

**Also in
Attendance**

J Masci (Grant Thornton, online)

52. APOLOGIES

Apologies were received from Cllr L Kennedy.

The Vice Chairman, Cllr L Knight, chaired the meeting in the Chairman's absence.

53. PUBLIC QUESTION TIME

The following questions were asked by members of the public:

Paul Elstone

Question 1

Construction activities on St Georges Court started in August 2018. The public were told that due to additional groundwork requirements the build time would be 2 years. That was five and a half years ago.

The project is still not fully complete and with no visible sign of any of the 39 properties being occupied in the short term.

Can a date be provided as to when it is expected that the first residents will move in and the tax payers of MDDC will start to see any benefit from this disastrous development?

Response:

It is currently envisaged that the first housing tenants will be occupying St George's Court by the end of March 2024.

Question 2

It is noted that currently two (2) of the properties at Haddon Heights Bampton have been sold that two (2) are currently shown as Sold Subject to Contract and five (5) remain available for sale.

These five (5) properties are shown with a market value of over £3 million.

When is it planned for this Council to take full ownership of any unsold properties, will this be before the 31st March 2024?

Response:

We are currently working to get the remaining units transferred by the 31/3/24

Question 3

How will this purchase be funded, will it be from reserves or loans?

Response:

Previous reports have indicated that this transfer will be funded from reserves.

Question 4

At the last Cabinet Meeting a request was made and supported, that information should be provided in advance of the meeting and in written form. This opposed to a verbal report being given referencing power point slides etc.

The reason for this request being it gave Cabinet Members more time to absorb what was being presented and then ask appropriate and meaningful questions.

The same also applies of course to members of the public and which would be fully in support of this new administrations stated intent of greater public engagement.

Of this Committees Agenda only one of the items has advanced information provided. This importantly not being the 3 Rivers Soft Closure key actions and dates etc.

Will the Audit Committee Chair take a similar position to Cabinet this by requesting written information including data in advance even at short notice if absolutely required.

Response:

It was felt that a verbal update would suffice as regular updates on the soft closure progress is being made to the Cabinet. Many of the tasks, contained in the closure programme, are by their very nature commercially confidential, so could only be included in a part 2 report. The Committee is assured by officers that sufficient progress is being made against a well-considered closure programme. This ensures both cost and risk exposure is minimised – a key part of the role of this Committee.

Barry Warren

My questions are prompted by item 7 on the agenda **3 Rivers soft closure timetable – verbal update.**

The MDDC Constitution Article 2, paragraph 2.3 (b) advises on the role and function of all Councillors and includes these words ‘actively encourage community participation and citizen involvement in decision making.’

The Leader advised recently, in respect of restricted documents, that elected members represent the public and therefore the public do not need to see the documents.

Item 7 is to be a verbal update from an officer and so neither elected members nor members of the public will know what is to be reported. This prevents elected Members having the opportunity to consider the information which will be provided or have time to consider formulating relevant questions.

As the time scale for the major portion of the closure of 3 Rivers is now being driven by the need to get the accounts audited, which is a far quicker timeline than the original period of perhaps two years suggested by the S151 Officer. This subject of 3 Rivers involves the potential loss of several millions of pounds of public money.

Do the Audit Committee consider a verbal report is going to allow proper consideration of the unknown information to be given?

How can the actions of Audit Committee accepting a verbal report be considered as actively encouraging community participation and citizen involvement in decision making.?’

Response

The decision to soft close 3 Rivers has already been made in a public forum. This is a verbal update that has been requested by the Committee to ensure that key steps/tasks are being planned and delivered in a timely fashion in order to minimise both financial and risk exposure to the Council. Which is clearly the role of this Committee.

The key rationale behind making this a verbal update is due to the currency of actions/decisions in order to give the Committee the most up to date information. Again, as I am sure many can understand there is a conflict between the Council’s intention to keep as much of this information in the public domain whilst also ensuring any commercially sensitive details are kept in part 2.

I can also confirm that the Cabinet will be formally updated on the company's soft closure progress in their next financial monitoring report.

Responses provided to the two members of the public were provided by the Deputy Chief Executive (S151 Officer).

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

No interests were declared under this item.

55. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 5 December 2023 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

56. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements to make.

57. **HOUSING OPTIONS INTERNAL AUDIT DAP REPORT - RISKS IN RELATION TO HOMELESSNESS (00:13:00)**

The Operations Manager for Public Health and Housing Options had been invited to the meeting to assist the Committee with their understanding of the risks to the Council in relation to Homelessness. This had been requested as a result of the Committee having received the Internal Audit of the Housing Options Internal Audit at the last meeting.

The following information was brought to the Committee's attention:

Risks

- CR12 on the risk register covered the general housing crisis relating to housing supply, affordability and the knock on effect this had on homelessness approaches.
- Particular risks relating to Housing Options
 - Increase in homelessness approaches to the housing options team and insufficient staff resources to deal with these within statutory requirements
 - Increased numbers of households entering temporary accommodation and having to stay longer due to lack of affordable accommodation to move on to
 - Increased cost to the Council for temporary accommodation due to longer stays and greater demand
 - Lack of available accommodation that was affordable and suitable for the household type (such as families with children and care leavers) resulting in use of inappropriate placements

Mitigations/Actions currently in place

- Proposed re-structure had been put forward to ensure sufficient resources were in place to deal with homelessness demand, provided prevention measures, supported households out of temporary accommodation and to sustain tenancies in the private sector, managed the use of own stock

temporary accommodation and assisted non-UK nationals under the various refugee schemes.

- Review of homelessness policy over the course of 24/25 to take account current demand and prevention measures
- Greater focus on prevention opportunities through the introduction of a housing initiatives plan
- Housing initiatives plan to be presented to Homes PDG early 24/25 for agreement. The plan aimed to increase access to private rented accommodation, incentivise landlords to work with the Council and encourage the use of empty homes as affordable accommodation.
- Engagement with landlords continued to ensure the quality of accommodation available and to prevent tenants being evicted. Landlords were encouraged to work with the Council before eviction became necessary to resolve any issues.
- Purchase of properties to be used as temporary accommodation instead of using hotel rooms. One existing house in multiple occupation (HMO) had been running successfully for three years providing 6 en-suite rooms. Purchased two additional HMOs in 2022/23 which were being renovated to provide further accommodation. One was in partial use and once complete would provide 8 rooms, the other was almost fully complete and would provide 6 en-suite rooms.
- Under the local Authority Housing Fund further single household properties had been purchased and by 31st March 2024 there would be 10 additional properties available. This included one four-bed property for use by Afghan refugees and 9 two/three bed homes for use to help support the homes for Ukraine scheme. Longer term these homes would be available for general temporary accommodation. These properties helped to reduce the impact of refugees on the general homelessness approaches and spend on hotel accommodation.
- Drafting of a service level agreement between Mid Devon Housing and Housing Options had started to formalise the arrangements for use of council owned homes as temporary accommodation.
- The Homes for Ukraine scheme (HfU) had been extended which meant guests would be able to remain with their hosts longer reducing the burden on homelessness and the private rented sector.
- Under the HfU scheme grants were provided to assist Ukrainian households to settle into the private rented sector, again this was aimed at reducing the need for temporary accommodation where a hosting relationship has ended.
- A further round of Local Authority Housing fund was expected for 2024/25 which could be used to provide more temporary accommodation for general use.

Discussion took place with regard to:

- The extent of kitchen facilities in Houses of Multiple Occupation (HMO's).
- Each room, which was usually quite large in size, had its own cupboard and fridge freezer.
- Whether providing 'lodging' facilities was an option for Council tenants who could then 'keep' the rent?
- Leasing schemes were being investigated with the Legal team.

- The Housing Assistance Policy provided financial incentives to people who met certain criteria.
- The value of trauma based education as a way of keeping people in their homes.
- The Housing Options Team were always keen to work with charities to help and inform tenants, for example, with budgeting advice.
- The Government would continue to provide funding for the Homes for Ukraine Scheme for a further year at least although the amount of money available had reduced.
- A recent Devon County Council newsletter had mentioned care leavers running training programmes called 'Total Respect'. It was hoped Mid Devon could link into that.

The Committee thanked the Operations Manager for Public Health and Housing Options for her informative presentation.

58. **3RIVERS SOFT CLOSURE TIMETABLE - VERBAL UPDATE (00:39:00)**

The Committee had requested at the last meeting that it receive information regarding the timetable in relation to the soft closure of 3Rivers.

The Deputy Chief Executive (S151) provided the Committee with a verbal update which included the following information:

After the decision taken to soft close 3Rivers, officers and the company's board immediately agreed a structured close down programme. This programme was used at a weekly officer progress meeting which assigned tasks and tracked actions points.

The summary headings could be relayed in open discussion, however, many of the sub headings were commercially sensitive and would need to be discussed in Part II if that was the Committee's wish.

The key generic actions being undertaken were:

- St Georges Court
- Haddon Heights, Bampton
- Knowle Lane in Cullompton
- Park Road in Tiverton
- Banksia House in Tiverton
- The managed properties that 3Rivers look after on behalf of MDDC
- The remaining 5 car parking spaces in Halberton
- The working capital loan
- The position on company overheads
- Insolvency advice
- Associated redundancies
- Interest charges
- Completion of statutory accounts
- Company closure

These were the 14 key headings which had numerous bullet points and action points that sat beneath them but they were all commercially sensitive and they had people information in them as well. So that was what the officer working group was currently working to at each weekly meeting.

In addition officers were also providing progress updates on sales, transfers, write offs and other key issues regularly to Cabinet. The next update would be in the February Cabinet Monitoring Report. All actions included within that programme were currently on schedule with a plan and financial estimates previously provided were still materially accurate.

As far as an over view of material actions, the purchase of St Georges Court by the Housing Revenue Account was progressing well and was likely to exchange in the coming few weeks. There were two sales at the Haddon Heights development site and two properties had firm offers on them and legal work was progressing well to transfer all of the other company assets and liabilities.

A brief discussion followed with regard to the Committee's wish to have a Part II discussion at the next meeting to better understand the detail regarding the 3Rivers soft closure plan. This was **AGREED** on the understanding that Members treated all information received during that discussion as confidential.

59. **REVISION OF THE FINANCIAL REGULATIONS(00:45:00)**

The Committee had before it a report * from the Deputy Chief Executive making recommendations for amendments to the Financial Regulations of the Authority, reflecting the forthcoming introduction of International Accounting Reporting Standard 16 (IFRS16) and updating the Authority's approval limits.

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

- There had been a need to make some minor amendments to reflecting the forthcoming introduction of International Accounting Reporting Standard 16 (IFRS) and update the Authority's approval limits.
- A review would be needed of all contracts and payments.
- The new process would need to be embedded and accounting actions undertaken correctly and in accordance with these new international regulations.

Tracked changes were highlighted at the following sections:

- 3.3
- 5.1.13
- 5.1.17
- 5.1.23
- 6.6
- 13.0
- Some tweaks to the glossary
- Extra column in Appendix A

- Wording which was no longer relevant was proposed to be removed.

Consideration was given to the following:

- New arrangements regarding contracts which although unavoidable, the Committee was felt was unnecessarily over burdensome.
- Old process still being referred to in the Financial Regulations because post Brexit guidance had still not been received.
- Changes to the Financial Regulations would seem more meaningful when the draft accounts were received by the Committee in May.

RECOMMENDED to Council that the revisions to the Regulations are approved.

(Proposed by Cllr S Robinson and seconded by Cllr R Roberts)

Reason for the decision

Failure to comply with legislation could lead to non-compliance and potentially prosecution and claims for damages. Failing to review thresholds and procedures could lead to inefficient practices damaging value for money assessments.

Note: * Report previously circulated.

60. **EXTERNAL AUDIT UPDATE REPORT (01:07:00)**

The following verbal update was provided by Grant Thornton regarding their responsibilities as the Council's external auditors:

- The previously advised position regarding the audit had not changed since the last meeting. However, all the work had been completed, there had just not been enough time to pull together a report for this meeting due to a very tight timescale.
- Their audit would now go through a 'moderation' exercise to ensure it was not unduly harsh or over generous.
- The Value For Money report would come to the next meeting of the Committee

61. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:10:00)**

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 the next meeting of the Committee:

- Part II item on 3Rivers soft closure timetable
- Grant Thornton's report on Value For Money
- Statement of Accounts for 2022/2023
- Annual Governance Statement for 2022/2023

(The meeting ended at 6.13 pm)

CHAIRMAN

Report for: Cabinet

Date of Meeting:	26 March 2024
Subject:	3 Rivers Development Ltd – Soft closure plan
Cabinet Member:	Cllr James Buczkowski, Finance
Responsible Officer:	Andrew Jarrett, Deputy Chief Executive (S151)
Exempt:	Appendix 1
Wards Affected:	All
Enclosures:	Appendix 1

Section 1 – Summary and Recommendation(s)

This report attempts to give reassurance that a formal company closure plan was produced and utilised to assist with a structured closedown process. This plan was followed by the officer/director working group and updated with both progress and new items as identified.

Recommendation(s):

- 1. That the Committee note the report.**

1.0 Introduction/Background

- 1.1** At a previous meeting of this Committee Members requested to be sighted on the formal closedown plan in order to reassure them of both a timely and cost/loss minimisation outcome.

2.0 Soft closure plan and progress update

- 2.1 At a recent meeting of the Cabinet a company closedown update was provided that gave Members an overview of what actions have already been completed and that were estimated to be finalised by the 31/3/24. This report also gave an estimated loss position and the details underpinning this estimate, in a part 2 commercially sensitive appendix.
- 2.2 As some of the remaining closedown tasks are still “live” and one development has still not been fully completed, at the point of producing this report, the closure plan is attached to this report as a confidential part 2 document (Appendix 1).
- 2.3 It should be noted that this is the initial closure plan that was produced by the company and agreed by Council officers. This plan then formed the basis of the regular weekly progress meetings held by the Directors and Council officers. By its very nature this plan would be revised/updated as tasks were completed or new items were added.
- 2.4 As previously reported in the Cabinet report of the 6/3/24, external professional advice was secured whenever required during this process.

3.0 Conclusion

- 3.1 Members should note that by following a well constituted closure plan a structured, timely and cost effective outcome to deliver a solvent soft closure of 3 Rivers Development Ltd, should be achieved.

Financial Implications – Adhering to a structured closedown plan should ensure financial cost maximisation.

Legal Implications – To ensure the company is closed in accordance with the Companies Act 2006.

Risk Assessment – Following a structured plan should reduce the associated risks of company closure.

Impact on Climate Change – None

Equalities Impact Assessment – None

Relationship to Corporate Plan – Closing the company in an orderly/compliant fashion will minimise any further financial losses will enable the Council to move greater focus to the delivery of its Corporate Plan.

Section 3 – Statutory Officer sign-off/mandatory checks

Statutory Officer: Andrew Jarrett

Agreed by or on behalf of the Section 151

Date: 11 Mar 2024

Statutory Officer: Maria de Leiburne

Agreed on behalf of the Monitoring Officer

Date: 14 Mar 2024

Chief Officer: Stephen Walford

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

Date: 11 Mar 2024

Performance and risk: Steve Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

Date: 14 Mar 2024

Cabinet member notified: yes

Section 4 - Contact Details and Background Papers

Contact: Andrew Jarrett, Deputy Chief Executive (S151)

Email: ajarrett@middevon.gov.uk

Telephone: 01884 255255

Background papers: None

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Interim Auditor's Annual Report on Mid Devon District Council

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2022/23
March 2024

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

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



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. We set out our VFM risk assessment to the Council in our audit plan in June 2023. Our initial VFM conclusions for 2022/23 are summarised in the table overleaf, and include two key recommendations linked to significant weaknesses we identified in the Council's arrangements for that year.

We have completed a significant proportion of the audit of your 2022/23 financial statements and issued an interim audit findings report to the Council and the Audit Committee in December 2023. Following the Council's decision to close its arm's length company (3 Rivers Development Ltd) in August 2023, updated group and subsidiary accounts required preparation to reflect the realisable value of assets and liabilities of the company within the consolidated group accounts for Mid Devon District Council. This, coupled with some delays encountered in the receipt of outstanding working papers, informed our decision to pause the audit of the Council's financial statements in December 2023. At the timing of writing, the audit of the subsidiary accounts for 3 Rivers Development Ltd is well progressed and we continue to liaise with the company's auditors on its progress and completion plans. Our audit work is expected to recommence in April 2024, following receipt of the audited financial statements for the company and the revised consolidated group accounts for Mid Devon District Council. We anticipate concluding our audit work for 2022/23 by early May 2024, subject to satisfactory completion of outstanding work.

We will finalise our VFM assessment and this Annual Auditor's Report once the financial statements audit is concluded. In addition, we requested further information from the Council during the course of our VFM work, in particular, details of its plans for closure of 3 Rivers Development Ltd, including the proposed sale of one of the Company's sites to the Housing Revenue Account. This information has, at the time of reporting, yet to be received, and this interim report reflects our assessment of arrangements based on evidence received to date. Once the Council shares with us this outstanding information, we will draw our final conclusions and consider whether it is appropriate to raise further risks, issues or recommendations, including written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Further information on our audit of the financial statements is set out on pages 38 and 39.

Executive summary (continued)

Our interim assessment of the Council's value for money arrangements is summarised in the table below.

Other than in relation to the Council's management of 3 Rivers, we did not identify significant weaknesses in the Council's arrangements. Within the financial sustainability area we highlight the need for the Council to follow a clear timeline and plan for soft closure of the Company. We consider the Council could set out more clearly, in a way that can be tracked and monitored over time, a clear plan of savings and income generation activities to bridge its medium-term funding gaps. Our improvement recommendations in relation to Governance and Improving Economy, Efficiency and Effectiveness are designed to support the Council in continuing to refine existing arrangements.

We have identified two significant weaknesses in relation to the Council's management of its arm's length company, 3 Rivers Development limited (see page 5). These relate to the Council's oversight and discharge of its shareholder role; and to the way in which the debate around the Company's business plan was conducted. We raise a Key recommendation in relation to each identified significant weakness (see pages 8 and 9).

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	Significant risk identified in relation to financial sustainability	A No significant weakness identified, but improvement recommendation made.	A No significant weaknesses in arrangements identified, but improvement recommendations made	↔
Governance	Significant risk identified in relation to group governance	R Significant weakness in arrangements identified in relation to the conduct of the debate around a business plan for 3 Rivers Development Limited and the subsequent impact on setting the 2023/24 budget. Key Recommendation made. One further improvement recommendation made.	A No significant weaknesses in arrangements identified, but improvement recommendations made	↓
Improving economy, efficiency and effectiveness	No significant risks identified	R Significant weakness in arrangements for managing 3 Rivers Development Limited, and a Key Recommendation made. One further improvement recommendation made.	A No significant weaknesses in arrangements identified, but improvement recommendations made	↓

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

Executive summary (continued)



Findings in relation the Council's management of 3 Rivers Development Limited in 2022/23

Background and Context

In 2017, Mid Devon District Council (the Council) established a company, 3 Rivers Development Limited (the Company) with the aim of developing housing to provide a financial return to the Council. During our 2021/22 review of the Council's VFM arrangements, carried out during January and February 2023, it became clear that the approval timeline for the Company's annual business plan had been significantly delayed. In issuing our report on the Council's Value for Money (VFM) arrangements covering the 2021/22 year, we noted these events and undertook to return to the issue in our review of the Council's arrangements covering 2022/23, when the events took place.

In September 2023, after considering on external specialist advice on the company's trading position and future prospects, the Council decided to "soft close" the Company. Soft closure will certainly result in a significant financial loss to the Council, which it currently estimates a gross loss of £9 million and a net loss of £6 million. The Council's quarter 2 financial monitoring report for 2023/24 indicated that the Council had, at that point, made a further £1.3 million of loans to 3 Rivers in 2023/24 and indicated that the net drawdown to completion was a [further] £2.7 million, giving a total of around £25m loaned to the Company. Set against this is a forecast £16 million returns from sales. The Council notes that this does not include interest receipts and recharges of c£3 million, which would set the net total loss to the Council of around £6 million. Either figure is a significant amount for a Council the size of Mid Devon District Council.

We identified two key, overarching significant weaknesses in the Council's arrangements in 2022/23. Within each of these headings are a number of issues that the Council will need to consider as it learns lessons from its experience with 3 Rivers. We set out our detailed findings in relation to the Council's management of 3 Rivers over pages 13 to 20, and our Key Recommendations on pages 8 and 9.

Assessment of the Council's arrangements

Improving economy, efficiency and effectiveness

Significant Weakness 1: The Council did not exercise its shareholder role effectively, contributing to the failure of its arm's length company and a significant financial loss. In particular, it did not maintain clear strategic direction for the Company, make effective and timely decisions to in a changing operating context, or ensure there was clear and effective strategic reporting on performance and risk.

In its 2017 business case, the Council set only one objective for the Company: a sustainable, positive financial return. By 2022/23, however, the Company was clearly not delivering against this objective. At an early stage, the Council assigned the Company a large regeneration site, which, while the initial business case included a profit, was later identified as a clear example of a site that would not have been taken on by an organisation whose primary purpose was to make a profit. There had also been "mission creep" by this stage, with statements of the Company's objectives in both its own and Council documentation increasingly referring to objectives related to housing supply, housing quality and regeneration, which were explicitly excluded as objectives in setting up the Company in 2017.

Executive summary (continued)



Further, in April 2023, changes to Public Works Loan Board criteria meant the Company would not (as had been expected) be able to develop sites outside the District. As the Company itself identified at the time, this further challenged its financial viability. Even without existing underperformance, a fundamental change in the operating context such as this should have triggered the Council to review promptly its overall business case for the Company, to establish if its objective (i.e. making a positive financial return) was still deliverable and, if so, whether an arm's length property development company remained the right vehicle to do so. The Council instead delayed any decision on the Company's future until a decision was made on its November 2022 business plan, resulting in a lack of clear direction.

Governance, including financial governance

Significant weakness 2: The Council conducted the debate around approval of the Company's 2022 business plan in a way that damaged the Council's reputation and meant the Council was not able to set its budget in a robust and timely manner.

Given the lack of clear direction, it can be understood that Members had queries about the Company's performance and the Council's oversight. It is reasonable to expect Members and Officers to have robust and constructive debate on this topic, given the financial, operational and reputational risks involved. As we have already reported in our 2021/22 Auditor's Annual report, the Council as a whole was unable to maintain the normal good relations that are essential to effective decision-making and governance. Disagreements over the Company's business case escalated and eventually, normal processes broke down, leading to public allegations of fraud and a breakdown in decision-making capacity. During February 2023, several members left the Cabinet, which was then not able to exercise its key decision-making functions, including setting the Council's annual budget. Ultimately, this led to the resignation of the Council Leader.

Adverse media reports highlighting the extent of disruption for the Council during this period will, inevitably, have adversely affected its reputation.

As a result of delays in decision-making and the ultimate rejection of the Company's business plans, as well as the disruption to normal decision-making processes, the Council had to delay setting its Budget until March 2023 as it had been unable to do so as planned in February. It also had to rely on an unplanned and significant one-off use of reserves to plug the £625,000 gap left by the removal of loan interest payments from the company. Although this amount was not sufficient in itself to challenge the Council's overall financial sustainability, it left the Council's forecast General Reserve substantially below its own £2 million recommended minimum level and substantially increased the Council's medium-term budget gap.

It is positive that the Council's Scrutiny Committee recently published its own lessons learned review into the Council's management of the Company, going back to its inception in 2017. We note this review also identifies a number of lessons and makes recommendations for the Council to consider in the event it again wishes to deliver its objectives through an arm's length company or similar organisation. The Council should ensure relevant lessons and recommendations from this report, as well as our Auditor's Annual Report, are implemented to ensure future debates around strategic decisions are conducted in a robust, but constructive manner.

Executive summary (continued)



Financial sustainability

We did not identify significant weaknesses in relation to the Council's arrangements for securing financial sustainability in 2022/23. The Council delivered a small overspend in 2022/23. In setting the 2023/24 budget, as previously set out, it had to rely on an unplanned and significant one-off use of reserves to plug the £625,000 gap left by the removal of loan interest payments from the company. Although this amount was not sufficient in itself to challenge the Council's overall financial sustainability, it left the Council's forecast General Reserve substantially below its own £2 million recommended minimum level and substantially increased the Council's medium-term budget gap.

The gap in the Council's medium term financial planning is made more acute by the removal of assumed payments from 3 Rivers. The Council needs to ensure there is a clear programme of savings, efficiencies and income generation measures to address this gap, that can be robustly monitored and tracked. We make an improvement recommendation in this area. We also note that at the time of undertaking our report the Council's eventual financial loss is not yet clear and the impact on the Council's preparation of group and subsidiary accounts had contributed to us not being able to complete our audit of the Council's 2022/23 financial statements in a timely manner. The Council needs to follow a clear timeline to closure of 3 Rivers Development Limited, assess the ultimate scale of financial loss and adapt its financial plans accordingly, and to prepare group accounts on an appropriate basis for audit.



Governance

Other than with relation to the events surrounding 3 Rivers Development Limited, we did not identify significant weaknesses in the Council's governance arrangements. The Council generally maintained appropriate arrangements to govern standards and behaviours, and to make informed decisions. Neither the Council nor its internal auditors identified significant shortcomings in the Council's control environment. We raise an improvement recommendation related to positive assurance over the Council's compliance with key governance policies.



Improving economy, efficiency and effectiveness

Other than with relation to the events surrounding 3 Rivers Development Limited, we did not identify significant weaknesses in the Council's arrangements to improve economy, efficiency and effectiveness. The Council has improved its performance reporting to Cabinet, building on work it had started earlier in the 2023 calendar year. As set out under the financial sustainability heading, above, the Council's financial reporting would benefit from a more systematic delivery of savings and efficiency measures, though there are examples the Council can build on, such as the scrutiny of waste and recycling efficiency measures. We cover this area under our financial sustainability improvement recommendations.



Financial Statements opinion

We have completed a significant proportion of the audit of your 2022-23 financial statements and issued an interim audit findings report to the Council. This was presented to Audit Committee on 5 December 2023.

Following the Council's decision to close its arm's length company (3 Rivers Development Ltd) in August 2023, updated group and subsidiary accounts required preparation to reflect the realisable value of assets and liabilities of the company within the consolidated group accounts for Mid Devon District Council. This, coupled with some delays encountered in the receipt of outstanding working papers, informed our decision to pause the audit of the Council's financial statements in December 2023. At the timing of writing, the audit of the subsidiary accounts for 3 Rivers Development Ltd is well progressed and we continue to liaise with the company's auditors on its progress and completion plans. Our audit work is expected to recommence in April 2024, following receipt of the audited financial statements for the company and the revised consolidated group accounts for Mid Devon District Council. We anticipate concluding our audit work for 2022-23 by early May 2024, subject to satisfactory completion of outstanding work.

Our findings are set out in further detail on pages 38 and 39.

Key recommendations

Key Recommendation 1

The Council should learn lessons from the debate over 3 Rivers Development Limited’s business plan and ensure future discussions around key strategic financial and operational decisions are conducted in a robust but constructive manner. This includes ensuring relevant actions and recommendations from internal and external reviews of its management of the Company, including this AAR report and the recent report of the Scrutiny Committee Working Group review, are monitored and implemented.

Identified significant weakness in arrangements

The Council conducted the debate around approval of the Company’s 2022 Business Plan in a way that damaged the Council’s reputation and meant the Council was not able to set its budget in a robust and timely manner.

Summary findings

Given the lack of clear direction, it can be understood that Members had queries about the Company’s performance and the Council’s oversight. It is reasonable to expect Members and Officers to have robust and constructive debate on this topic, given the financial, operational and reputational risks involved. However, disagreements over the approval of the Company’s November 2022 business plan became protracted and the Council’s processes did not effectively resolve disagreements. Eventually, normal processes broke down to the extent that Cabinet was then not able to exercise its key decision-making functions (including setting the budget) and adverse media reports.

Criteria impacted by the significant weakness



Financial sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23, in relation to its management of its arm’s length company. We have therefore identified a significant weakness in these arrangements.

Management comments

All external recommendations from previous reviews of 3Rivers have been implemented. The 3Rivers soft closure timetable is agreed and progressing well and should transfer all assets back to the Council before the end of March 2024. The lessons learnt report has been considered and agreed by Scrutiny. Already delivered necessary savings to offset use of reserves in 2023/24 and balanced 2024/25 budget without the use of any reserves. Remaining write off of losses to be funded from underspend / reserves without any short-term implication on service delivery.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

The range of recommendation s that external auditors can make is explained in Appendix B.

Key recommendations

Key Recommendation 2

The Council needs to ensure it follows an action plan with a clear timeline and allocation of responsibilities for the Company’s closure, and to work effectively to ensure the closure is conducted in a way that minimises its financial loss. The Council should also ensure its decisions are based on high quality expert advice as necessary.

When working through this or any other significant partnerships, the Council should ensure both members and officers uphold effective political and management oversight of key partnerships and commercial entities. It must ensure it maintains a clear focus on the Council’s objectives, ensures high quality reporting on performance and risk to inform key decisions, and acts promptly on information and significant changes of circumstances, that challenge the basis for establishing the partnership, supported by a clear exit strategy where necessary.

Identified significant weakness in arrangements

The Council did not exercise its shareholder role effectively, contributing to the failure of its arm’s length company and a significant financial loss. At the time of compiling this report, however, the exact scale of this loss was is not yet clear but it was expected to be significant.

Summary findings

The Council did not maintain clear strategic direction for the Company, make effective and timely decisions on the Company’s role in a changing operating context, or ensure there was clear and effective strategic reporting on Company performance and risk. We have seen a high level plan for the closure of the company but at the time of compiling this report this work was not complete.

Criteria impacted by the significant weakness



Financial sustainability



Governance



Improving economy, efficiency and effectiveness

Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2022/23, in relation to its management of its arm’s length company. We have therefore identified a significant weakness in these arrangements.

Excluding 3Rivers, the council has no other significant partnerships. In respect of 3Rivers, a clear plan is in place and being followed that will ensure the soft closure of the company.

Management comments

3Rivers financial losses clearly need to be reconciled against a backdrop of:
 Cost of Living Crisis
 Covid-19 (material and contract availability and prices)
 A challenging political environment
 Planning Committee decisions
 Major contractor failure
 Government geographical restrictions.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

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

We do not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014 within this interim report and will consider whether this would be appropriate in issuing our final report in due course.

Public Interest Report

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

We did not issue a public interest report.

Application to the Court

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

We did not make an application to the Court.

Advisory notice

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

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

We did not issue any advisory notices.

Judicial review

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

We did not make an application for judicial review.

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

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

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

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

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

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Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties where appropriate
- Reviewing the Council's Annual Governance Statement and other publications



As the Council's management of its arm's length company is relevant to all three areas, we report our assessment of arrangements in this area separately over pages 13 to 20. Our further findings on the Council's arrangements in each of the three areas above, is set out on pages 21 to 37.

The current Local Government landscape



Context

Mid Devon District Council serves a population of around 83,000 (as at the 2021 Census) across a number of towns, including the area's largest town, Tiverton and surrounding rural areas. The Council currently operates a 'leader and Cabinet' model and has been under Liberal Democrat majority control since the 2023 local government elections, having previously been "no overall control".

The Council, along with the wider local government sector in England continues to face significant challenges. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. The 2022/23 financial year was also a time of significant inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation put pressure on councils' revenue and capital expenditure, and the associated cost of living crisis has affected local communities and businesses, leading to an increase in demand for council services. Increases in the costs of finance, labour and materials are relevant to the Council's own services and those of its arm's length property development company, 3 Rivers Development Limited. Areas of council income such as car parking and the collection rates of council tax, business rates and rents have also been affected. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well as creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities. Mid Devon District Council in 2017 set up 3 Rivers Development Limited, the Council's management of which in 2022/23 is the subject of detailed review in this report. Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The Council's management of 3 Rivers development limited

Background and context

In 2017, Mid Devon District Council (the Council) established a company, 3 Rivers Development Limited (the Company) with the broad aims of developing housing and delivering a financial return to the Council. The Council has funded the company by making it commercial loans, on which the Company has paid interest back to the Council. It was also intended that the Company would also pay an annual dividend once it made a profit, though in the event the Company never achieved a sufficient level of profit to pay this dividend.

During our 2021/22 review of VFM arrangements, carried out during January and February 2023, it became clear that: the usual approval timeline for the Company's annual business plan had been significantly delayed, impacting the Council's budget-setting process; and that relationships between members and between members and officers had become increasingly strained, leading to adverse media reports, public allegations of fraud and a breakdown in decision-making to the extent that, during February 2023, Cabinet was not able to exercise its key decision-making functions (including setting the budget).

Scope

Our role in assessing the Council's arrangements for securing value for money are set out in the Local Audit and Accountability Act 2014 and the 2020 Code of Audit Practice. The subject matter of auditors' work under the Code is a local body's arrangements "to secure economy, efficiency and effectiveness in its use of resources".

Our review of the Council's VFM arrangements covering the 2020/21 financial year (reported in March 2022) found that the Council had improved governance arrangements to address a number of weaknesses identified in two external reviews and a report of the Devon Audit Partnership, as well as our own reports covering the 2018/19 and 2019/20 financial years. Therefore, in this report, we have undertaken sufficient work to identify whether there was evidence of significant weaknesses in the Council's arrangements in regard to financial sustainability, governance, and improving economy, efficiency and effectiveness in the 2022/23 financial year.

We did not re-perform audits or assess reviews undertaken by other bodies that have already reported on either the Company's performance or the Council's management of it, including those of the Devon Audit Partnership or the various external reviews undertaken in earlier years and in 2023. We do, however, consider the Council's use of and response to such reviews, where relevant. Where we refer to events in prior years, this is because we consider them relevant to the events that occurred in 2022/23; for example, because a weakness in arrangements in setting up the company contributed to issues occurring in 2022/23.

Key Findings

Establishing and maintaining focus on the Company's core objectives

The Council's 2017 business case set out very clearly that the Company's sole purpose was to deliver a financial return to the Council. It set a need to "create revenue streams that can be used to fund the standard of front line services that this Council believes are vital for its residents" and that "it should be clearly understood that this company is not intended as a mechanism to deliver affordable housing; the company is being formed to create revenue which will be reinvested into the Council."

Later articulations of the Company's objectives reflect a significant degree of "mission creep" from this initial objective. We identified three different articulations of the Company's objectives within 2022/23 and a further one in 2023/24, all of which included aims such as delivering economic regeneration and increasing the level and quality of housing within Mid Devon. A well-reported example of this is the Company's largest development site at St George's Court. The Company noted in its 2021 business plan, endorsed by Cabinet in November 2021 that, prior to setting up the Company, the Council intended to regenerate this area of Tiverton and recognised it would need to provide some financial support to do so. An external review commissioned by the Council meanwhile described the site as "one which no commercially minded property developer would have taken on in normal circumstance". In August 2023, the Council's advisors reported that the Council was at that point currently anticipating a £3.94m loss on this site, the scale of which outweighed any profit expected from the Company's other, smaller sites.

The Council's management of 3 Rivers Development Ltd.

Figure 1 – examples of the Company's statement of objectives in 2022/23 and 2023/24

Business Plan objectives reported to Cabinet in August 2022:	<ul style="list-style-type: none"> • 3 Rivers Developments Limited's primary objective is to generate future returns in order to grow the business and to recycle monies made back to the Council to mitigate some of the cuts in Government funding.
Business Plan objectives referred to in a report to Cabinet report 6th September 2022:	<ul style="list-style-type: none"> • Generate future returns in order to grow the business, • Recycle monies made back to the Council to mitigate some of the cuts in Government funding, • Increase the level and quality of housing units within the district, • Look to help regenerate sites/areas in need of assistance.
Business plan objectives referred to in a Cabinet report, 2nd November 2022:	<ul style="list-style-type: none"> • Housing to meet Local Authority needs, • Economic regeneration by building private and social homes, • Commercial lets for sale or rent, • Other social economic activities.
Business plan objectives referred to in a report to Cabinet 18th January 2023	<ul style="list-style-type: none"> • Increase level and quality of housing units within the district, • Look to help regenerate sites/areas in need of assistance, • Generate future returns in order to grow the business, • Recycle monies made back to the Council to mitigate some of the cuts in government funding.
Company objectives referred to in an Option Appraisal report to Cabinet, 16th August 2023	<ul style="list-style-type: none"> • Higher levels of property numbers, • Enhanced quality of build, • More affordable housing numbers, • Financial return to the Council.

The Council's management of 3 Rivers development limited (continued)

Key findings (cont.)

Reporting on Company Performance and Risk

The Council used a range of formal and informal mechanisms to monitor Company performance. These included monthly liaison between the 3 Rivers Finance Director and the Council's 151 officer; monthly meetings with Cabinet Members with responsibility at Cabinet level to review the project progress of 3 Rivers and discuss any risks/ issues and bi-monthly PowerPoint presentation detailing project progress and risk assessment is provided to Cabinet on a bi-monthly basis internal management accounts and individual project financial performance.

Key performance indicators (KPIs) reported in formal progress reports did not provide an assessment of long-term progress towards the Council's objectives. For example, the Company's annual report to the Council in August 2022, covering the 2021/22 financial year, did not compare financial performance to expectation, or contain KPIs relating to any regeneration or housing quality objectives that may have been extant at this point. The Council's covering paper for the same report lists a number of 'highlights' but similarly did not include a systematic analysis of financial or non-financial performance relative to its own expectations or targets. For example, officers reported to Cabinet that "The company has increased its overall borrowing by £3.4m to £13.5m"; and that "During 2021/22 the company paid the Council interest of £0.638m" but did not set out whether this was in line with the Council's expectations or its forward forecast.

Some audit recommendations related to risk management were not fully implemented and strategic risk reports in routine performance reports from the Company to Cabinet (as shareholder) were of limited utility.

- In our 2020/21 Auditor's Annual Report, we recommended the Council address weaknesses identified by internal audit in relation to the Company's risk register. It is not clear, however, that any progress was made against this recommendation.

- The Company provided, as part of its performance reporting, a schedule of project risks as part of the "project report". This report provided useful narrative on the progress of specific projects and also included, as a final slide, a summary of its the key strategic risks. Between May 2021 and March 2022, this summary was provided at least four times. The assessment of risk was identical in each case, with the exception that the 'Overall risk' moved from "watch" (amber-red) to "Ok" (amber-green) between May 2021 and October 2021, though the basis of this assessment is not clear. In the instructions for completing the risk slide within the project report it is reported that "*[the risk assessment] is subjective - there are no hard & fast rules. This is meant to close the discussion rather than stimulate more.*" This is not in line with robust and transparent risk reporting, but we did not identify any instances of the Council challenging this risk view.
- Similarly, in the Company's annual report of August 2022, risks are covered in narrative on individual sites and not highlighted. For example the body of the report notes a key risk of not achieving expected returns on due to note winning a tender to develop a site at Post Hill, but this was not flagged prominently in the report's summary, nor in the Council's own covering paper provided to Cabinet covering the annual report.

Responding to a changing operating environment in 2022/23

In April 2022 the Company recognised there had been a further, fundamental shift in its operating environment. In its 2021 business plan, the Company made clear that due to the competitive nature of the market within Mid Devon, it was exploring plans to develop some sites outside the district, to enhance its profitability. Such developments could have helped to achieve the key objectives relating to income generation of income for the Council, but not regeneration and housing market development objectives the Council also stated later it wished to achieve. In 2022, however, the Company was informed that the Council could not support development outside the district following changes to the PWLB lending criteria. A subsequent external review completed in August 2023 by Francis Clark reported that the impact of this change was obviously significant. It notes: "*There is a limited supply of land in the Mid-Devon district which is a constraint that the company needs to operate in. It is understood there were circa 90 development opportunities in Devon, but only four of these were in Mid-Devon, meaning future development opportunities for the company are restricted.*"

The Council's management of 3 Rivers development limited (continued)

Figure 2: performance against build and sales targets compared to business plan, reported in the Company's annual report to Cabinet, August 2022

Site	Stage reached on development project	Business plan Month	Forecast Month
St George's Court	Build Completion	Apr 22	Nov 22
Orchard House	Final Sale	Jul-21	Jun-21
Knowle Lane	Start on site	Jan-22	Jan-23
Park Road (Anticipated Project 1)	Start on site	Sep-21	Nov-21
Post Hill (Anticipated Project 2)	Start on site	Oct-21	Feb-23
Bampton - (Anticipated Project 3)	Start on site	Aug-21	Aug-21
Future Project 1 (Howton Road)	Site purchase	Jan-22	Now Lost

Performance summary from covering paper to Cabinet "The main highlights of the 2021/22 financial year were:

- Generated £0.676m in sales from units at The Orchard, Halberton
- Ongoing delivery of St. Georges Court, Tiverton and took over direct management with effect from 1 April 2021
- Commence start on site on Bampton project August 2021
- Repaid the Council £1.064m of capital borrowing relating to the Threwstones, Tiverton and Orchard, Halberton sites.
- The company has increased its overall borrowing by £3.4m to £13.5m
- During 2021/22 the company paid the Council interest of £0.638m"

The Council's management of 3 Rivers development limited (continued)

Responding to a changing operating context (continued)

Despite the fundamental change in the operating context and there is no evidence the Council considered, in line with good practice, a formal review its business case for the company in early 2022/23. Good practice would have been to establish if its key objective (a financial return) was still deliverable, and whether a housing development company remained the right vehicle through which to deliver that objectives, and whether the rewards on offer were worth the level of risk the council would need to take.

The Council therefore did not come to a clear view on the right balance between company autonomy, and Council control and oversight within this new context. In August 2022, the Company submitted a discussion paper to Cabinet noting that it now had a very limited marketplace to seek new development sites. In the Company's view, a revised balance favouring more Company autonomy and agility was required for it to operate effectively. It proposed a more flexible working model based on autonomy within agreed funding envelopes. Officers' advice at the time recommended acceptance of the Company's linked funding request (see below) but deferred any discussion on the more fundamental question of the Council's relationship to the Company until at least that Autumn when the Council would usually be considering the company's latest Business Plan.

At the same time as requesting a clearer arm's length relationship, the Company highlighted immediate gaps in its funding, in the context of rising costs. During 2022/23, interest rates reached a 15-year high and the cost-of-living crisis intensified as inflation increased. The Consumer Prices Index ("CPI") rose by 8.7% in the 12 months to May 2023 and that meant that many potential buyers of new houses were delaying purchasing decisions. There was also pressure on the price and availability of construction materials. Based on a request from the Company, officers recommended (and Cabinet, in its role as Shareholder, agreed to) an increase in loan agreements of c£2.3 million in September 2022 to cover project overspends on two projects: St George's Court (£1.76 million) and Bampton (£0.23 million), plus £0.3 million working capital. The Cabinet approved this plus a further £0.6m "future projects fund" for the Company to replace abandoned plans for out-of-district projects.

Consideration of the Company's funding request and November 2022 business plan

Submission of the Company's funding request and the later business plan highlighted some Members' concerns about the Company's performance and the Council's oversight, exacerbated by the lack of a clear and agreed strategic direction.

- Cabinet on 6 September approved the Company's funding request.
- The Council's Overview and Scrutiny Committee resolved on 21 September 2022 that that the updates in the 6th September Cabinet papers (that is, the Cabinet decision to award additional funding in response to the Company's request for additional funding) were "of such significance that the Committee believed that they constituted a new business plan" and recommended Cabinet agree to an Audit Committee review of the business plan.
- Cabinet on 22 September resolved not to support the recommendation of the Scrutiny Committee and to remain consistent with its view taken on 6 September
- On 21 November considering the Company's business plan, the Scrutiny Committee recommended that the Audit Committee recommend to Cabinet that more detail about alternative options be sought from the S151 Officer and that Cabinet refer the matter to Full Council.
- At its own meeting of 22 November 2022, meanwhile, the Audit Committee recommended similarly that Cabinet seek more details, that more information on alternatives be included and that the Audit Committee itself recommend to cabinet that the business plan in its current form should not be supported due to the risk the Council may need to "impair loans on these projects with very narrow rates of return".

The Council's management of 3 Rivers development limited (continued)

Consideration of the Company's November 2022 business plan (continued)

Shareholder (particularly Cabinet) scrutiny of the Business Plan became increasingly detailed and operational, rather than strategic. Cabinet papers show that after reflecting on the meetings summarised on page 17, the Cabinet fed back to the Company and requested an amended business plan that restricted development to sites of 15 units or fewer. Accordingly, on 16th December 2022, the Company submitted an addendum to its November business plan reflecting "feedback provided [by] Cabinet" [that it is] "seeking to support already approved schemes and those sites for development of up to 15 dwellings."

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The Company pointed out that this challenged two large sites, Knowle Lane and Post Hill, and the proposed inclusion of a single, nominal 25-unit development site per annum that featured in the original November 2022 business plan. The Company argued that the latter was essential for it to be profitable. We note that the date at which the Company proposed it would be able to break even was now March 2026, some three years later than the date specified in the November 2021 business plan.

On 3rd January 2023, Cabinet considered the two business plans and associated site-level business cases but, unusually, referred the final decision to Full Council. Under the shareholder agreement, it is clear that decisions relating to the Company should be made by Cabinet.

Referring the decision to Full Council did not provide clarity to the Council's decision-making and decision-making on this issue became increasingly dysfunctional.

On 18th January, Full Council recommended to Cabinet that neither of the business plans or business cases be supported and set out its view and also that Cabinet should "consider whether it should continue to fund the company and if so to what stage" and that "independent legal and financial advice be sought to help inform those considerations and explore what options are available."

On 27th January 2023, the Company submitted a third business plan for approval. The plan included a single nominal 25-unit development site per annum and a phased approach to Knowle Lane. The Post Hill site was to be abandoned. The projected break-even date was now March 2027.

On 31st January 2023, Cabinet approved the business plan of 27th January, along with two site-level business cases for Bampton (5 Levels) and Park Road. The Leader was not present at the meeting.

On 13th February 2023, the Overview and Scrutiny Committee called in Cabinet's decision to approve the 27th January business plan and supported Full Council's recommendation of 18th January not to support either business case and consider the Company's forward funding plans in the light of external advice. On 13th February 2023, four Cabinet members left their positions. Cabinet was not quorate and could not proceed.

On 22 February 2023, Full Council rejected all of the 3 Rivers business cases. On this date, the Council's Leader resigned, and a subsequent vote appointed an Independent Councillor, a member of the Council's Overview and Scrutiny and Planning Committees, as Leader until the then forthcoming elections in May 2023. The subsequent budget of 8th March was set on the basis of the recommendations made by Full Council (to not accept any of the 3 company business plans or the associated 2 business cases submitted by 3 Rivers Developments Ltd) but did include provision to fund to completion two of the company's existing development projects at St. Georges Court, Tiverton and at Bampton. The Council's subsequent external review, carried out by Francis Clark LLP, reported in August 2023 indicated that costs to complete St Georges Court and Bampton of around £1.8m, though noted that it is possible costs could be higher.

The Council's management of 3 Rivers development limited (continued)

Impact on the Council

As a result of the time taken to reach a decision, and the eventual decision not to approve any business case submitted by the Company, the Council was not able to set its budget in a robust and timely manner. The Council, like many others, typically sets its budget in February each year. Without a functioning Cabinet and agreement on a key part of the budget, the Council was not able to achieve this in setting its budget for 2023/24. The budget eventually set was not complete and relied on a significant one-off use of reserves to balance the 2023/24 financial plan.

While the original draft 2023/24 General Fund Budget recommended to Full Council on the 22nd February 2023 required only a temporary transfer of £58k from the New Homes Bonus Reserve, the budget approved by Full Council on 8 March 2023/24 included a number of changes:

Transfers from General Reserves increased by £610,000, reflecting the removal of interest payments from the Company (assumed to be reversed in 2024/25 to reflect the replenishment of Reserves, though at the time of setting the budget the means to achieve this were not clear).

- Medium Term shortfalls increased by around £600k a year to reach £4 million by 2027/28.
- Interest Receivable (from 3 Rivers) reduced by £500k in 2023/24 (recurring)
- Car Parking revenue reduced by £120,000 in 2023/24 (recurring);
- Member's Allowances reduced by £40k (recurring); and
- £30,000 included for an external review of 3 Rivers Developments Ltd (one-off).

In August 2023, the Council decided to "soft close" the Company, resulting in a significant financial loss to the Council. As at quarter 2 2023/24, the Council estimated this at a gross loss of £9 million and a net loss of £6 million. The Council decided to soft close the company after considering external specialist advice on the company's trading position and future prospects. The Council's financial monitoring report for Quarter 2 of 2023/24 indicated that the Council had at that point made a further £1.3 million of loans to 3 Rivers in 2023/24 and indicated that the net drawdown to completion was a [further] £2.7 million, giving a total of around £25m loaned to the Company. Set against this is a forecast £16 million returns from sales. The Council notes that this does not include interest receipts and recharges of c£3 million, which would set the net total loss to the Council of around £6 million, which is a significant amount for a Council the size of Mid Devon District Council. At the time of compiling this report, work to progress the soft closure of the company was ongoing.

The Council's management of 3 Rivers development limited (continued)

Impact on the Council (continued)

Financial impact

The final financial loss to the Council may be higher (or lower) than forecast depending on the profit or loss on sales at completed sites, its exit strategy from remaining sites, and timely closure of the Company. As set out above, the Council in its budget of 8 March 2023 committed to completing two of the Company's ongoing projects – St George's Court and Bampton. The Council has committed to pay all creditors in full for these two projects up to completion. The Council based its forecasts on updates from the Company but, as the housing market is dynamic, it can currently only forecast the sales figures achievable from the completed sites. Given current housing market conditions, it is possible it will not realise the estimated returns set out earlier in the year. The Company also has operating monthly overheads of around £34,000.

As the Council notes, the implications of this are clearly negative from a value for money perspective. It identifies a combination of higher borrowing requirement for future capital projects and increased revenue costs for asset maintenance, vehicle replacements and essential property repairs as it has "significantly reduced these essential and prudent provisions" to meet these costs. On 29 August 2023, Cabinet resolved to approve the acquisition of the loss-making St Georges Court, by the Council's Housing Revenue Account, subject to an agreed valuation. It also agreed to a feasibility study on acquiring the Knowle Lane site. As this decision was taken in 2023/24, it does not present a risk of significant weakness in relation to 2022/23. The 2022/23 financial year is our final year as the Council's external auditor. We have brought this matter to their attention of the Council's new auditors for the 2023/24 financial year, for their consideration. When we finalise our VFM assessment and Annual Auditor's Report for the 2022/23 financial year (once the statutory financial statements audit is concluded) we will consider whether there are any further issues or recommendations required in relation to 2022/23 audit, in line with our statutory responsibilities.

Impact on the Council's reputation

Adverse media reporting illustrates how the poor decision-making and public disagreements can damage the Council's reputation. For example, we note that public allegations of fraud and incompetence were made by some members against other members and some officers at Full Council's meeting in January 2023. The report of an investigation by Devon Audit Partnership to the Audit Committee in May 2023 found that there was no substance to the allegations. The report set out the Auditor's judgement that the allegations were made based on an incomplete understanding of the issues involved. The debate has, however continued mistrust between officers, members and some members of the public continues.

Financial sustainability



We considered how the Council:

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

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Short and medium term financial planning

2022/23 financial performance

The General Fund Outturn in 2022/23 was a net overspend of £190,000 (1.38% on the Net Cost of Services Budget). There was also an underspend of £312,000 on the Housing Revenue Account (HRA), 2.90% of the Total Direct Expenditure Budget). This was improvement on the £436,000 overspend predicted at the end of Quarter 3. The Council funded the General Fund overspend from the General Fund Reserve, which decreased to £2.025m, still above the Council's minimum recommended level of £2m. The Council approved the transfer of the HRA surplus to the ring-fenced HRA earmarked reserve.

Along with many other local authorities, the Council identified staffing costs as a significant pressure area during 2022/23. During the year, the Local Government pay award of £1,925 per full-time equivalent was made (equivalent to around 6.5% per FTE on average). This was significantly in excess of the Council's budget assumption of a 2% increase and added £0.5m to the Council's staffing costs within the General Fund and £0.15m in the HRA.

Capital expenditure across the 2022/23 financial year was £17.1m - a variance of some £10.5m against the 2022/23 Deliverable Budget. Of the Council's total capital projects, £5.2m was underspent, £1.9m overspent, and £7.2m was slippage to future years. Of the underspend, the largest item by some margin related to the budget for 3 Rivers Development Limited projects, which underspent 100% of the planned £3.9m budget. At the time of reporting this underspend in June 2023, the Council had decided not to approve any business plan from 3 Rivers and the underspend is not surprising in this context, though illustrates the significant financial planning impact of decisions relating to 3 Rivers on the 2022/23 and 2023/24 budgets. The largest item of slippage (around £3.6m) related to the Cullompton town centre relief road, progress on which was subject to the Council securing additional external funding.

2023/24 financial planning

The Council set its budget for 2023/24 in March 2023, a delay to the usual timetable (see page 19). While the original draft 2023/24 General Budget recommended to Full Council on the 22nd February 2023 required a temporary transfer of £58k from the New Homes Bonus Reserve, the budget approved by Full Council on 8 March 2023/24 included a number of changes:

- Transfers from General Reserves increased by £610,000, reflecting the removal of interest payments from 3 Rivers Development Ltd (assumed to be reversed in 2024/25 to reflect the replenishment of Reserves, though at the time of setting the budget the means to achieve this were not clear.
- Medium Term shortfalls increased by around £600k a year to reach around £4 million by 2027/28.
- Interest Receivable (from 3 Rivers) reduced by £500k in 2023/24 (recurring)
- Car Parking revenue reduced by £120,000 in 2023/24 (recurring);
- Member's Allowances reduced by £40k (recurring); and
- £30,000 included for an external review of 3 Rivers Developments Ltd (one-off).

The final budget, in other respects, reflected key assumptions in line with national requirements and expectations, such as in respect of council tax increases with an increase of £6.56 or 2.99% from 2022/23, and did not display any clear deviation from prevailing understanding of legislation and policy as it stood at the time. The budget did, however, breach the Council's own policy on minimum General Reserve levels by setting a forecast level of around £1.4m at the end of 2023/24.

Financial sustainability (continued)

Short and medium term financial planning (continued)

As at November 2023 the Council was forecasting an overspend on the General Fund of £196,000 before the expected use of reserves set out on page 19, above. This means the Council is actually in a better position than it expected and, if it is able to deliver this position, then the general fund reserve would reduce to £1.8m, rather than £1.4m as forecast. This would still be below the recommended £2m minimum level, but much closer to it. However, this excludes any in-year write offs associated with the soft closure of 3 Rivers.

The Council generally has a well-established process for developing its view of medium-term and immediate funding requirements and gaps. On 1 November 2022, the first draft of the Medium Term Financial Plan (MTFP), covering the period 2023/24 to 2027/28 for the General Fund, Capital Programme and Housing Revenue Account (HRA), was presented to Cabinet. The General Fund budget indicated a deficit of over £5.2m by the end of the 5-year timeframe of the MTFP, with the increase largely due to the implications of the cost of living crisis. A November 2022 update focused more closely on the 2023/24 budget with a reduction in the projected shortfall for the General Fund to £960,000 and as at 3 Jan 2023, the draft budget deficit for 2023/24 was £905k. The proposed February Budget indicated an MTFP summary position of cumulative shortfall of £3,366k over the remaining four-years of the MTFP to 2027-28, which remained to be address. As set out on page 21, the final March 2023 MTFP position was a cumulative shortfall of around £4 million to 2027-28 reflecting shortfalls created by the removal of interest payments from 3 Rivers.

Developing savings plans

It is not clear from our review of 2023/24 budget setting that a more strategic approach to developing and monitoring delivery savings had been embedded. In our Auditor's Annual Report covering the 2020/21 financial year, we noted that the Council had not developed a strategic programme of savings to evolve its short-term use of reserves to balance the budget, though there were signs of a more strategic approach being developed. However, our discussions with the Council for our review of value for money arrangements in the 2021/22 financial year, and our review of the budget-setting for 2022/23 indicated that while the Council had progressed specific savings plans, it had not set these out as an identifiable 'programme' that could be monitored and tracked and the Council remained reliant on shorter-term tactical savings, such as underspends on staff budgets and contributions from reserves to balance the budget.

The late changes to the 2023/24 budget clearly necessitated a number of unplanned and short-term measures to arrive at a balanced budget but the work to recover a balanced position provides an opportunity to develop a true medium-term approach to savings plans. We note that one of the conditions of approving the 2023/24 budget on 8 March 2023 was that "work on strategic planning for delivering a balanced budget for 2024/25 [...] commence immediately." We also note appetite expressed by Members during 2022/23 for a more "holistic" approach to savings plans. In discussing the MTFP in November 2022, Members noted that "every year there seemed to be a budget gap. There was a need to have a strategy and for the gap to be managed. It was felt that the Policy Development Groups (PDGs) were compartmentalised and there was a need for a more holistic approach." This again indicates that a strategic approach would be beneficial to the Council.

In balancing the 2023/24 budget, the Council set a vacancy management target of £400,000. In its 2023/24 budget submission the Council noted that "The vacancy factor has been considered by all PDG's and Scrutiny. Although not ideal, Members understood the need for this and the potential implication for service delivery during 2023/24. Scrutiny requested regular progress updates against this target which will be provided." This therefore provides a specific target that can be monitored. We reported in 2021/22 that the Council had a tendency to report vacancy-related underspends as savings and that while this is clearly true in terms of cost reduction, there may also be an erosion of value if the vacancies identified have a material impact on performance. Given the explicit focus on vacancy management, it is important that the Council understands the impact of vacancy management is at a granular level to ensure that the cost reductions achieved are not offset by a deterioration in performance.

We make a further improvement recommendation in relation to developing and monitoring medium term savings plans on page 27.

Financial sustainability (continued)

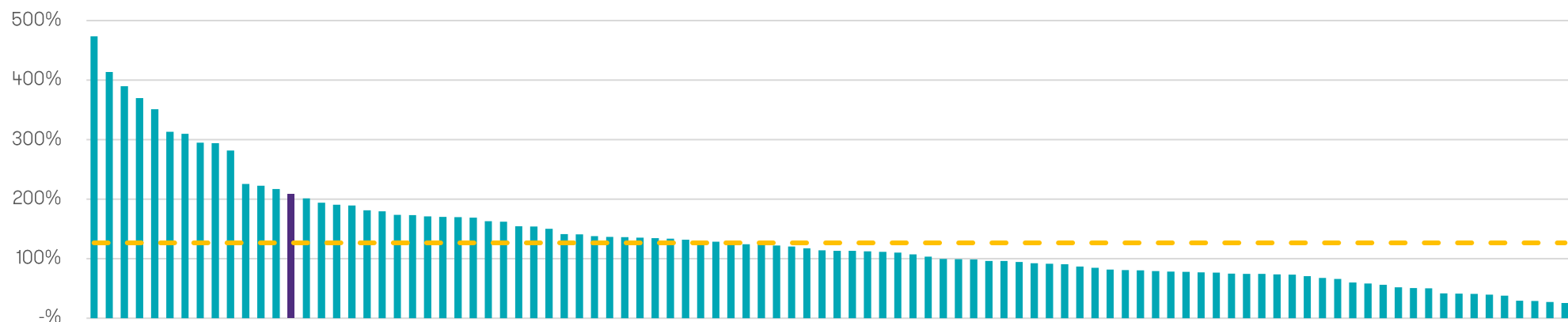
Managing risks to financial resilience and use of reserves

As set out above, we did not identify significant weaknesses in the Council’s arrangements for financial sustainability in relation to 2022/23, including setting the 2023/24 budget. Given the ongoing financial pressure on all Councils, and the removal of forecast revenues and profits from 3 Rivers, it is important that the Council has a robust medium term plan that clearly sets out the gaps in its funding and how it plans to address these.

The Council’s MTFP reporting clearly identifies risks and uncertainties within its financial planning, including both external factors (the lack of multi-year settlements, business rate reset and delay to fair funding review) and internal factors (such as the risk of achieving savings and income increases). As the Council highlights, not all of these risks can be mitigated and this means a level of uncertainty within its financial plan. The MTFP assumptions report sets out how the Council has addressed these risks within its financial plans. The report lists a range of assumptions and models the financial impact of a (+/- 1%) variance in each assumption. The 1% figure does seem arbitrary and does not fully reflect the actual level of risk in some areas, given the Council also notes a 40% increase in fuel prices. The Council rightly notes some costs are hard to predict and might have a higher degree of error - this being the case it would be helpful to see the impact of a broader spread of variation in each assumption. We raise an improvement recommendation in this regard on page 27.

The Council has a relatively high level of earmarked and General Reserves to meet the costs of unexpected events, relative to its net service budgets, compared to other District Councils (see chart below). As noted elsewhere, a result of the decision related to 3 Rivers, transfers from General Reserves increased by £610k in 2023/24 compared to the initially-budgeted amount (this is reversed in the Council’s plans for 2024/25 to reflect its planned replenishment of that Reserve). This was an unforeseen risk and meeting it took the Council’s General Reserve below its recommended minimum level of £2 million, though this was contingent on starting work to replenish this reserve. As with all Councils, continued monitoring of the level of risk relative to the level of available reserves is required to ensure reserves are maintained at an appropriate level.

Figure 3: General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%) – 2022/23; District Councils for which 2022/23 available at time of this report.]



Note: Data sourced directly from local authority draft Statements of Accounts published on council websites. As this data is taken from third parties, we cannot verify the accuracy or completeness of such information. Data is not available for all local authorities due to some delays in publications.

Financial sustainability (continued)

Capital strategy and borrowing

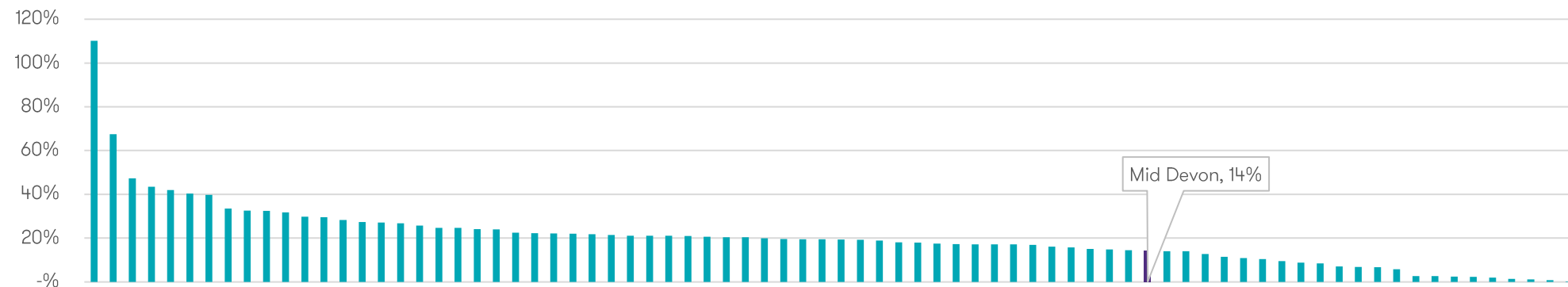
At the time it initially set its 2023/24 budget, the Council envisaged a significant capital programme with projects expected to start in 2023/24 totalling £98.4m and some £39.4m rolling forward from the 2022/23 programme. Some £64.8m of this was expected to be spent in 2023/24. The programme included significant investment in housing, either through the HRA Housing delivery programme (£15.7m) or through 3 Rivers (£26.1m).

Following the changes to the Council's plans, driven substantially by the Council's decision not to approve any business plans related to 3 Rivers, the actual capital programme in 2023/24 is considerably smaller than expected. As at the end of Quarter 2, there was a variance of £52.9m against the 2023/24 budget. Of this, only £1.1m was a forecast underspend, set against a £1.7m over-spend. There was slippage of £28.7m across various projects (including the Cullompton Town Centre Relief Road project) and various indicative HRA schemes, and £24.9m of spend no longer required, the majority reflects removal of future 3 Rivers development projects from the programme.

As shown in the chart below, the Council does not currently have an excessively high level of long-term borrowing, relatively to the value of its long-term assets, compared to other District Councils. The Council reported in 2022/23 that it remained under-borrowed. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded with loan debt. The Council considers that its policy of avoiding new borrowing by running down spare cash balances, has served it well over the last few years. However, as it also notes, this has been kept under review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure.

The Council has a clear Treasury Management Strategy that is presented to Cabinet alongside the Capital Strategy and Draft budget, typically in February each year. Total Treasury investments fell from £32m to £21m with the main drawdown being from banks (£12m to £4m) and other local authorities (£15m to £12m). The absolute amount invested externally in property funds remained at £5m but this means it now represents 24% of investments (up from 16%). Due to interest rates over the year, the Council's return on its short-term investments increased significantly from £54,000 in 2021/22 to £539,000 in 2022/23.

Figure 4: Long-term borrowing as a proportion of long-term assets (%); 2022/23, District Councils for which 2022/23 available at time of this report.



Note: Data sourced directly from local authority draft Statements of Accounts published on council websites. As this data is taken from third parties, we cannot verify the accuracy or completeness of such information. Data is not available for all local authorities due to some delays in publications.

Financial governance

Annual budget setting and identifying savings

As we reported in our 2021/22 Auditor's Annual Report, the Council usually maintains adequate arrangements to set its annual budget. Budget proposals are considered by Cabinet in February each year having been also circulated and considered by the Scrutiny Committee in January and also considered by the Council's Policy Development Groups in November and January.

As set out on page 19, the setting of the 2023/24 budget was significantly disrupted by the delays in decision-making on approval of the 3 Rivers business plan, and the associated fallout from the debate around this. This contributes to the significant weaknesses and key recommendations we have set out on pages 5-6 and pages 8 and 9. However, we do not consider that this specifically implies further underlying weaknesses in the basic budget setting arrangements that require further recommendations.

We noted in 2021/22 that the Council's Policy Development Groups did not identify any specific savings plans in 2022/23 and we made an improvement recommendation in relation to developing strategic savings plans. We note that PDGs did put forward options to consider in early drafts of the 2023/24 budget to identify options to bridge the budget gap estimated at that point. The first paragraph of the 29 November update to Cabinet, for example, makes clear that the recommendations of PDGs are key to approving and moving forward the budget. It is also clear that PDGs made specific suggestions to identify savings.

As we recommended in 2021/22 – and as the Council's PDGs themselves noted in considering the Council's MTFP in November 2022 – there remains scope for the Council to take a more strategic and holistic approach to setting a medium-term savings programme. We recommended the Council develops processes to identify and track key medium-term savings initiatives to help manage the ongoing risk of funding gaps. It would be good practice for its tracking to identify the target savings and payback period and whether any investment is affordable, and whether in-year and cumulative targets had been met. Our improvement recommendation on page 27 covers this.

Budgetary control

Cabinet receives quarterly updates during the year which reports financial performance in some detail. These include:

- a summary of the General Fund budget, including a full-year forecast, and actual spend against budgets, with key variances explained; and
- HRA summary performance, again with a schedule of major movements and reasons.

The main reports provide additional commentary on risks, impact on key reserves and treasury management activity including interest receivable and payable.

Financial update reports are presented to Cabinet separately from performance and risk reports, though sometimes these intersect, allowing non-financial performance to be considered at the same time as financial performance. In 2022/23 however, the outturn for performance was presented in July 2023, while the capital and revenue outturns as well as the Treasury Management Outturn were presented in June. We do not see this as a significant weakness given the reports themselves are of adequate quality and there is a regular drumbeat of reporting.

We note that the Council has been implementing changes to its performance framework through which it aims to streamline the number of indicators reported to allow members to focus more on the key indicators that are most important to their view of the Council's performance. We report on this further on page 32.

Financial governance (cont.)

Preparation and audit of the Council's 2022/23 financial statements

The Council submitted its draft group and Council financial statements for external 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.

As set out earlier in our report, 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 has required reassessment, 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 that stage, no arrangements had been made to reconsider the accounts 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.

Following the Council's decision to close 3 Rivers Development Ltd, updated group and subsidiary accounts required preparation to reflect the realisable value of assets and liabilities of the company and within the consolidated group accounts for Mid Devon District Council. This, coupled with some delays encountered in the receipt of outstanding working papers, informed our decision to pause the audit of the Council's financial statements in December 2023. At the time of writing, the audit of the subsidiary accounts for 3 Rivers Development Ltd is well progressed and we continue to liaise with the company's auditors on its progress and completion plans. Our audit work on the Group consolidation and connected balance sheet items within the Council's own accounts remain outstanding. 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.

Our audit work is currently expected to recommence in April 2024, following receipt of the audited financial statements for the company, the revised consolidated group accounts for Mid Devon District Council and all supporting working papers. We anticipate concluding our audit work for 2022-23 by early May 2024, subject to satisfactory completion of outstanding work.

At the time of writing this report, our Key Recommendation on page 8 makes clear the Council needs to continue to make progress on these issues. A failure to prepare updated accounts to allow for timely conclusion of our audit, prior to any backstop date would constitute a further risk of significant weakness in the Council's arrangements to secure value for money. Further, a lack of clarity on the scale and timing of the financial loss may hinder the Council's ability to develop its financial plans accordingly.

Improvement recommendation

Improvement Recommendation 1

To support medium term financial planning the Council should

- set out a medium-term programme showing how it will close its forecast medium-term gaps in its financial plans, including the contribution of savings plans and related activities, such as income generation.
- revisit the sensitivity analysis it uses to illustrate divergence from key assumptions, as a 1% variance may not adequately capture the level of volatility or the Council's view of the degree of error possible in its estimates.

Improvement opportunity identified

We have previously recommended that the Council develop a more strategic approach to developing and reporting on savings proposals. More systematic monitoring of savings proposals, targets and progress would enable members to routinely track progress on key savings proposals. Some Councils set out such plans on a multi-year basis, recognising that invest-to-save activities, for example, may take more than one year to deliver a net saving.

Summary findings

It is not clear from our review of 2023/24 budget setting process that a more strategic approach to developing and monitoring delivery savings had yet been embedded. We also note there appears to have been some appetite expressed by Members for amore holistic approach to developing and tracking progress on savings plans.

Criteria impacted

 Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Council will review best practice and consider any changes required for the 2025/26 budget process. However, it is worth reflecting how the council has successfully balanced budgets and increased its reserves set against a backdrop of government funding cuts.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

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

Risk management

The Council has a risk management policy that was approved by the Audit Committee in March 2022. The policy sets out its purpose, aims and objectives which is to embed risk management in the Council by establishing a risk management framework. The policy also sets out roles and responsibilities for risk management within the Council. The Audit Committee is responsible for approving the Risk management Policy and monitoring the operation of risk management. Cabinet also monitors the effective operation of risk management while the Leadership Team is responsible for setting risk appetite and identifying corporate strategic risks.

The Council maintained a corporate risk register which sets out its assessment of strategic risks in 2022/23. These are risks which are most likely to impact the corporate priorities of the Council. The risk register is reviewed at least quarterly by the corporate managers and the leadership team and updated as required. It is then presented to the Audit Committee and to Cabinet. The council uses a standard risk scoring matrix, where the scores of “impact x likelihood” equals the total risk score. Risk scoring between 15 and 25 would be classed as high risk (red) with 25 being the highest risk. Risk scoring between 6 and 12 would be classed as medium risk (amber) and risk scoring between 1 and 4 would be low risk (green).

The Audit committee received the performance and risk update reports in March, June, August, November 2022 and March and June 2023. The Cabinet received them in April, June, August, November 2022 and April and June 2023.

We note that the Council has revised its way of reporting from March 2023 and the risk report is now reported separately from the Corporate performance report. As at July 2023, unsurprisingly, the highest scoring risks related to the potential failure of 3 Rivers; and the Cullompton Town Centre Relief Road, which was contingent on funding from external sources being identified. This reflects a reasonable view of the key issues facing the Council at that time.



Governance (continued)

Internal Controls and the Audit Committee

The Council's internal audit service is delivered by the Devon Audit Partnership, a shared service arrangement with the founder councils of Torbay, Devon and Plymouth formed in April 2009. Public Sector Internal Audit Standards requires that an external assessment of Internal Audit is undertaken every five years. An external assessment on Devon Audit Partnership (DAP) was conducted at the end of 2021, by the Head of Southwest London Audit Partnership and the Chief internal Auditor of Orbis partnership organisation covering Brighton and Hove, East Sussex, and Surrey County Councils). The assessment result was that "Based on the work carried out, it is our overall opinion that DAP generally conforms with the Standards and the Code of Ethics".

The 2022/23 Internal audit charter and plan were approved by the Audit Committee on 22 March 2022 and covered an extensive range of reviews including audit governance with a total 345 audit days audit work planned.

Regular internal audit progress reports were presented to the audit committee. The Committee received updates in June, August, September and November 2022, and January and March 2023. The progress reports included executive summary of audit results, fraud prevention and detection update, audit coverage against the plan audit recommendation tracking.

The internal audit annual report indicates 89% audit plan coverage against a (90% target). The remaining audits were either cancelled, deferred by the Council, or rolled over into 2023/24.

The Internal Audit Annual report indicated that the head of internal audit's opinion for the year was one of "reasonable assurance". The report highlights that 24 of the reviews were assigned either substantial or reasonable assurance opinions and five were given a limited assurance opinion. These related to:

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

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	None	None
Head of Internal Audit opinion	Reasonable Assurance	Reasonable Assurance

The Council's performance against key governance metrics is set out in the table above.

Governance (continued)



Standards and behaviours

As set out above, our findings in relation to 3 Rivers Development Limited highlight significant weaknesses in relation to the way the Council conducted the debate around approval of the Company's November 2022 Business Plan. We note that issues around the Company appear to have been a focal point for these behaviours and our review of the Council's arrangements more generally did not identify similar issues, and the Council has in place arrangements that we would usually expect to see to govern standards and behaviour.

The Council's constitution, reviewed in February 2023, incorporates codes of conduct for members and officers, both of which set out how these individuals are expected to conduct themselves.

It is the Monitoring Officer's responsibility to monitor compliance with legislation and regulatory standards. The Monitoring Officer reports annually to the Standards Committee on complaints under the Code of Conduct, most recently in October 2023, covering the 2022/23 Financial Year. This report highlighted that during 2022/23, a total of 12 formal complaints were made, 4 of which were withdrawn. None were referred for formal investigation, though the report notes that these cases still raised important questions about standards of behaviour. The core themes were respect, bullying, communication and reputational concerns. The complaints were made against parish and district councillors.

The report notes that workload and capacity has been an issue for the Monitoring Officer this year, which resulted in some of the complaints not being considered in as timely a manner as the Council would have wished, particularly when several complaints were under consideration at once.

The Council, through its Codes of Conduct and its Constitution maintains appropriate policies on standards and behaviours including the receipt of gifts and hospitality. However, there is scope to increase the level of monitoring of staff and Member awareness, and engagement and compliance with key policies. We make an improvement recommendation in this area on page 31.

Informed decision making

The Council's constitution, sets out how decisions are made within the Council. The Council currently operates a Cabinet system of governance where each Cabinet Member holds a separate portfolio, to include: Environment; Community Well-being; Finance; Housing and Property Services; Planning and Economic Regeneration; Working Environment and Support Services, and; more recently, Climate Change. Decisions concerning Council policies, plans, and strategies are taken by the Cabinet as a whole, which are reported to Full Council. The Cabinet and the decisions it takes are scrutinised by the Scrutiny Committee. The Audit Committee can challenge management over areas of concern identified in audit reports. We set out findings in around this process

The Council publishes on its website details of all Committee meetings, including Full Council and Cabinet. The details include agendas, minutes, and decisions made. The Council also maintains a forward plan, which shows key decisions that will be made over the next one to four months. This plan is published on the website and include a short description of the decision to be made, who will make it, when the decision will be taken, details of planned consultation with local people and other stakeholders and reports and background papers. Reports to Cabinet and Full Council provide space for finance, legal and services input before they are considered by members.

Beyond matters highlighted earlier in this report around the Council's subsidiary, we did not identify significant weaknesses in relation to the Council's arrangements for informed decision-making.

Improvement recommendation

Improvement Recommendation 2

The Council should put in place a mechanism to provide positive assurance that officers and members have complied with the Council's policies on receipt of gifts and hospitality during the year. This could be achieved through a periodic declaration, for example. The Council may wish to include in such a declaration confirmation that other key parts of the Code of Conduct had been read and complied with.

Improvement opportunity identified

The Council could increase the level of assurance it has that officers and members have reviewed, and complied with, the terms of key policies such as those governing the receipt of gifts and hospitality

Summary findings

The Council, through its Codes of Conduct and Constitution maintains appropriate policies on standards and behaviours including the receipt of Gifts and hospitality. However, there is scope to increase the level of monitoring of staff and Member awareness, and engagement and compliance with key policies.

Criteria impacted



Governance

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Council will consider this recommendation and assess what mechanisms could be put in place that provide more positive assurance of compliance with such policies.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

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

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Use of financial and performance information

Reporting performance to Members and stakeholders

The Council has improved the way it reports its performance to Cabinet.

We reported in 2021/22 that the Council had adequate arrangements for reporting performance to Cabinet including established arrangements for reporting key performance indicators (KPIs) periodically. At the time of our review in early 2023, the Council was in the early stages of a review of its performance frameworks, and we noted that this provided a good opportunity to consider whether it was reporting ‘measures that matter’ to Members and other stakeholders.

The Council has now adopted a new format for reporting its performance to Cabinet, in which the cover report has been enhanced to include summaries of key indicators of interest and includes more graphs and charts to highlight trends and bring the data to life. The summary report is accompanied by five appendices which cover: Homes, Environment, Economy, Community and Corporate. These map to the Council's Policy Development Groups, plus the overarching corporate update which provides useful statistics on corporate performance.

There is scope to include more information on cost-effectiveness and productivity performance reporting. We understand the Council maintains a subscription to external benchmarking websites and given members' interest in, for example, the cost effectiveness of waste collection (and that finance and performance continue to be reported separately), the Council could usefully supplement KPI reporting with some of this data. We raise an improvement recommendation in this regard (see page 35).

Data quality and completeness

The Council recognises the importance of data quality at an organisational level. The Council has a Data Quality Policy and associated data Quality standards; the most recent versions were presented to and approved by the Audit Committee in November 2022. The policy confirms that fit for purpose data is integral to performance management and should be accurate, valid, timely, relevant and complete. Roles and responsibilities are set out clearly, as well as the need for adequate controls over data input and verification of data.

As we noted in our 2021/22 AAR, internal audit has previously noted shortcomings in relation to the Council's use of service level management information. It noted these findings particularly in issuing its limited assurance opinion on care services, alarms but also in other areas, such as car parking, in which it gave a reasonable assurance rating overall. Our review of the audits completed by internal audit during the 2022/23 year did not identify any specific audits related to data quality such as reviews of performance indicator systems underpinning KPIs reported to Cabinet. However, the 2022/23 internal audit annual report highlight instances where performance information is not being collected or reported to allow effective monitoring and decision making, such as Repairs and Maintenance, Culm Valley Sport Centre and Housing Voids.

We therefore continue to note our existing improvement recommendation from 2021/22 that the Council should map its assurance framework for key contracts. This should include assuring itself that service managers have access to the information and data they need to monitor and report on service performance effectively and whether the links between service-level and strategic reporting to Members is clear, for example, when service managers should to escalate a service problem to a more strategic level.

Improving economy, efficiency and effectiveness (continued)

Using information to improve the cost-effectiveness of services

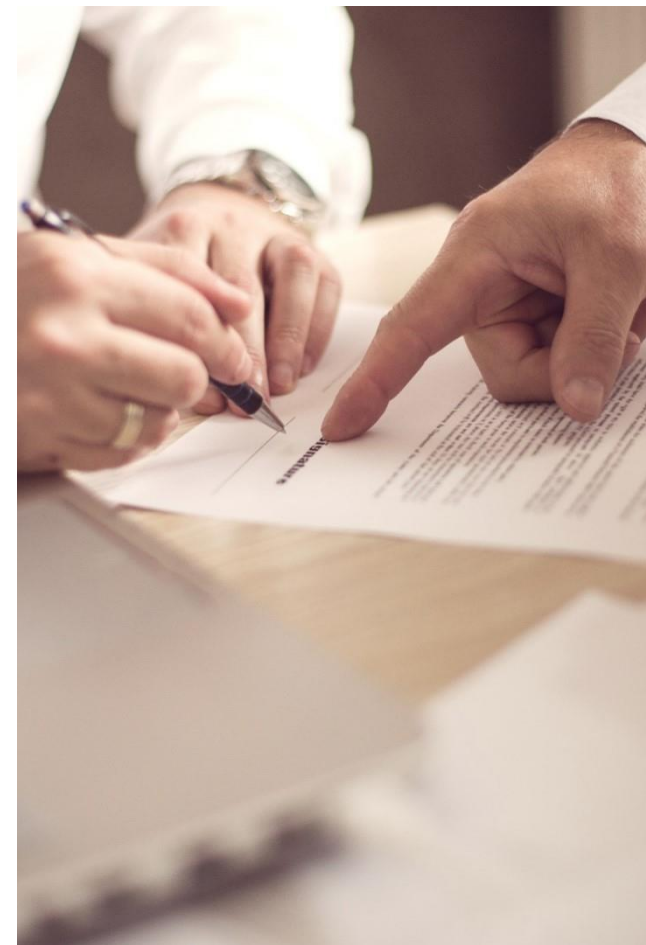
The Council did not make significant recurring service savings to balance 2022/23 budget, relying instead on transfers from reserves. The 2023/24 budget report recognises that while the Council has up to now secured savings without reducing services, this is becoming more difficult and a new strategic process is required to match service provision to available funding, with difficult decisions required that will alter the quality or frequency of services in the future. Members' preference remained to explore revenue raising options before cutting services. As set earlier in our report, we consider there is now an even greater need for a coherent and well-communicated medium-term savings plan (which could include income-generation measures) that can be discussed in the holistic way members have highlighted.

The 2023/24 budget process identified various options for service savings that will be considered for future years. This included potentially closing public conveniences, reducing waste collections and reducing grant payments. It is not clear that any of these were adopted as recurrent savings (barring the waste collection changes set out above, where the quantum of savings is not yet clear). One specific proposal considered as part of 2023/24 budget setting was a review of local paddling pools with a view to potential closure, saving £70,000. This was subject to intense discussion on 8 March 2023 with members of the public concerned about the impact of a potential closure.

While this was not a major potential financial saving, it does illustrate how potential changes to popular local services can affect residents, and the need for a clear and well-communicated strategy to achieve the MTFP savings required, particularly if services may be affected. This further underlines the benefit of a clear programme of potential savings to bridge medium-term gaps, as set out in our recommendation on page 27.

In common with other waste collection authorities, the Council has been attempting to make its waste collection service more efficient. This is an area in which the Council has struggled to recruit and retain permanent staff, and relies significantly on agency workers. In February 2022, Cabinet agree a move to 3-weekly waste collections (known as 1-2-3 Recycle, Reuse, Reduce). Part of that change was to provide households with a wheeled bin for their waste. Approval was sought to add a £750,000 one-off investment (previously estimated at £650,000) to the 2022/23 Revenue Budget, fully funded from Earmarked Reserves, for the purchase of the bins. The new service is expected to deliver savings from 2023/24.

Cabinet received updates on this initiative in August 2022 and again in August 2023. The latter indicated that the scheme had had a positive effect on recycling rates, but did not contain an analysis of the comparative costs of the service compared to the previous service. The paper notes that the environment PDG recommended that further trialled changes scheduled for 2023/24 be postponed to allow for an evaluation of the effectiveness of the current scheme against the metrics of recycling percentage achieved, residual tonnage reduction, and overall cost to the Council. This provides a good example of the use of information and effective challenge of an "invest to save" measure that the Council can build on.



Improving economy, efficiency and effectiveness (continued)

Partnership working

The Council's March 2022 LGA peer challenge report noted that it "led an impressive response to the Covid pandemic" and the follow up report from December 2022 noted that senior officers and members "are continuing to play an active and visible role at the regional and sub-regional level".

The Council has a building control partnership with North Devon District Council (NMD Building Control). The costs of this partnership are reported through the Council's routine financial monitoring. NMD performance is reported as part of Corporate performance reports, comprising KPIs for full plan applications and building regulation applications determined within timescale. Internal Audit reviewed NMD Building Control in 2021/22 and provided a reasonable assurance opinion. The Council also operates a procurement partnership with Devon County Council which is governed via a service-level agreement.

The Council confirmed during our 2021/22 review of its VFM arrangements that it had not implemented our improvement recommendation from our 2020/21 Auditor's Annual Report to develop a partnership register. The Council considers that it relies more on contractual relationships with key suppliers to provide essential services than partnerships (other than building control). However, the Council committed to keeping this under review.

Commissioning and procurement

As we reported in 2021/22, the Council has in the past maintained a small in-house procurement team but, after staffing changes and struggling to recruit suitably skilled people, from June 2021, Devon County Council (DCC) provided interim reactive support, including procurement advice and guidance to services in undertaking procurements including contractual support. The Council then more formally outsourced procurement support to Devon County Council.

The Council has a procurement strategy covering 2023/24. The Audit Committee on 24 January 2023 considered a draft procurement strategy for 2023 to 2027, and the final strategy in February 2023.

Internal Audit's 2022/23 review of procurement found that the Council has a good procurement framework to support the effective and efficient procurement of goods and services. The procurement team includes an experienced and qualified Contracts Officer and a Procurement Officer, both of whom have access to specialist support provided by Devon County Council via its Devon Procurement Services team. This aligns with our own understanding of the Council's arrangements.

They also found that the Council provides good guidance on procurement and contracts and that the Procurement Strategy for 2023-27 is aligned with the Devon County Council Strategy. There were 11 waivers visible on the contracts register with a combined value of £569,000, which was comparable to peer councils. Internal Audit further noted that that the Councils should publish their Contracts Registers on a quarterly basis and a link to the database was clearly highlighted, along with a real-time list complying with the requirements.



Improvement recommendation

Improvement Recommendation 3

The Council should include further information on the cost-effectiveness of services in its performance reporting to Cabinet, drawing on relevant benchmarks.

Improvement opportunity identified

The Council has already improved its performance reporting regime and could develop this further to support delivery of key savings plans.

Summary findings

There is scope to include more information on cost-effectiveness and productivity in performance reporting to Cabinet. We understand the Council maintains a subscription to external benchmarking websites and given members' interest in, for example, the cost effectiveness of waste collection (and that finance and performance continue to be reported separately) the council could usefully supplement KPI reporting with some of this data.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The council has subscribed to CipfaStats+ and implemented the new performance reporting regime which will include national and local benchmarking for the 2024/25 financial year.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 Page 58 2 3 We recommend the Council develops process to identify and track key medium-term savings initiatives to help manage the ongoing risk of funding gaps. It would be good practice for its tracking to identify the target savings and payback period and whether any investment is affordable, and whether in-year and cumulative targets had been met.	Improvement	May 2023	It is not clear from our review of 2023/24 budget setting that a more strategic approach to developing and monitoring savings plans had yet been embedded. We also note appetite from Members for a more “joined-up” approach.	No	Yes – we set out a further improvement recommendation in this area (improvement recommendation 2)
When identifying salary underspends in its financial reporting the Council should be clearer whether the financial underspend has led to any reduction in quality or service level (such as reduced activity, backlogs or delays) or whether a genuine efficiency saving (where costs have been reduced without adversely impacting quality) is being identified.	Improvement	May 2023	We note that in balancing the 2023/24 budget, the Council introduced specific vacancy management targets which contributed £400,000. This provided a specific target that can be monitored. It is important that the impact of vacancy management is understood at a granular level to ensure that the cost reductions achieved are not offset by a deterioration in performance.	Yes	Yes – we set out a further improvement recommendation in this area (improvement recommendation 2)
In taking forward its review of its performance framework and KPI suite, the Council should: consider including more indicators that capture operational and customer-focused issues, which could be integrated into strategic reporting, to ensure key stakeholders' perspectives are represented.	Improvement	May 2023	The Council accepted this recommendation. We have noted ongoing improvement in this area, in line with the Council's response to our 2021/22 recommendation.	Yes	We make further suggestions for developing the Council's performance reporting to include more information on cost-effectiveness and productivity (improvement recommendation 4)

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4	The Council should map its assurance framework for key contracts. This should include assuring itself that service managers have access to the information and data they need to monitor and report on service performance effectively and whether the links between service- level and strategic reporting to Members is clear, for example, when service managers should to escalate a service problem to a more strategic level.	Improvement	May 2023	<p>The Council accepted this recommendation. Internal Audit's 2022/23 review found existing good practice in some areas, including good guidance on procurement and contracts and that the Procurement Strategy 2023-27 is aligned with the Devon CC Strategy. IA highlighted as good practice the approach of another council to classify their contracts as Gold, Silver, and Bronze to support prioritisation of the contract management required.</p> <p>We did not identify specific improvements in this area, but given the timing of the recommendation and the scope of our review being to the year to April 2023.</p>	Ongoing	The Council should continue to implement this recommendation.
5	We recommend the Council maps its key partnerships systematically and set outs: their aims and objectives, its financial commitment, the service improvement or other goals, and whether the intended goal are being achieved. This will enable it to identify clearly the value its ongoing partnerships add, and may assist in identifying where similar partnerships offer further opportunities for efficiencies to be made, including other areas in which collaboration could help the Council address skills gaps, particularly where it might otherwise struggle to recruit or retain skilled individuals.	Improvement	May 2023	The Council has chosen not to implement this recommendation but has noted that it will keep its position on this under review should its partnerships landscape change.	No	The Council should keep this in view in line with its management response to the recommendation from our 2021/22 Auditor's Annual Report.

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council and Group as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.



Opinion on the financial statements



Audit opinion on the financial statements

We have completed a significant proportion of the audit of your 2022-23 financial statements and issued an interim audit findings report to the Council and presented it to the Audit Committee in December 2023.

Following the Council's decision to close 3 Rivers Development Ltd, updated group and subsidiary accounts required preparation to reflect the realisable value of assets and liabilities of the company and within the consolidated group accounts for Mid Devon District Council. This, coupled with some delays encountered in the receipt of outstanding working papers, informed our decision to pause the audit of the Council's financial statements in December 2023. At the timing of writing, the audit of the subsidiary accounts for 3 Rivers Development Ltd is well progressed and we continue to liaise with the company's auditors on its progress and completion plans. Our audit work on the Group consolidation and connected balance sheet items within the Council's own accounts remain outstanding. 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.

Our audit work is currently expected to recommence in April 2024, following receipt of the audited financial statements for the company, the revised consolidated group accounts for Mid Devon District Council and all supporting working papers. We anticipate concluding our audit work for 2022-23 by early May 2024, subject to satisfactory completion of outstanding work.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. As the Council is below the stated national thresholds, no detailed procedures are required. Our shortform assurance statement will be issued at the conclusion of the financial statements audit.

Preparation of the accounts

With the exception of the matters already highlighted in relation to the Group and subsidiary, the Council provided draft accounts in line with the national deadline and provided suitable quality working papers to support it.

Findings from the audit of the financial statements

Our audit work to date has identified a small number of other matters:

- The Council do not have an in-built 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. We have raised a recommendation to ensure that this key control operates as designed and is completed on a timely basis.
- As part of PPE 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.

More detailed findings are set out in our Interim Audit Findings Report, which was presented to the Council's Audit Committee in December 2023. Requests for this Audit Findings Report should be directed to the Council.

Appendices

Appendix A: Responsibilities of the Council

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

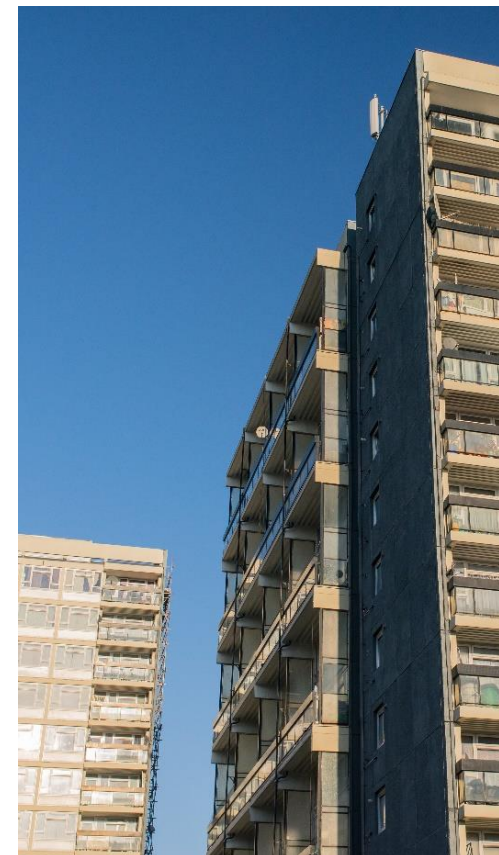
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B:

An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	n/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	Pages 8 and 9
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 27, 31 and 35.

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

2.0 Summary of Corporate Risk

2.1 There are currently 18 Risks on the Corporate Risk Register (CRR).

Risk Name		Risk Owner	Risk Rating
CR1a	Culm Garden Village – Loss of capacity funding	Adrian Welsh	25
CR1b	Culm Garden Village – Delay/ impact to project arising from infrastructure delays	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	8
CR7	Financial Sustainability	Paul Deal	16
CR8	Quality of Planning Committee Decisions	Angharad Williams	12
CR9	3 Rivers – Delivery of closedown plan	Paul Deal	8
CR9a	Reputational Impact of 3 Rivers	Stephen Walford	8
CR10	Cullompton Town Centre Relief Road	Adrian Welsh	25
CR11	Cost of Living Crisis	Dean Emery	16
CR12	Housing Crisis	Simon Newcombe	12
CR13	Operation of a Waste Management Service	Matthew Page	8
CR14	Workforce Shortage	Matthew Page	6
CR15	Corporate Property Fire Safety	Stephen Walford	9
CR16	Building Control Service viability	Andrew Howard	9
CR17	Severe Weather Emergency Recovery	Simon Newcombe	12

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

- Officers reviewed CR1 Culm Garden Village in February 2024. This risk is now presented as two risks (CR1a and CR1b). CR1a focuses on risks related to the loss of capacity funding; CR1b is concerned with delays and impacts to the project due to delays in infrastructure delivery.
- CR5 Information Security: Risk rating has reduced from 12 to 8.
- CR8 Quality of Planning Decisions: Risk rating has reduced from 16 to 12.
- CR9 SPV 3 Rivers – Delivery of Closedown Plan: The risk rating has been thoroughly reviewed and decreased from 25 to 8.
- CR9a Reputational Impact of 3 Rivers: Risk rating has reduced from 10 to 8.
- CR13 Operation of a Waste Service: Risk rating has decreased from 12 to 8.
- CR17 Severe Weather Emergency Recovery has been added to the Corporate Risk Register.

3.0 Horizon Scanning

3.1 Horizon scanning is a proactive process of reviewing what risks may be relevant to the Council in the future. This process is undertaken regularly by both the Corporate Management Team and Leadership Team. As part of the quarterly review, officers reviewed the top ten risks identified over a 2 year and a 10 year time horizon, by the [World Economic Forum](#), Figure 1.

3.2

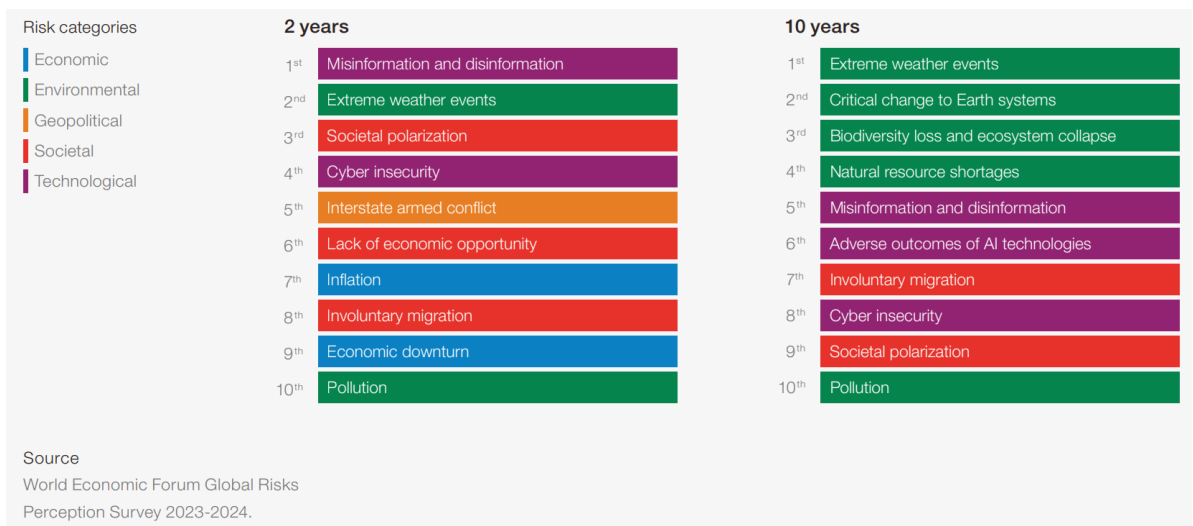


Figure 1: Top ten risks identified over a 2 year and 10 year time horizon by the World Economic Forum.

- 3.3 Many of these risks are familiar and well represented on the CRR. Although it is striking that “Misinformation and disinformation” was the top risk for the 2 year time horizon. This is particularly pertinent given upcoming elections. At the Regional Risk Management Group, a partner organisation reported that it is working to tackle misinformation, and may recognise it as a corporate risk.

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: 12 Mar 2024

Statutory Officer: Maria De Leburne
Agreed on behalf of the Monitoring Officer
Date: 12 Mar 2024

Chief Officer: Stephen Walford
Agreed by or on behalf of the Chief Executive/Corporate Director
Date: 12 Mar 2024

Performance and risk: Steve Carr
Agreed on behalf of the Corporate Performance & Improvement Manager
Date: 27/02/2024

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:

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Appendix 1: Corporate Risk Matrix

 Risk Severity	5	5	10	15	20	25
	4	4	8 CR9; CR13	12 CR8; CR12; CR17	16 CR7; CR11	20
	3	3	6 CR14	9 CR4; CR15; CR16	12	15 CR3
	2	2	4	6	8 CR5; CR9a	10
	1	1	2	3	4	5
		1	2	3	4	5
	Risk Likelihood 					

Appendix 2: Corporate Risk Register

CR1a	Culm Garden Village – Loss of capacity funding	Current Severity: 5	Current Likelihood: 5	Current Risk Rating: 25
Risk Description: Possible discontinuance of Government funding support for Culm Garden Village activities, thereby affecting Mid Devon District Council Culm Garden Village team capacity and leadership function, resulting in project/programme slippage.				
Risk Owner: Adrian Welsh		Risk Type: Economic/ Financial		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR1.1	Funding opportunities: Lobby for further rounds of Homes England garden communities capacity funding	Adrian Welsh	Action Required	23/02/2024
CR1.2	Identify alternative opportunities to secure funding to support the project – including from landowners/ developers involved in the Culm Garden Village project.	Adrian Welsh	Satisfactory	23/02/2024
Notes: This risk relates to the funding sources in place for the Culm Garden Village, rather than the overall delivery of the Culm Garden Village project. Discussions with Homes England are ongoing regarding future rounds of capacity funding.				
CR1b	Culm Garden Village – Delay/ impact to project arising from infrastructure delays	Current Severity: 5	Current Likelihood: 4	Current Risk Rating: 20
Risk Description: Lack of Government funding for enabling infrastructure – Cullompton Town Centre Relief Road/ Junction 28/ Cullompton station re-opening – resulting in delays to scheme progression and housing delivery.				
Risk Owner: Adrian Welsh		Risk Type: Economic/ Financial		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR1.1	Cullompton Town Centre Relief Road: Funding opportunities - Continue to work with Homes England and others to seek opportunities for funding. See mitigating actions in CR10.	Adrian Welsh	Action Required	23/02/2024
CR1.2	Junction 28, M5: Continue to work closely with Devon County Council on Strategic Outline Business Case with the aim of securing funding to upgrade Junction 28 – Devon County Council to submit bid to Government in March/ April 2024 following Devon County Council Cabinet approval.	Adrian Welsh	Satisfactory	23/02/2024

CR 1.3	Cullompton station re-opening: Continue to work closely with Network Rail to ensure the timely submission of the Final Business Case to Government.	Adrian Welsh	Satisfactory	23/02/2024
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Notes:
The Junction 28 Strategic Outline Business Case includes financial provision to support delivery of the Cullompton Town Centre Relief Road as an integral part of the J28 submission. The Network North announcement presents a significant opportunity with regard to securing funding to enable delivery of the upgrade to J28 and the Railway Station re-opening.

CR2	Cyber Security	Current Severity: 5	Current Likelihood: 4	Current Risk Rating: 20
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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
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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. Although this has only been added now as an action, it has been running for a number of years.	Brian Trebilcock	Satisfactory	23/01/2024
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CR2.6	Active Directory review: The current Active Directory (AD) (the address book for all users in MDDC to use computers) has been around for over 20 years. it has been managed, updated by ICT Staff and has a lot of clutter. A project is underway to review the configuration of AD to simplify the hierarchy and review the policies applied to the users, PCs and server on the MDDC Network. It will also provide a mean to fully incorporate the Microsoft and NCSC security baselines, to ensure full compliance and improve security.	Brian Trebilcock	Satisfactory	23/01/2024
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Notes:
Officers are reviewing the report provided by the Local Government Association after the Business Continuity Planning Exercise. An action plan will be created and taken to IT and Information Governance Board for assessment and authorisation in the next few weeks/months.

CR2.6 added in January 2024.

CR3	Failure to meet Climate Change Commitments by 2030	Current Severity: 3	Current Likelihood: 5	Current Risk Rating: 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	01/02/2024
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	01/02/2024
Notes: Corporate: Good progress has been made in many aspects such as electricity usage, however the overall carbon footprint has increased since 2018/19. 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. Corporate Management Team agreed draft guidance on climate and sustainability statements (e.g. projects and committee reports).				

Community: 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: 3	Current Likelihood: 3	Current Risk Rating: 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	01/02/2024
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	01/02/2024
CR4.6	Local Authority Housing Fund 1 acquired properties: Dedicated temporary accommodation for the scheme to alleviate potential homelessness pressure as hostings end.	Simon Newcombe	Completed	01/02/2024
CR4.7	Finance update: Revised payment for new guests are £5k per person and Government have changed monthly payments for long-term hosts to £500 per month. Scheme extended to March 2025. Review of monthly payments completed across mandated and discretionary elements completed. Some enhancement will continue for existing hosts then revert to £500 max under Government funding. All revisions costed as deliverable per new Q2 and Q3 returns for 2023/24 and revised scheme/payments per head going forward into 2024/25.	Simon Newcombe	Satisfactory	01/02/2024

CR4.8	Voluntary, Community and Social Enterprise contract support: Ongoing review of potential provision from April 2024 under more limited funds available from reduced per person funding from Government (see CR4.7). Some CHAT provision looks possible to support application of continued grants to support transition of existing guests into private rental sector accommodation/ Temporary Accommodation or homelessness avoidance. Citizens' Advice Bureau contract ended as pipeline of new hosts very limited and Universal Credit/ benefits support no longer required at scale.	Simon Newcombe	Satisfactory	01/02/2024
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Notes:

CR4.6, CR4.7 and CR4.8 added in February 2024. CR4.6 marked as completed.

Team Devon collaboration remains effective and implementation of private rental sector (PRS) transition support together with acquisition of accommodation under LAHF funding is managing risk - 10 properties purchased by 31 March 2024 by MDDC in our area; 9 specific to Homes for Ukraine. Budget review completed regards revised monthly payments and remaining funding with likelihood of being able to extend Voluntary, Community and Social Enterprise support contract on limited basis with focus on private rental accommodation transition of existing guests (CHAT). See additional mitigating actions.

CR5	Information Security	Current Severity: 2	Current Likelihood: 4	Current Risk Rating: 8
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	Completed	
Notes: CR5.1 Marked as complete in December 2023. ROPA has been completed and published on the MDDC website ensuring compliance with legislation. An internal ROPA is being completed to link to a RACI matrix for Council use. Following a review from Leadership Team, the current severity has been reduced from 4 to 2, and the current likelihood has been increased from 3 to 4. The overall risk rating is 8.				

CR7	Financial Sustainability	Current Severity: 4	Current Likelihood: 4	Current Risk Rating: 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	Complete	01/02/2024
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	01/02/2024
CR7.3	Reserves: Cabinet have taken the decision to recommend a minimum general reserve balance of £2m.	Paul Deal	Complete	01/02/2024
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	Complete	01/02/2024
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	01/02/2024
Notes: A balanced budget approved by Cabinet in February 2024. This is largely based on low/ medium risk savings in terms of impact and deliverability. Additional funding through grant and the collection fund makes up the difference. The future year estimated deficits remain at £4m whilst significant uncertainty continues around Local Government funding and the ongoing implications of the cost of living crisis. Medium Term Financial Plan discussions are in progress with a strategy being developed that will mitigate longer term shortfalls. CR7.1, CR7.3, and CR7.4 are ongoing management controls and as such have been marked as complete and will be removed.				

CR8	Quality of Planning Committee Decisions	Current Severity: 4	Current Likelihood: 3	Current Risk Rating: 12
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	Completed	05/02/2024
CR8.2	Planning Advisory Service Training being undertaken: To minimise risk associated with Government targets and decision making	Angharad Williams	Satisfactory	05/02/2024
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	05/02/2024
Notes: Action to undertake PAS Committee Review has been marked as complete. This was undertaken with the previous committee and is not currently relevant. The risk rating was reduced in February 2024 from 16 to 12 to reflect the continued positive progress that committee have made.				

CR9	SPV – 3 Rivers – Delivery of Closedown Plan	Current Severity: 4	Current Likelihood: 2	Current Risk Rating: 8
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 the remaining development - set against a challenging housing market.				
Risk Owner: Paul Deal		Risk Type: Economic/Financial		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR9.3	Weekly meetings: Meetings are now held each week between the Shareholder Representative, the Corporate Manager for 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.	Andrew Jarrett	Satisfactory	01/02/2024

Notes:

Agreement has been reached over the sale of St George's Court to the Housing Revenue Account. The sale is currently being finalised and will complete shortly. Similarly, the General Fund will purchase Knowle Lane and the property in Banksia Close imminently giving additional time to continue future options for the site.

The construction of Haddon Heights will complete in February 2024. Currently two units have been sold, a further two have offers accepted and are expected to exchange shortly. Marketing of the remaining five units continues which is now likely to extend past 31 March 2024.

Following review by Leadership Team in February, the risk rating was reduced from 25 to 8.

CR9a	Risk Name: Reputational Impact of 3 Rivers	Current Severity: 2	Current Likelihood: 4	Current Risk Rating: 8
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. This risk is expressed as damage to the company (and hence the council as shareholder).				
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	09/02/2024
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	09/02/2024
Notes: With decisions now having been made, the council clear in its intent, and 'lessons learned' report undertaken by scrutiny, any further reputational damage is now considered minimal. Any remaining reputational influences relate predominantly to external instigators who may choose to oppose the council activity or policy direction on many different areas of service, and as such would be described as a reversion to 'business as usual' in risk terms. Therefore, this risk will be re-evaluated and potentially removed at the next formal review point. Member induction training sessions covered committee and council chairs challenging poor behaviour, and Members managing debate respectfully. The risk rating was reduced from 10 to 8 in February 2024, with the likelihood decreasing from 5 to 4.				

CR10	Cullompton Town Centre Relief Road	Current Severity: 5	Current Likelihood: 5	Current Risk Rating: 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	Action Required	23/02/2024
CR10.2	Ongoing Homes England Discussions: Officers discussing ongoing Housing Infrastructure Fund support	Adrian Welsh	Satisfactory	23/02/2024
CR10.3	Ongoing discussions with land promoters: Ongoing discussions to maximise private funding potential.	Adrian Welsh	Satisfactory	23/02/2024
CR10.4	Land Assembly: Continue land assembly discussions so as to de-risk the project, assist in unlocking scheme delivery and increase the likelihood of securing funding.	Adrian Welsh	Satisfactory	23/02/2024
CR10.5	Complementary projects: Continue to develop and deliver complementary projects such as the Railway Station and the Heritage Action Zone public realm scheme. This will support the case for investment in the town and demonstrate the capacity to deliver.	Adrian Welsh	Fully Effective	23/02/2024
CR10.6	Government Lobbying: Working with local MPs, Devon County Council and senior Members to lobby for investment.	Adrian Welsh	Satisfactory	23/02/2024
Notes: Conversations ongoing with government agencies regarding funding options, particularly regarding recent government transport funding announcements. Work continues with Devon County Council and Homes England to explore options to further de-risk the project. Member briefings undertaken in December 2023 and January 2024 in conjunction with J28 public consultation and Culm Garden Village briefings.				

CR11	Cost of Living Crisis	Current Severity: 4	Current Likelihood: 4	Current Risk Rating: 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	23/01/2024
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	23/01/2024
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	23/01/2024
<p>Notes: There is still a great deal of financial vulnerability in the community. Household Support Fund 4 is busy with applications. This UK Government funding is to support those who are struggling to afford food and energy bills during autumn/ winter. Collection of Council Tax showing improvement. The risk rating will be reviewed in 2024/25, until then it will remain the same. Household Support Fund 5 could be announced in the March budget.</p>				

CR12	Housing Crisis	Current Severity: 4	Current Likelihood: 3	Current Risk Rating: 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	Satisfactory	01/02/2024
CR12.2	MDDC Homeless Prevention & Rough Sleeping Strategy 2020-2025: Focus on rough sleeping, prevention, accommodation options and client support	Simon Newcombe	Satisfactory	01/02/2024
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	01/02/2024
CR12.4	Devon Housing Forum: Regional engagement and collaboration on affordable housing delivery and supported housing – continued engagement	Simon Newcombe	Satisfactory	01/02/2024
CR12.5	Local Plan housing delivery: Market provision of affordable homes	Tristan Peat	Action Required	01/02/2024
CR12.6	Mid Devon HRA Development Programme: 500 new homes 2022/23 – 2026/27	Simon Newcombe	Satisfactory	01/02/2024
CR12.7	Temporary Accommodation: Opportunities to purchase HMO or similar shared market accommodation to meet TA needs/successful business cases made into capital programme. Two HMOs recently purchased, available 2023/24	Simon Newcombe	Satisfactory	01/02/2024
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	01/02/2024
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	01/02/2024
CR12.10	Ivor Macey House: Ongoing provision of Ivor Macey House supported TA accommodation (MDH HRA lease to G/F)	Simon Newcombe	Satisfactory	01/02/2024
CR12.11	Housing Options team staff case load resourcing: Rolling review and successful vacancy approvals	Simon Newcombe	Satisfactory	01/02/2024
CR12.12	Homelessness Prevention Grant: Full utilisation of Homelessness Prevention Grant	Simon Newcombe	Fully Effective	01/02/2024

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	01/02/2024
CR12.15	Private Sector Homes for Ukraine: Team Devon Homes for Ukraine scheme Private Sector Housing transition support	Simon Newcombe	Satisfactory	01/02/2024
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	01/02/2024
CR12.17	Housing Assistance Policy (Better Care Funding): living well at home/homeless prevention and Home Start grants/loans	Simon Newcombe	Satisfactory	01/02/2024
<p>Notes: On track for 60 new MDH Council homes by 31 March 2024 - including first dedicated Care Leaver accommodation identified at Shapland Place, Tiverton modular development. Review of Housing Strategy agreed to commence Spring 2024. Additional refugee scheme Temporary Accommodation 10 properties on track for purchase under LAHF1 funding by 31 March 2024 - will alleviate Homes for Ukraine and Afghan scheme housing pressures and be long-term temporary accommodation (TA) for MDDC. Additional 2 former HMO purchases available Q4 2023/24 as general Temporary Accommodation following refurbishment (one already partly occupied). Department for Levelling Up, Housing and Communities/ Local Government Association National Strategic Advisory Group meeting Jan 2024 with Right To Buy reforms discussed - work stream for 2024/25. Restructure and resourcing proposal for Housing Options team review complete – Leadership Team presentation in February 2024.</p> <p>This risk also has interdependencies with Corporate Risk 11: Cost of Living Crisis.</p>				

CR13	Operation of a Waste Management Service	Current Severity: 4	Current Likelihood: 2	Current Risk Rating: 8
Risk Description: Operating and maintaining a continuous waste management service across Mid Devon within budget faces a range of risks. These include staff recruitment and retention, workforce sickness and the maintenance and operation of fleet vehicles.				
Risk Owner: Matthew Page		Risk Type: Financial, Technical, Reputational		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR13.1	Workforce management: Regularly reviewing (Morning Managers' catch-up calls, monthly budget monitoring and quarterly performance reviews) the state of the workforce and	Darren Beer	Satisfactory	24/01/2024

	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.			
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	24/01/2024
CR13.3	Fleet Vehicles: Vehicle provision including maintenance and operation is reviewed on a daily basis by the Fleet Manager. Two weekly meetings are set up with SFS (maintenance and lease provider) backed up by quarterly meetings with MDDC and SFS management. Regular meetings are set up with other MDDC services that use the fleet to ensure current contractual guidelines and compliance are adhered to.	Darren Beer	Satisfactory	24/01/2024
<p>Notes: Long term sickness is now at its lowest for a considerable period of time. Sickness rate per FTE has reduced further. Recruitment programme in place to manage cover for holidays and average sickness levels. Vehicles are being hired on an ad hoc basis to cover peaks in requirement.</p> <p>Following review by the Leadership Team in February 2024, the risk rating was decreased from 12 to 8, with the current risk likelihood now 2 (previously 3).</p>				

CR14	Workforce Shortage	Current Severity: 3	Current Likelihood: 2	Current Risk Rating: 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	30/01/2024
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	30/01/2024

CR14.3	Retention: Consideration of employee benefits at the Council.	James Hamblin	Satisfactory	30/01/2024
Notes: Industrial action commentary in the media has reduced. Negotiations on next year's pay award have started, however we expect this not to be resolved by 1 April 2024. Sickness and turnover being discussed within services at the Quarterly Performance Meetings. Ongoing conversations with Leadership Team regarding staff benefits. Sickness absence is increasing, however we have seen a reduction in turnover and associated agency spend.				

CR15	Corporate Property Fire Safety	Current Severity: 3	Current Likelihood: 3	Current Risk Rating: 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	29/01/2024
CR15.2	Investment Programme (2024/25): Funding has been allocated to implement fire safety improvements at the same level as for 2023/24.	Keith Ashton	Satisfactory	January 2024
Notes: CR15.2 Added in January 2024. The project to ensure the Phoenix House escape routes were up to standard is complete, less two minor challenges. The surveys required prior to starting escape route works at the three leisure centres is complete, with works anticipated to begin during February 2024. Upon completion of these sites, focus will move to other corporate sites.				

CR16	Building Control Service viability	Current Severity: 3	Current Likelihood: 3	Current Risk Rating: 9
<p>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.</p>				
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	20/02/2024
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	01/02/2024
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	Completed	20/02/2024
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	01/02/2024
<p>Notes: CR16.2: 8 vacant posts reduced to 3. Three agency surveyors reduced to 1 currently. Future need for agency support will be dependent upon workload, future success in the next recruitment round and team's success in the forthcoming validation exams/ability to register.</p> <p>Market Supplements due to end in June 2024. Reviewing options with Human Resources to find a solution to maintain competitive Terms and Conditions.</p> <p>CR16.3: Economic climate has seen a reduction in income and number of applications received. End of year Outturn forecast reduced. Market share remains consistent at 74% (Average) - Q3 was 80%. Charges will be raised by 6.7% in April 2024.</p>				

CR16.4: First phase Duty Holder Building Safety Act Changes have been implemented: application forms, acknowledgement letters, approval notices, commencement and completion processes changed.

Delegation of enforcement powers to registered surveyors is in progress with legal.

Action and training plans/ training logs are being developed for individual surveyors and will be finalized once the exam results are known.

IDOX are yet to release the final upgrade to Uniform to allow us to commence work on the KPI requirements of the Building Safety Regulator. Anticipated release date now mid Feb 2024.

Local Authority Building Control yet to finalise changes to ISO QA Framework to accommodate Building Safety Regulator regime. Once received we will need to revise our back office processes to be in line with the new requirements.

CR17	Severe Weather Emergency Recovery	Current Severity: 4	Current Likelihood: 3	Current Risk Rating: 12
Risk Description: When there is an event/incident which has potential to harm people or property a multi-agency response may be required in the form of declaring an “Emergency” through the Local Resilience Forum (LRF). This process is split into two phases; 1: The Response which is chaired predominantly by the police and is often heavily focused on the blue light services during/immediately following the event/incident. 2: Recovery which is chaired by the Local Authorities and is more focused on Local Councils working with communities to achieve a state of new normality. Because of this, MDDC has a large role to play within the Recovery Phase as a Category 1 responder of which there are many risk to the organisation from Financial, Reputational and Legal. This risk assessment is specifically looking at our most common event that escalates to an emergency which is Severe Weather including extremes in heat/cold, floods and wind etc.				
Risk Owner: Simon Newcombe		Risk Type: Economic/Financial/Capacity/Reputation		
Mitigating Actions		Responsible Officer	Current Effectiveness	Review Date
CR17.1	CMT Capacity: There is a member of CMT on rota. This role covers incident manager (response) or can be specifically assigned to the recovery phase including chairing/ co-chairing the LRF recovery group. This will be in addition to their regular responsibilities. Due to this, the Resilience Officer or another Corporate Manager can be brought in to assist with the multi-agency duties as required. With CMT now being five people,	Simon Newcombe	Satisfactory	January 2024

	there is increased pressure and meeting this mitigation will be dependent on the CMT having no vacancies and being available during the recovery phase of an incident. This action will be kept under review.			
CR17.2	Adequate Continuity Planning: Each service area needs up to date Business Continuity Plans to effectively retain critical services during and after an emergency. Training will be provided and plans reviewed by the Resilience Officer.	Lewis Dyson	Action Required	January 2024
CR17.3	Overall Staff Capacity: Each business area will understand their critical functions and ensure they are functioning during recovery. Above this each service area will manage their own capacity to deal with recovery plus their business as usual through agency, overtime and mutual aid as detailed within their Business Continuity Plan.	Lewis Dyson	Action Required	January 2024
CR17.4	Out of Hours Capacity: Only CMT, Housing and Waste have Out of Hours within their contracts and so other services would need to rely on goodwill/ civic duty to cover any out of hours work during response and recovery. Paper detailing current out of hours gaps to be produced alongside a clear outline of which critical roles need some level of out of hours cover.	Lewis Dyson	Action Required	January 2024
CR17.5	Financial Availability: Vulnerable people may need financial assistance due to damage caused by an incident. There may be other additional costs incurred through the recovery stage and there is no central budget for the recovery phases of an emergency and government support under the Belwin Scheme only covers the response phase of an incident. Costs will therefore have to be met from strategic financial reserves retained at circa £2m. Exceptional support requests into central government if required.	Paul Deal	Completed Satisfactory	January 2024
CR17.6	Waste Collection Backlog: Due to the nature of the incident it is likely that there will be additional waste collection requirements in terms of debris, missed collections due to Health and Safety considerations, and additional waste from properties damaged by the weather (i.e. flooded properties). Additional agency staff/	Matthew Page	Satisfactory	January 2024

	overtime may be required alongside additional routes to meet the backlog and keep up with increased demand.			
CR17.7	Increased Public Health demand: Public Health may be required to support in additional assessments during recovery. They will be warned of potential increase in demand prior/ during recovery to ensure cover.	Simon Newcombe	Satisfactory	January 2024
CR17.8	Roles and responsibilities: To ensure effective and efficient delivery of the recovery there needs to be clearly defined roles and responsibilities at all levels in the Council. These will be set out within the upcoming resilience strategy.	Simon Newcombe	Action Required	January 2024
CR17.9	Reputational damage: During the recovery phase of an emergency there will be a lot of differing priorities and expectations from our communities. This can lead to potential conflicts, disputes and confusion. The Communications Team will work to give clear messaging which is in line with the multi-agency communications plan. Sufficient media training will be given to the Leadership Team and key members of the Council to ensure the correct information is being released to the media and communities.	Lisa Lewis	Action Required	January 2024
Notes: CR17: Added in January 2024.				

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- 1.3 Risk Management forms an integral part of the Annual Governance Statement which is concerned with demonstrating that the Council has adequate and effective internal control arrangements in place for managing risk.
- 1.4 One of the principles of good governance as defined by the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) is managing risks and performance through internal control and strong public financial management.
- 1.5 Risk Management is not a separate initiative, but is a demonstration of good management practice. The Council has an obligation to provide assurance to Members and the community that the principles of good governance, including Risk Management are reflected in the activities of the Council.

2.0 Risk Management Policy Review

- 2.1 In Autumn 2022, the Council established a new officer role with responsibilities for coordinating the risk management process, the Corporate Performance and Improvement Manager. Also, an internal audit of the risk management process was undertaken over Winter 2022/23.
- 2.2 The Risk Management Policy was thoroughly reviewed and presented to Audit Committee in March 2023. As part of the review, the risk management process was revised, with detailed guidance provided at each stage. To simplify the policy and provide more accountability to senior officers, a corporate risk register was established. On the basis of this, in-house training was developed and rolled out to officers.
- 2.3 The revised Risk Management Policy and associated process has become embedded and is working well. Therefore only a small number of changes are suggested to the Policy.
- 2.4 Any additions to the Policy are in red font, with the sections starting and ending with an asterisk. There are two main changes. Firstly some example guidance is included in the Policy on scoring risk severity and likelihood (Section 5.4). Secondly, clarification of risk treatment for risks with a rating between 5 and 9 is given at Section 5.5.
- 2.5 The council's risk appetite has not changed.
- 2.6 Approval of the Risk Management Policy (Appendix 1) will assist the Council to embed risk management and demonstrate good governance principles.

Financial Implications

Failure to mitigate risks or take advantage of opportunities could result in financial loss to the Council.

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 performance and demonstrating clear accountability is a key element of the Council's governance arrangements.

Impact on Climate Change

No impacts identified for this report.

Equalities Impact Assessment

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

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: 12 Mar 2024

Statutory Officer: Maria de Leburne

Agreed on behalf of the Monitoring Officer

Date: 12 Mar 2024

Chief Officer: Stephen Walford

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

Date: 12 Mar 2024

Performance and risk: Steve Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

Date: 28 Feb 2024

Cabinet member notified: (yes/no)

Report: Exclusion of the press and public from this item of business on the published agenda on the grounds that it involves the likely disclosure of exempt information. (No)

Appendix: Exclusion of the press and public from this item of business on the published agenda on the grounds that it involves the likely disclosure of exempt information. (No)

Section 4 - Contact Details and Background Papers

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

Background papers:

Risk Management Policy 2024/25



1.0 Background

- 1.1 The Risk Management Policy details Mid Devon District Council's (MDDC) framework for managing risk. 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.
- 1.2 The Association of Local Authority Risk Managers defines Risk Management as:
- "Risk Management is the culture, processes and structures that are directed towards effective management of potential opportunities and threats to the organisation achieving its objectives".*
- 1.3 Maintaining, developing and improving public services in the current financial climate requires opportunities to be taken whilst managing the risks involved. Therefore Mid Devon District Council's definition of Risk Management is:

"The planned and systematic approach to identify, evaluate and manage the risks to, and opportunities for, the achievement of objectives"

2.0 Purpose, Aims and Objectives

- 2.1 The purpose of the Policy is to embed Risk Management in MDDC by establishing a risk management framework, which provides:
- An efficient control environment
 - Accountability for risk management throughout the organisation
 - A culture where officers and Members are able to be more creative and innovative in taking opportunities that benefit the Council and the District provided that there is clear analysis of the risks and a robust justification for the decision
 - A well-established risk assessment process which ensures that risks are considered and managed as part of the decision making process
 - Performance monitoring of risk management activity
 - Communications process to support risk management
 - A robust opinion for the Annual Governance Statement which comments of the adequacy of the Council's risk management arrangements
- 2.2 The aim of the MDDC Risk Management Policy is to adopt industry standard practices in the identification, analysis, evaluation and treatment of risks and opportunities.
- 2.3 It is acknowledged that some risks will always exist and will never be eliminated. All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided.
- 2.4 The risk management objectives of MDDC are to:

- Embed risk management into the culture of the council
- Fully incorporate risk management as an integral part of corporate planning, business planning, project management and performance management
- Manage risk in accordance with best practice and in particular in accordance with the requirements of the Annual Governance Statement
- Consider legal compliance as a minimum
- Prevent injury and damage and reduce the cost of risk
- Raise awareness of the need for risk management

2.5 These objectives will be achieved by:

- Establishing a clear risk management process that is communicated to all officers and Members
- Clearly defined roles and responsibilities for risk management
- Providing risk management training to officers and Members
- Completing corporate and service risk management workshops to identify risks
- Maintaining and reviewing corporate and service risk registers, with responsible officers assigned to each risk
- Ensuring that committee reports include an assessment of associated risks
- Identifying risks and opportunities in relation to working in partnerships
- Ensuring that the Cabinet and Audit Committee receive regular reports on strategic risk and the actions taken to manage these.

2.6 The following sections consider how the Council will implement the above objectives.

3.0 Roles and Responsibilities

3.1 The following groups and individuals have the following roles and responsibilities for risk management at MDDC.

3.2 The **Audit Committee** will approve this Risk Management Policy and any subsequent revisions. They will also receive and scrutinise quarterly reports on the council's Corporate Risk Register, the actions taken to manage these risks, and will consider the adequacy of the Council's risk management arrangements as part of the Annual Governance Statement.

3.3 The **Leadership Team** is primarily responsible for setting the organisation's risk appetite and identifying corporate risks, as well as being responsible for determining mitigating actions and delegating responsibility for the control of the risks. The wider management will also be responsible for monitoring the progress of managing risks and will review committee reports.

3.4 The **Cabinet** will monitor the effective implementation of risk management at MDDC by receiving quarterly reports on the Council's corporate risks.

3.5 The **Policy Development Groups (PDGs)** will receive updates on risks relating to any policy development matters as required. Any concerns or issues will be reported to the Cabinet.

3.6 The **Leader of the Council** will:

- Communicate the importance of risk management to other Members
 - Act as a sounding board and provide a critical friend challenge to the risk management process
- 3.7 **Directors/ Corporate Managers** will:
- Lead the risk management process within their services and ensuring that business plans include an annual assessment of risk
 - Identify and manage significant operational risks by carrying out risk assessments with their teams as and when this becomes appropriate e.g. if making a significant change to service or undertaking a project
 - Develop actions to mitigate the risks identified, assigning responsibility for implementing controls and setting target dates for implementation
 - Ensure that all corporate and service risks are managed on SPAR (the council's corporate performance and risk management system) and other service risk assessments held on the corporate health and safety drive.
 - Regularly review risks associated with their service area(s) ensuring that the agreed actions and deadlines have been met
 - Ensure that any briefing papers/ reports that they produce to make changes to their services effectively consider associated risk implications.
- 3.8 The **Corporate Performance and Improvement Manager** is responsible for providing assurance to the Council through monitoring the implementation and effectiveness of this Risk Management Policy. They will also comment upon the effectiveness of the risk management process in work undertaken to support the Annual Governance Statement.
- 3.9 **Internal Audit** will consider risk and controls in their audit reviews and report on the adequacy of risk management in those areas. Internal Audit will also undertake audits of the Risk Management policy/ control framework.
- 3.10 The **Health and Safety Committee** is responsible for reviewing the measures taken to ensure the health and safety of all those who work in and visit the council or may be affected by its activities - ensuring that people are not exposed to risks and that the risks are mitigated effectively. Where concerns are raised these will be escalated to the Health and Safety Officer and Leadership Team for action.
- 3.11 All **employees** need to have an awareness of risk management and are responsible for ensuring that they manage risk effectively in their jobs and report hazards and risks to their line manager.
- 4.0 Strategic, Operational and Project Risks**
- 4.1 Broadly speaking risks can be divided into three categories:
- **Strategic** – risks which need to be taken into account in judgements about the medium to long term goals and objectives of the council whilst at the same time considering the opportunities
 - **Operational** – risks and opportunities which managers will encounter in the daily course of their work
 - **Project** - risks and opportunities which will be encountered during specific tasks/ projects

4.2 Strategic Risks

- 4.2.1 The management of strategic risks is a core responsibility of the Leadership Team and the Corporate Management Team. The identification and management of strategic risk should be factored into corporate and service planning.
- 4.2.2 The Leadership Team are primarily responsible for the management of corporate risks (strategic risks which could impact on the achievement of corporate priorities).
- 4.2.3 The Corporate Management Team are primarily responsible for the management of service risks (strategic risks which could impact on the achievement of service priorities).
- 4.2.4 The major categories of strategic risk are:
- **Political** – associated with failure to deliver either local or central government policy. The council could also potentially be at risk from the actions of other agencies, other councils, partner organisations, etc.
 - **Economic** – affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures as well as external factors affecting the economy as a whole.
 - **Social** – relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to deliver its objectives.
 - **Technological** – associated with the capacity of the council to deal with the pace/ scale of technological change, or its ability to use technology to address changing demands.
 - **Legislative** – associated with current or potential changes in national or European Law.
 - **Data Protection/ Information Security** – this includes the consequences of data/information transfer between the Council and other Bodies e.g. Government Connect, Partnership working, etc.
 - **Environmental** – relating to the environmental consequences of progressing the council's strategic objectives (e.g. in terms of climate change including energy efficiency, pollution, recycling, landfill requirements, emissions, etc.).
 - **Health and Safety** – This includes all aspects of Health & Safety as well as the Corporate Manslaughter legislation
 - **Competitive** – affecting the competitiveness of the service (in terms of cost or quality) and/ or its ability to deliver Value for Money.
 - **Customer/ Citizen** – associated with failure to meet the current and changing needs and expectations of customers and citizens.
 - **Partnership** – associated with working in partnership or sharing services with another local authority or partner

4.3 Operational Risks

- 4.3.1 Operational risks are those which managers and staff will encounter in the daily course of their work. These may be:
- **Professional** – associated with the particular nature of each profession (e.g. housing service concerns regarding the the welfare of tenants).
 - **Financial** – associated with financial planning and control and the adequacy of insurance cover.
 - **Legal** – related to possible breaches of legislation.

- **Personal Safety** – related to lone working and the potential to encounter aggressive or confrontational people whilst carrying out their duties.
- **Physical** – related to fire, security, accident prevention and health and safety (e.g. hazards/risk associated with buildings, vehicles, plant and equipment, etc).
- **Contractual** – associated with the failure of contractors to deliver services or products to the agreed cost and specification.
- **Technological** – relating to reliance on operational equipment and the potential for technological failure (e.g. IT systems or equipment and machinery)

4.4 **Project Risks**

4.4.1 Risks which will be encountered during specific tasks/ projects being undertaken. These may be:

- **People** – associated with whether we have the right people with the right skills involved in the project. This also concerns getting buy in from staff at all levels of the organisation, Members and potentially external stakeholders
- **Technical** – associated with the Council’s reliance on the software provider to deliver what has been agreed in the contract and that they provide support for dealing with any system problems or issues
- **Cost** – associated with the potential for the project to go over budget if the people and technical matters are not delivered as per the Business Case and Project Initiation Document.
- **Time** – ensure that the right amount of time is allocated to the project as well as sufficient contingency as slippage can cause to project delay/ failure and this can also have an impact on cost and quality
- **Quality** – depending on what goes into the project will determine the quality of the output

4.5 **Opportunities**

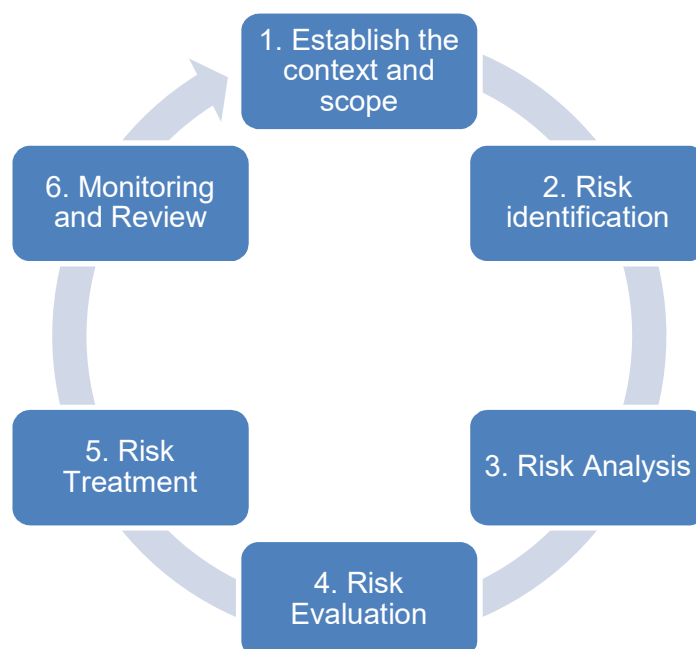
4.5.1 Opportunities are to be considered at the same time as risk. Examples may include:

- Spend to save projects where the Council will benefit from reduced expenditure or increased income in the future
- Transformational change which will generate cost savings or an income stream
- Opportunities for partnership working with our stakeholders or other local authorities
- Opportunities to streamline working processes
- Opportunities to boost the local economy
- Opportunities to deliver and improve housing within the District
- Opportunities to protect and enhance our environment
- Opportunities to make a difference to our communities and to empower them
- Delivery of the objectives in the Corporate Plan and Service Business Plans

4.6 The categories are neither prescriptive nor exhaustive. However, they should provide a framework for identifying and categorising a broad range of risks and opportunities for the Council as a whole, as well as service areas.

5.0 RISK MANAGEMENT PROCESS

5.1 Risk management can be defined as a six step process. Steps 2 to 4 are collectively known as a strategic risk assessment.



Underpinning each of these stages is communication and consultation with interested parties. The aim of this is to ensure internal and external (if appropriate) stakeholders are considered and involved in our work to understand and define our risks.

5.2 Step 1: Establish the Context and Scope

Risk management happens at different levels (e.g. project, operational, strategic), for different purposes, and at different times. When working on risk management it is important that everyone involved understands the scope of the work they are undertaking. Three questions should be considered:

1. What are we considering risks to?
For example, if the goal is to produce a project risk register, participants should be identifying risks to the project's objectives.
2. What timescales should be considered?
Normally this would tie in with a planning cycle, or a project lifetime.
3. Who needs to be involved at each stage and what information do they need?

Ideally the same group will be involved throughout the risk assessment stages (steps 2-4) to provide a consistent approach.

5.3 Step 2: Risk Identification

Once the context and scope of the risk management activity has been established, risks can be identified. This should be a group activity, pooling all relevant expertise. It can be done in a number of ways, including:

- Brainstorming session or workshop
- Interviews
- Meetings with small groups of people
- Questionnaires
- Taking from other Council strategies

- By consulting other risk or compliance type services, e.g. Health & Safety, Information Security, Internal Audit etc.

Existing sources of information can also be used to help identify potential risks. To help identify risks, it can be helpful to think about the different sorts of risks that might arise (as detailed at Sections 4.2.4; 4.3.1; and 4.4.1).

As risks are identified, it is crucial for them to be clearly defined. Failure to do so can cause confusion later about the exact nature and/or consequence of the risk. This can lead to ineffective controls being implemented, or the risk analysis being over or underestimated. Risks should be defined in terms of the potential cause(s) and consequence(s).

5.4 Step 3: Risk Analysis

The purpose of this stage is to get a better understanding of each risk. The analysis also helps prioritise which risks are most significant and need more attention, effort, and resources. It also allows comparison between different types of risk using a risk matrix that plots likelihood and severity.

Each risk will be analysed for the likelihood it will happen (scored from 1 to 5) and the severity (scored from 1 to 5) if it did happen.

*Below is a brief guide to scoring risks. The examples below are neither prescriptive nor exhaustive. Fuller guidance is provided to officers in associated guidance.

Risk Severity

1 – Very Low

- Localised minor injury or health impact to one person (no time off work required)

2 - Low

- Localised minor injury or health impact to one person (small time off work required eg less than 1 week)
- Small financial loss or service cost increase (less than £5,000)

3 - Medium

- Minor injury or health impact to multiple persons (small time off work required eg less than 1 week)
- Injury or health impact to one person (substantial time off work required eg more than 1 week)
- Financial loss or service cost increase (eg over £5,000)
- Theft of Council property, assets, resources (less than £5,000)
- General loss of confidence and trust in the Council within the local community

4 - High

- Serious injury or health impact to one person
- Loss of contract, resource, data or equipment resulting in long-term inability to maintain service or short-term inability to maintain several services
- Localised damage to Council property / premises
- Localised environmental impact

5 - Very High

- Serious injury or health impact to several or death of a person
- Loss of contract, resource, data or equipment resulting in long-term inability to maintain several services
- Serious damage / destruction of Council property / premises
- Prosecution for failing to comply with / serious breach in, or non-application of legislation / accepted standards
- Serious, District-wide environmental impact
- Serious financial loss or service cost increase (eg over £100,000)

Risk Likelihood

1 - Very Low

- Substantive, effective, tested and verifiable internal controls / mitigating actions in place
- Previous experience at this and other similar organisations makes this outcome highly unlikely to occur

2 - Low

- Effective internal controls / mitigating actions in place
- Previous experience discounts this risk as being likely to occur but other organisations have experienced problems in this area

3 - Medium

- Some internal controls / mitigating actions in place, but in need of review / improvement
- Existing controls generally work but there have been occasions when they have failed and problems have arisen
- The Council has in the past experienced problems in this area but not in the last 12 months


4 - High

- Poor or ineffective internal controls / mitigating actions in place, or existing controls are generally ignored
- The Council has experienced problems in this area within the last 12 months

5 - Very High

- No internal controls / mitigating actions in place
- The Council is experiencing problems in this area or expects to within the next 12 months*

This assessment should be made considering controls that are already in place and working effectively. Controls that are not yet in place should not be considered. The impact should be considered against the relevant objectives, e.g. corporate risks against corporate objectives, project risks against project objectives. The risks should then be plotted on the risk matrix once all likelihood and severity scores have been agreed.

 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 					

The overall risk rating for a risk is calculated by multiplying the risk severity and the risk likelihood, this is shown on the risk matrix.

The risks will then need to be considered in conjunction with any opportunities when making decisions (or taking risks).

Benefits of Opportunities

The assessment methods for determining the potential benefits of opportunities can include:


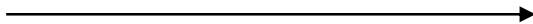
- Assessing the increased income/ reduced expenditure from the innovation
- Quantifying the number of potential new customers
- Calculating the potential sales growth that could stem from capturing the opportunity
- Calculating the return on investment for a particular project and whether that is the level of return that the Council is looking for
- Considering the value added as a result of capitalising on the innovation e.g. the benefit to the community

5.5 Step 4: Risk Evaluation

The evaluation step is the final stage of the risk assessment process. This will inform decisions about the treatment of the risk. The first stage is to identify what the appetite for risk is. The council's current risk appetite is that:

- Risks with a risk rating between 15 and 25 are classed as high risk (red);
- Risks scoring between 5 and 12 are classed as medium risk (amber); and
- Risks scoring between 1 and 4 are low risk (green).

Any risk which scores 10 or above is deemed above the risk appetite and treatment is required. **Risks which score between 5 and 9 may require treatment at discretion of the risk owner(s). Treatment is particularly likely where it is a strategic risk.**

 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					
						

The final stage of the risk evaluation will include a decision about how to manage each risk:

1. Do nothing: No further treatment of the risk is required other than to monitor the risk and ensure any controls continue to be effective (Below the risk appetite).
2. Treatment: Further treatment is required (Above the risk appetite).
3. Further Analysis: More analysis of the risk is required before it can be fully evaluated.

When evaluating risks, the following should also be considered:

- The council as a whole has a zero tolerance approach to fraud. Fraud risks must be considered as part of the development of all risk registers
- The council will not tolerate any risks which could result in the breaking of any laws or regulations, or ultra vires (acting without its legal powers or authority)
- The response to any risk should comply with relevant council policies and procedures
- The level of confidence of the risk is fully understood, i.e. the root causes, the potential consequences and the likelihood of it happening

5.5 Step 5: Risk Treatment

For risks which require management, appropriate treatment needs to be implemented. There are four options which should be considered:

1. Avoid the risk – By ending the activity, the council’s involvement in a project or partnership, or by doing things in a different way

2. Transfer the risk – By passing some or all of the responsibility for negative consequences to a third party, such as an insurer or contractor.
3. Take the risk – pursue the opportunity
4. Change the risk – by taking actions to reduce the likelihood or impact of the risk

The treatment approach will need to consider the current risk rating, a target risk rating (usually below the risk appetite line), and how quickly the council wants to treat the risk.

In the risk treatment stage, a decision should also be taken as to whether the risk should be escalated, for example from a service level to a corporate level.

Factors affecting this decision include:

- The impact, should the risk occur, on other services within the Council
- Whether the risk requires coordinated action or higher level leadership to manage it

5.6 Step 6: Monitoring and Review

Each council service, project manager, or contract manager is responsible for maintaining a risk register as deemed necessary. A risk register is a list of all the related risks being monitored and managed.

The Corporate Risk Register will be coordinated by the Corporate Performance and Improvement Manager. Leadership Team will determine which risks are managed through the Corporate Risk process. The Corporate Risk Register will be reported quarterly to the Audit committee and to Cabinet.

Monitoring and review of risks should occur at least annually, but will likely require more regular review. The frequency should be determined by the group managing the risk, or the responsible project manager. It will be influenced by the types of risk, and their potential impact and likelihood.

Committee reports may also trigger a review of risks, and decision makers may wish to be made aware of how any decision may affect risks that have already been identified.

For each risk on a risk register the following information should be captured:

- Risk name and risk description
- Risk owner (who has ultimate responsibility for managing the risk)
- Current risk rating
- Risk actions (being taken to mitigate the risk), along with the responsible officer
- Any additional information as required to help with monitoring the risk.

Leadership Team and Members expect to see up to date and relevant review notes for the mitigating actions on all risks reported to Committee.

6.0 Risk Management Training, Guidance and Awareness

6.1 For the benefits of Risk Management to be realised, it is necessary for the process to be embedded in the culture and operations of the organisation.

- 6.2 Strategic Risk Management training ***is available for officers.*** This will support officers to manage risk. Additional guidance and training will be developed for officers and Members as required.

Internal Audit Progress Report 2023-24

Mid Devon District Council
Audit Committee

26 March 2024

Tony Rose
Head of Audit Partnership

Paul Middlemass
Audit Manager

CUSTOMER
SERVICE
EXCELLENCE



CSE



Auditing for achievement

Agenda Item 12.

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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Opinion Statement

Based on work 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

To support our expected overall assurance opinion for 2023/24, so far this year we have provided two Substantial, ten Reasonable, and one Limited assurance opinion. Work is ongoing to complete the rest of the audit plan.

We provided a Substantial for our audit of Housing Benefit. We assessed there were good controls, although we noted quality control checks were sometimes constrained through insufficient resource.

We reviewed progress to implement our recommendations on Emergency Planning. The appointment of a permanent "Resilience Officer" is resulting in effective steps to improve emergency planning and business continuity, and consequently reduce council risk.

We also provide a Limited Assurance report for the Building Control Partnership, which is shared with North Devon Council. A significant issue is problems with recruiting Building Control Officers which is having a performance and finance impact on the organisation.

Summaries of those 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. Our annual fraud assessment is provided as a separate agenda item and notes the good arrangements to identify and manage 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 resulted in 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

We are continuing to complete our audit plan and do not anticipate any issue in substantially delivering it to inform our Annual Assurance Opinion.

During the year we have agreed to defer audits into 2024/25 related to:

- 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.
- Environmental Enforcement, as recruitment is underway to fill the council position.

The Committee will know the Internal Audit Plan is intended to cover the period April 2023 to March 2024. Practically 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 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 21 Medium priority management actions overdue. This compares to the 2 High and 22 Medium recommendations reported at the December Audit Committee. A further 43 recommendations with a target date at the end of March 2024 have not been included.

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. The following list CSQ scores in the last couple of years:

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
Equality and Diversity	Very Satisfied
Culm Valley Leisure Centre	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:

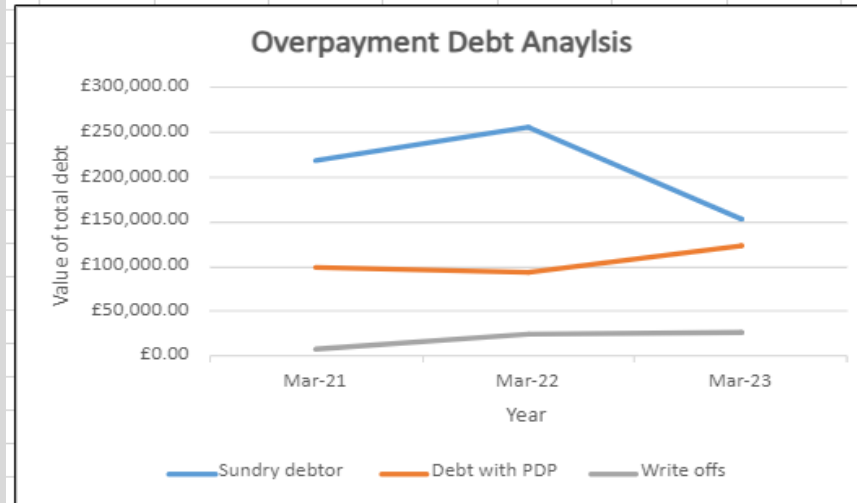
- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- Undertaking similar audits across different councils to identify and share good practice.
- Confirming that core controls continue to be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

Recruitment of Independent Audit Committee members

Following our recruitment exercise a candidate has been identified and is attending this committee meeting.

Appendix 1 – Summary of audit reports and findings

Audit and Assurance Opinion	Summary, Risk Exposure and Management Actions
<p>Housing Benefits</p> <p>Substantial Assurance</p>	<p>Our review of Housing Benefit found the control environment to be sound and well controlled to support a Substantial Assurance opinion. User access is restricted and in accordance with job roles. Payments are monitored for consistency which helps to identify any unusual/incorrect payments. Monthly reconciliations are carried out by finance. Overpayments are monitored and, for the sample checked were being recovered. The ICT back up process has been extended to improve resilience and the ICT disaster recovery plan has recently been purchased on a three-year contract.</p> <p>The team has a target to check 4% of assessors work to ensure the accuracy of work. This helps to identify areas of weakness which can be resolved with training. The officer who carries out the 4% checking of work also carries out the subsidy audit for the external auditors. Although the Revs and Bens Team Leader provides some capacity to help with subsidy, there is not enough capacity to cover the 4% checking during times of absence or when the subsidy audit is taking place.</p> <p>The team review all claims which take over 30 days to process and these are reported to DWP. They also keep stats and these show that the team’s processing times of both new claims and changes to circumstances are very good and quicker than the national average.</p> <p>Write offs have a valid reason for being processed and have been signed off in accordance with the financial regulations.</p> <p>The chart below shows the level of overpayment and write off value over the last three years:</p> <p>The blue line shows the level of overpayment which has been raised as a sundry debt. The Council is responsible for collecting this overpayment.</p> <p>The orange line - Payment Deductions Project (PDP) - shows overpayments referred to be recovered from Universal Credit benefit by DWP.</p> <p>The grey line shows the level of write off for each year.</p>



We agreed one Medium and one Low priority management action.

Emergency Planning

The council is making progress to improve the framework to support Emergency Planning and Business Continuity. The absence of a dedicated officer to take forward this work delayed implementation of the agreed management actions of our audit report of Feb 22. A Resilience Officer (dealing with Emergency Planning and Business Continuity) is now in post and has good focus on the actions needed to take forward the work.

Reasonable Assurance

This work has included a more active role in working with the Devon Emergency Planning Partnership, including visiting and reviewing Rest Centre amenities and contacts along with an overall Devon wide review to ensure Rest Centres can be stood up as and when required. The group is also looking to review the Response aspect of the Emergency Plan template, and the Business Continuity Plan template which the council will then use to update its current EP and BCP plans.

A Resilience Strategy has also been drafted; this will help detail out the framework and provide direction to improve council resilience. We have made suggestions to amend the draft strategy including ensuring there is good linkage to the councils Climate Change work particularly related to "Adaptation" - preparing the council and local area for more extreme weather events. In that regard, the recent addition of "Weather" as a Corporate Risk is useful in ensuring there is good focus. We also note the need for focus in the Strategy, and other relevant papers, on the resources (staff and money) required to improve resilience of infrastructure, processes, and systems.

We have commented on progress to implement the agreed management actions; these outline the further work required to implement them. Significant work is needed to review the various EP and BCP plans held and introduce a testing and exercising schedule, to ensure they are fit for purpose. We have provided an overall Reasonable

Assurance as there are plans to address the management actions, but note the significant work needed to address them fully.

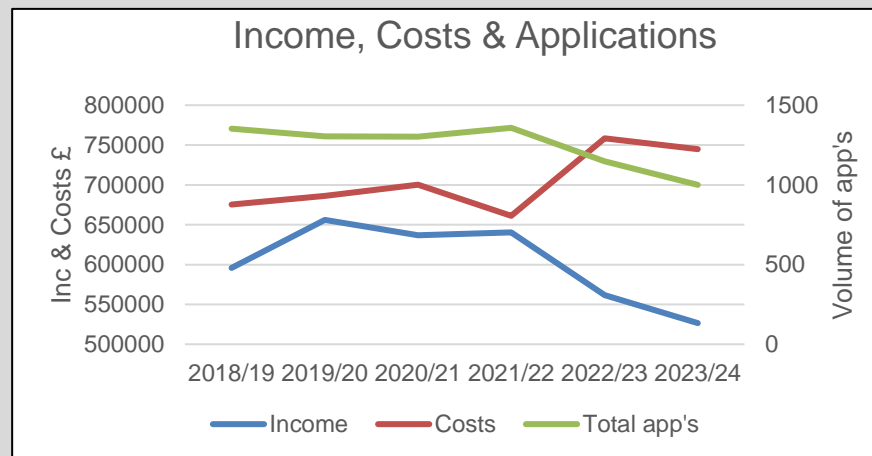
We did not agree any additional management actions to those already agreed in our 2022 audit report.

Building Control

Limited Assurance

A 'Limited' assurance opinion is provided given issues facing the Partnership in providing an effective and timely service and a significant reduction in income. There is significant risk related to longer-term sustainability, given current reserves have been used and ongoing problems in obtaining staff.

The Partnership lost eight officers and support staff following the announcement of regulatory changes in 2022. Attempts to recruit have largely been unsuccessful necessitating a re-think of the career path available in the partnership. At the time of our visit there were four vacant full-time posts. This is of particular concern at a time when regulatory change is taking place and competition from the private sector is intense. There is also a significant shortage of building control officers in the profession making recruitment very difficult. The service is not meeting its Service Level Agreement for application processing and has not covered its costs in the last year, eliminating its reserves, primarily due to the long-term use of agency staff covering vacant positions.



Key Performance Indicators show that market share has been lower than usual in the last year, which combined with the cost-of-living crisis has resulted in fewer applications and proportionately lower levels of income.

These issues may have had a reputational damage to NMDBC and customer confidence as well as increased direct cost to NDC and MDDC (for 2022/23 this was £122k and £73k, compared to £12k and £8k in 2021/22).

The Joint Committee who oversees the Partnership could have been more engaged in proactively managing the situation, but evidence suggests that more recent management has been more proactive.

The Head of the Partnership who took up post in April 2023 is working to stabilise the organisation and address current issues including team resources but will need significant support to address the situation. He issued a detailed report in October 2023 which highlighted the staffing, performance issues, costs, and resources. It also sets our Partnership Priorities going forward; these look appropriate to us. Despite the challenges previously mentioned we consider the team has done remarkably well to continually provide the service throughout this challenging period.

Some processes are complex meaning that applications can only be processed efficiently by experienced staff, requiring additional quality checking and correction when input by current newer team members. This is resulting in longer processing times, inviting further competition for services in the private sector from Approved Inspectors (AIs). Customer satisfaction has not been regularly obtained, despite attempts to repair the Survey Monkey system. A new system to obtain customer feedback should be initiated at the earliest opportunity.

Prices for building control services have already been reviewed this year and are competitive in the marketplace. This will require regular review since competition with AIs is intense. This is particularly visible in the Mid-Devon market which borders with Exeter (where AIs are prevalent) and have a strong appetite.

We agreed one High Priority, three Medium and 1 Low Priority management actions.

The High priority management action related to prioritising the employment of full-time surveyors to replace agency staff, and promotion of the service.

Appendix 2 – Clearance of audit recommendations

The table below shows all recommendations by audit subject. There are no High, 21 Medium and 5 Low recommendations that are overdue.

Audit references	H Not Due	H Overdue	M Not Due	M Overdue	L Not Due	L Overdue	Total Due and Overdue
Building Control	1	0	3	0	0	1	5
Business Continuity	0	0	0	3	0	0	3
Capital Asset Management	0	0	2	0	3	0	5
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	1	2	2	7
Corporate Repairs and Maintenance	0	0	7	0	1	0	8
Council Tax and NNDR	0	0	1	1	0	0	2
Creditors	0	0	1	2	0	0	3
Culm Valley Leisure	0	0	5	0	0	1	6
Cyber Security	1	0	3	0	3	1	8
Emergency Planning	0	0	0	4	0	0	4
Environmental Health	0	0	0	0	1	0	1
Equality and Diversity	0	0	1	1	0	0	2
Homelessness - Housing Options	0	0	4	0	1	0	5
Housing Benefit	0	0	1	0	1	0	2
Housing Health & Safety	0	0	1	0	0	0	1
Housing rents	0	0	2	0	0	0	2
Information Governance	0	0	6	1	0	0	7
IR35	0	0	0	1	0	0	1
Leisure Centre	0	0	2	0	1	0	3
Main Accounting System	0	0	1	0	1	0	2
Member Allowances	0	0	0	2	0	0	2
Payroll	0	0	0	2	0	0	2
Performance Management	0	0	4	0	1	0	5

Procurement	0	0	0	2	2	0	4
Recruitment, Selection & Succession Planning	0	0	0	1	0	0	1
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	2	0	5
Total	2	0	52	21	22	5	102

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

Audit references	Priority	Title	Objective	Target Date	Arising - managers comment
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	Due to significant VAF approval and recruitment delays, the Resilience Officer has only been in post several months whereby the original audit action deadline past. Project status will therefore remain behind schedule until an overarching Resilience Strategy is in place. This strategy will cover both EP and BCP. Nonetheless, a draft has been produced and reviewed by Corporate Manager for Public Health, Regulation and Housing (corporate lead on EP). This draft will be circulated for wider internal review including CMT shortly with an aim to have the revised strategy with CPDG initially in March 2024.

Business Continuity	M	Roles and responsibilities related to Business Continuity (and Emergency Planning)	Agreed - Roles and responsibilities for Business Continuity Management are not clearly set out in the current BC Plan. In managing the current emergency, responsibility has shifted to the Corporate Management Team. The post holder for Governance, Health and Safety and Business Continuity has advised that she has less involvement or visibility of decision being made as she is not a member of that group. Outside of managing the current C19 emergency there is a need for continued focus on other BC risks that may impact the Council, as well as the mitigating action to reduce the likelihood and impact of those risks.	31/12/2022	Due to significant VAF approval and recruitment delays, the Resilience Officer has only been in post several months whereby the original audit action deadline past. Project status will therefore remain behind schedule until an overarching Resilience Strategy is in place. The strategy will cover roles and accountabilities across both EP and BCP within the Council. A draft has been produced and reviewed by Corporate Manager for Public Health, Regulation and Housing (corporate lead on EP). This draft will be circulated for wider internal review including CMT shortly with an aim to have the revised strategy with CPDG initially in March 2024.
Business Continuity	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	Due to significant VAF approval and recruitment delays, the Resilience Officer has only been in post several months whereby the original audit action deadline past. Project status will therefore remain behind schedule until an overarching Resilience Strategy is in place first as a priority area of work which will provide a better framework for all EP and BCP work going forward. Furthermore, this a major piece of work not fully reflected in the original audit deadline in any case. Nonetheless, the resilience officer has identified and conducted an initial review with all BCPs with relevant service owners and is also awaiting an evaluation report following a recent Cyber Security BCP test internally. Lessons from this work will be incorporated into a revised template going forward and the Resilience Officer will work

					with service leads to ensure all BCP plans are updated during 2024.
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.	19/12/2023	Duty holder has been appointed; all staff are trained as fire wardens. New evacuation producer posters are in development, pictograms that show what to do in an emergency - evacuation routes. Once these pictograms are agreed they will be rolled out. Fire evacuations will be planned, and any 'learning' will be addressed.
Council Tax and NNDR	M	Quarterly reports for larger debt	Systems admin will create reports and send them over to Team Leaders quarterly	31/01/2024	This recommendation has been completed. R&B use reports to check arrears when they can. Previous checking proved to all was fine. Reminders are issued and summons. Accounts are checked before they are issued to agents.
Creditors	M	Invoice narrative detail	All purchase orders raised must contain sufficient narrative detail regarding description, specification, price, quantity, and applicable dates, thereby enabling management to outline the cost and requirement, and the supplier to fully understand what the Council requires to be supplied. All purchasing must follow the correct relevant procurement process as laid down in Financial Regulations unless a waiver applies.	31/12/2023	Services have been reminded of these requirements – recommend closure of this recommendation.
Creditors	M	Orders being raised promptly	Orders should be raised at the time goods / works are requested and following delivery / completion of the required goods /works should be promptly receipted.	31/12/2023	Services have been reminded of these requirements – recommend closure of this recommendation.
Emergency Planning	M	Develop an overarching EP and BCP Strategy	Develop an overarching EP and BCP Strategy to confirm and bring together overall MDDC EP and BCP framework, strategic and tactical management arrangements and responsibilities, DEPP and Exeter East and Mid Emergency Responder forum engagement, mutual aid arrangements, training and skills competencies and	31/12/2022	Due to significant VAF approval and recruitment delays, the Resilience Officer has only been in post several months whereby the original audit action deadline past. Project status will therefore remain behind schedule until an overarching Resilience Strategy is in place. Nonetheless, a

			scheduling for all plan reviews (see also 1.1) and test and exercises Draft Strategy for formal adoption by Council		draft has been produced and reviewed by Corporate Manager for Public Health, Regulation and Housing (corporate lead on EP). This draft will be circulated for wider internal review including CMT shortly with an aim to have the revised strategy with CPDG initially in March 2024.
Emergency Planning	M	Failure to fulfil Category 1 responsibilities leading to failure to respond in an emergency	Review and update the MDDC R&R Plan in line with latest DEPP versions by 31 May 2022 Review the LRF and County level risk registers alongside local risks to identify any new local plan requirements by 30 June 2022. New local plans to be developed by 30 June 2023. Review existing local plans and update as required by 30 September 2022	30/09/2022	Due to significant VAF approval and recruitment delays, the Resilience Officer has only been in post several months whereby the original audit action deadline past. Project status will therefore remain behind schedule until an overarching Resilience Strategy is in place which will precede work on reviewing the Emergency Plans in more depth. Nonetheless, a draft strategy has been produced and reviewed by Corporate Manager for Public Health, Regulation and Housing (corporate lead on EP). This draft will be circulated for wider internal review including CMT shortly with an aim to have the revised strategy with CPDG initially in March 2024. The Response Plan review has commenced and will be complete by June 2024 and we are working with DEPP (DCC) on a county-wide review of the Recovery Plan with the overall EP.
Emergency Planning	M	Mapping overall EP framework	See 1.2 - Develop an overarching EP and BCP Strategy to confirm and bring together overall MDDC EP and BCP framework, strategic and tactical management arrangements and responsibilities, DEPP and Exeter East and Mid Emergency Responder forum engagement, mutual aid arrangements, training and skills competencies and scheduling for all plan reviews (see also 1.1)	31/12/2022	Due to significant VAF approval and recruitment delays, the Resilience Officer has only been in post several months whereby the original audit action deadline past. Project status will therefore remain behind schedule until an overarching Resilience Strategy is in place. Nonetheless, a draft has been produced and reviewed by Corporate Manager for

			and test and exercises Draft Strategy for formal adoption by Council		Public Health, Regulation and Housing (corporate lead on EP). This draft will be circulated for wider internal review including CMT shortly with an aim to have the revised strategy with CPDG initially in March 2024.
Emergency Planning	M	Review and update the MDDC R&R Plan and local plans	Review and update the MDDC R&R Plan in line with latest DEPP versions by 31 May 2022 Review the LRF and County level risk registers alongside local risks to identify any new local plan requirements by 30 June 2022. New local plans to be developed by 30 June 2023. Review existing local plans and update as required by 30 September 2022	30/09/2022	Due to significant VAF approval and recruitment delays, the Resilience Officer has only been in post several months whereby the original audit action deadline past. Project status will therefore remain behind schedule until an overarching Resilience Strategy is in place which will precede work on reviewing the Emergency Plans in more depth. Nonetheless, a draft strategy has been produced and reviewed by Corporate Manager for Public Health, Regulation and Housing (corporate lead on EP). This draft will be circulated for wider internal review including CMT shortly with an aim to have the revised strategy with CPDG initially in March 2024. The Response Plan review has commenced and will be complete by June 2024 and we are working with DEPP (DCC) on a county-wide review of the Recovery Plan with the overall EP.
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	Software being developed to allow for employees to share EDI information to allow for comparison. To be communicated to staff in the New Year
Information Governance	M	Information management strategy	Definition to be agreed via IT/IG board moving forward and work also being done in conjunction with ROPA/RACI.	31/01/2024	
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	31/10/2023	Of 43 'live' users on the PS tax system, 8 are yet to complete the training. Therefore, the current completion rate is 81%

			for 90% of managers to have completed their training by end July 23.		
Member Allowances	M	Chair of Homes PDG SRA not showing on the spreadsheet of payments	Cllr Adcock has received his allowance.	31/12/2023	
Member Allowances	M	Monthly part payment of SRA upon commencement of post	Creation of work patterns on the system will allow part month payment of SRA to be made. This part month payment will be made to Councillors in December.	31/12/2023	
Payroll	M	details of calculation of final salary payment	Await response from payroll supplier as to how system calculates part month payments.	31/10/2022	
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
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.
Procurement	M	Procurement Action Plan	Support from the DCC team should be sought (assuming required) as a discreet piece of work in creating the procurement action plan.	31/12/2023	Once the new regulations are brought in (moving away from the EU regulations following Brexit), the Strategy may need to be updated. This will then flow down to an action plan to deliver the strategy.
Recruitment, Selection & Succession Planning	M	Recruitment training	Managers should receive some support / training / refresher on recruitment interviewing.	31/12/2023	Training to be included within in house management training package that is provided

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REFERRAL TO MID DEVON AUDIT COMMITTEE MARCH 2024

This Internal Audit Charter and Strategy is referred to the Committee for approval.

MISSION

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

TERMS OF REFERENCE

This document details the **Internal Audit Charter** and **Internal Audit Strategy** for Mid Devon as required by the Public Sector Internal Audit Standards (PSIAS). The Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the [Devon Audit Partnership \(DAP\)](#), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the PSIAS. The accompanying Audit Strategy is designed to deliver the requirements outlined in the Charter.

DEFINITIONS

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

The PSIAS set out the requirements of a ‘Board’ and of ‘Senior Management’. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council’s Audit Committee and Senior Management is the Council’s Leadership Team. They also refer to the role of “Chief Audit Executive”. For the Council, this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).

INDEX TO SECTIONS OF THE CHARTER AND STRATEGY

Charter

1. Statutory Requirements and Purpose of Internal Audit
2. Professionalism, Ethics and Independence
3. Authority
4. Accountability
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6. Management
7. Internal Audit Plan and Resources
8. Internal Audit Reporting
9. Relationship with the Audit Committee and Non-Conformance to the Charter
10. Quality Assurance and Improvement Programme

Strategy

- Audit Strategy - Purpose
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- Audit Planning & Delivery
- Performance Management & Quality Assurance
- Resources and skills
- Staff Development and use of MKI

CHARTER - STATUTORY REQUIREMENTS AND PURPOSE OF INTERNAL AUDIT

Statutory Requirements

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer responsible for the proper administration of its financial affairs. In The Council, the Director of Resources is the 'Section 151 Officer'. One way in which this duty is discharged is by maintaining an adequate and effective internal audit service.

The Purpose and Aim of Internal Audit

The role of Internal Audit is to understand the key risks of the Council, to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation, and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- Support the Section 151 Officer to discharge their statutory duties
- Contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- Support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- Provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for the Council is provided by Devon Audit Partnership. We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members and service areas of the Council, adding value whenever possible.

CHARTER - PROFESSIONALISM, ETHICS AND INDEPENDENCE

Being Professional

Devon Audit Partnership will adhere to the relevant codes and guidance. We adhere to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to The Council's relevant policies and procedures and the internal audit manual. Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

Our Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by IIA. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body, then he or she must also comply with the relevant requirements of that organisation. The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing.
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others and applies to both individuals and entities that provide internal auditing services. The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

CHARTER - PROFESSIONALISM, ETHICS AND INDEPENDENCE (Continued)

Being Independent

Internal Audit should be independent of the activities that it audits. The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in their own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

The Council should arrange for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent, and must:

- Have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.



CHARTER - AUTHORITY

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that: Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:

(a) make available such documents and records; and

(b) supply such information and explanations; as are considered necessary by those conducting the internal audit.

(3) in this regulation “documents and records” includes information recorded in an electronic form.

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

- The Chief Executive
- Members
- Individual Directors
- Section 151 Officer
- Monitoring Officer
- All authority employees
- All authority premises.

CHARTER - ACCOUNTABILITY

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each full partner. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. DAP operates within a framework that allows:

- Unrestricted access to senior management and members.
- Reporting in its own name.
- Separation from line operations.

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The HoDAP fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity. The Section 151 Officer will liaise with the HoDAP and is therefore responsible for monitoring performance and ensuring independence.

The HoDAP reports functionally to the Audit Committee on items such as:

- Approving the internal audit charter;
- Approving the risk based internal audit plan and resources;
- Receiving reports from the Head of Devon Audit Partnership on the section's performance against the plan and other matters;
- Approving the Head of Devon Audit Partnership's annual report'
- Approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Audit Committee and has opportunity to meet privately with Committee members if required.

CHARTER - RESPONSIBILITIES

The Chief Executive, Directors and other senior officers are responsible for ensuring internal control arrangements are sufficient to address the risks facing their services. The HoDAP will provide assurance to the Section 151 Officer regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The HoDAP will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping them meet their obligations under the Local Government and Housing Act 1989 and the Council's Constitution. The HoDAP will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Internal Audit responsibilities include:

- Examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Reviewing the systems established to ensure compliance with policies, plans, procedures and regulations which could have a significant impact on operations;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- Appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- Working in partnership with other bodies to secure robust internal controls that protect the Council's interests;
- Advising on internal control implications of new systems;
- Providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation; and,
- Reporting significant risk exposures and control issues identified to Audit Committee and to senior management, including fraud risks, governance issues.

CHARTER - MANAGEMENT

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:

- Be appropriately qualified;
- Determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- Regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- Include in the plan the approach to using other sources of assurance if appropriate;
- Be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and
- Monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The HoDAP is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

CHARTER - INTERNAL AUDIT PLAN AND RESOURCES

At least annually, the HoDAP will submit to the Audit Committee a risk-based internal audit plan for review and approval.

The HoDAP will:

- Develop the annual plan through discussions with senior management based on an understanding of the significant risks of the organisation;
- Submit the plan to the Audit Committee for review and agreement;
- Implement the agreed audit plan;
- Maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- Maintain a programme of quality assurance and a culture of continuous improvement;

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of internal audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

A requirement of the Council's Anti-Fraud and Corruption Strategy is that the HoDAP be notified of all suspected or detected fraud, corruption or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will include sufficient resource to undertake proactive anti-fraud work. Internal audit activities will be conducted in accordance with Council strategic objectives and established policies / procedures.

Monitoring of internal audit's processes is carried out on a continuous basis by internal audit management. Council's members and management may rely on the professional expertise of the HoDAP to provide assurance. Periodically, independent review may be carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

CHARTER - INTERNAL AUDIT REPORTING

The primary purpose of Internal Audit reporting is to provide to management an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions. Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be to:

- Give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- Recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report within 30 days, although this period can be extended by agreement.

The response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken, this must also be stated. The HoDAP is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The HoDAP will:

- Submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken;
- Submit an Annual Internal Audit Report to the Audit Committee, incorporating an opinion on the Council's control environment. This will also inform the Annual Governance Statement.

CHARTER - RELATIONSHIP WITH THE AUDIT COMMITTEE, AND NON-CONFORMANCE TO THE CHARTER

The Council's Audit Committee will act as "the Board" as defined in the Public Sector Internal Audit Standards (PSIAS), The Specific Functions of the Audit Committee are set out in the Council's Constitution.

The HoDAP will assist the Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP or suitable representative will:

- Attend meetings, and contribute to the agenda;
- Ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework

Any instances of non-conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Committee.

CHARTER - QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

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

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

The assessment result was that *“Based on the work carried out, it is our overall opinion that DAP generally conforms* with the Standards and the Code of Ethics”*.

The report noted that *“As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion”*.

DAP is actively addressing these improvement areas which includes *“Develop the use of data analytics; rotate staff across clients; consider how to support the development of audit committees; consider a range of cross partner audits and share best practice; review current arrangements for the delivery of IT audit to ensure maximum value; develop the role of Senior Auditors”*.

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

AUDIT STRATEGY - PURPOSE

The PSIAS require the HoDAP to produce an Audit Charter setting out audits purpose, authority and responsibility. We deliver this through our Audit Strategy which:

- Is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- Should be approved, but not directed, by the Audit Committee.
- Will communicate the contribution that Internal Audit makes to the organisation and should include:
 - Internal audit objectives and outcomes;
 - How the HoDAP will form and evidence their opinion on the governance, risk and control framework to support the Annual Governance Statement;
 - How Internal Audit's work will identify and address significant local and national issues and risks;
 - How the service will be provided, and
 - The resources and skills required to deliver the Strategy.

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The Strategy should be kept up to date with the organisation and its changing priorities.

AUDIT STRATEGY - OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK

A key objective of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks will be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings will be held to discuss issues arising and other matters.

The HoDAP will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee. The HoDAP will also provide a written annual report to the Audit Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

The Head of Devon Audit Partnership's annual report to the Audit Committee will:

- Provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- Draw attention to any issues the HoDAP judges particularly relevant to the preparation of the Annual Governance Statement;
- Compare audit work undertaken against the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- Comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

AUDIT STRATEGY - PLANNING & AUDIT DELIVERY

INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS

The audit planning process includes the creation of a live version of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of several factors including: the Council’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

Assignment Planning & Delivery

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

The primary objective of the audit is to provide management with an independent opinion on the risk and control framework through individual audits in the audit plan. Individual audits will be completed using our methodology in our Audit Manual to the standards set by PSIAS, to independently evaluate the effectiveness of internal controls. Our audit assignment report will communicate our opinion and include agreed management action, where required, to improve the effectiveness of risk management, control and governance processes.

AUDIT STRATEGY - PERFORMANCE MANAGEMENT & QUALITY ASSURANCE

The PSIAS state that the HoDAP should have in place an internal performance management and quality assurance framework; this framework must include:

- A comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately.
- Seeking *user feedback* for each individual audit and periodically for the whole service.
- A periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the DAP Committee.
- Internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment).
- An action plan to implement improvements.

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed for each individual audit; and for the Internal Audit Service as a whole. The HoDAP will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see the following pages).

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from: auditees; senior leadership; and executive management. The results from our feedback will be reported to Senior Management and the Audit Committee in the half year and annual reports.

The HoDAP is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.

AUDIT STRATEGY - PERFORMANCE MANAGEMENT & QUALITY ASSURANCE (2)

Performance Indicator	Full year target
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days from final debrief)	90%

Internal Audit
Performance
Monitoring
Targets

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Task	Performance measure
Agreement of Annual audit plan	Agreed by Chief Executive, Leadership Team and Audit Committee prior to start of financial year
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Promptly issued within 15 days of finishing our fieldwork. Report is “accurate” and recommendations are both workable and useful.
Draft report meeting (if required)	This meeting was useful in understanding the audit issues
Annual internal audit report	Prepared promptly and ready for senior management consideration each June. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to Management and Audit Committee.	Presentation / update is clear and concise. Presenter was knowledgeable on the subject are and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Other indicators measured as part of the audit process that may be captured and reported to senior management.

DAP Overall Performance is reported to the DAP Committee three times per year.

AUDIT STRATEGY - RESOURCES AND SKILLS

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Audit Executive (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

DAP currently has c.45 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter), we also operate from offices at Torridge DC (Bideford), Mid Devon DC (Tiverton) and South Hams, West Devon Councils (Totnes). The Partnership employs specialists in areas such as Computer Audit, Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff includes: -

- 2 x Chartered Accountants
- 13 x qualified IIA (CMIIA, PIIA, IIA Cert)
- 3 x qualified computer audit (QICA, CISA, ITIL)
- 2 x risk management (IRM)
- 9 x AAT (qualified and part qualified)
- 4 x ACFS / ACFT (accredited counter fraud specialists)
- 1 x ACFM (accredited counter fraud manager)
- 3 x ILM (Institute of Leadership & Management) level 5 or above
- 10 x Apprentices/Students/Studying (Finance, Data Analyst, IIA, Business Admin)

AUDIT STRATEGY - STAFF DEVELOPMENT AND TRAINING AND USE OF IDEAGEN AUDIT

Staff Skills and Development

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

Internal Audit Software System

Devon Audit Partnership uses Ideagen as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.



devon**audit**partnership

Internal Audit Plan 2024-25

Mid Devon District Council Audit Committee

16 March 2024

Anthony Rose
Head of Audit Partnership

Paul Middlemass
Audit Manager

CUSTOMER
SERVICE
EXCELLENCE



Agenda Item 14.

Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within the Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Leadership Team.

This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at appendix 1, and the scope of Internal Audit work. The PSIAS refer to the role of "Chief Audit Executive". For the Council this role is fulfilled by the Head of Devon Audit Partnership.

The Audit Committee, under its Terms of Reference contained in the Council's Constitution, is required to review, and approve the Internal Audit Plan to provide assurance to support the governance framework (see appendix 2).

The chief audit executive is responsible for developing a risk-based plan which considers the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in appendix 3.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope is discussed and agreed with management with the view to providing management, the Director of Finance (Section 151) and members with assurance on the control framework to manage the risks identified. The plan will remain flexible, and any changes will be agreed formally with management and reported to Audit Committee.

Expectations of the Audit Committee for this annual plan

Audit Committee members are requested to consider:

- the annual governance framework requirements.
- the basis of assessment of the audit work in the proposed plan.
- the resources allocated to meet the plan.
- proposed areas of internal audit coverage in 2024-25.

In review of the above the Audit Committee are requested to approve the proposed audit plan.

Tony Rose
Head of Audit Partnership

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Development of the Plan
Audit Plan Summary
Fraud Prevention and Detection Partnership

Appendices

1 – Detailed Audit Plan
2 – Audit Framework
3 – Annual Governance Framework
4 – Audit Needs Assessment
5 – Audit Delivery Cycle
6 – Sector Risks

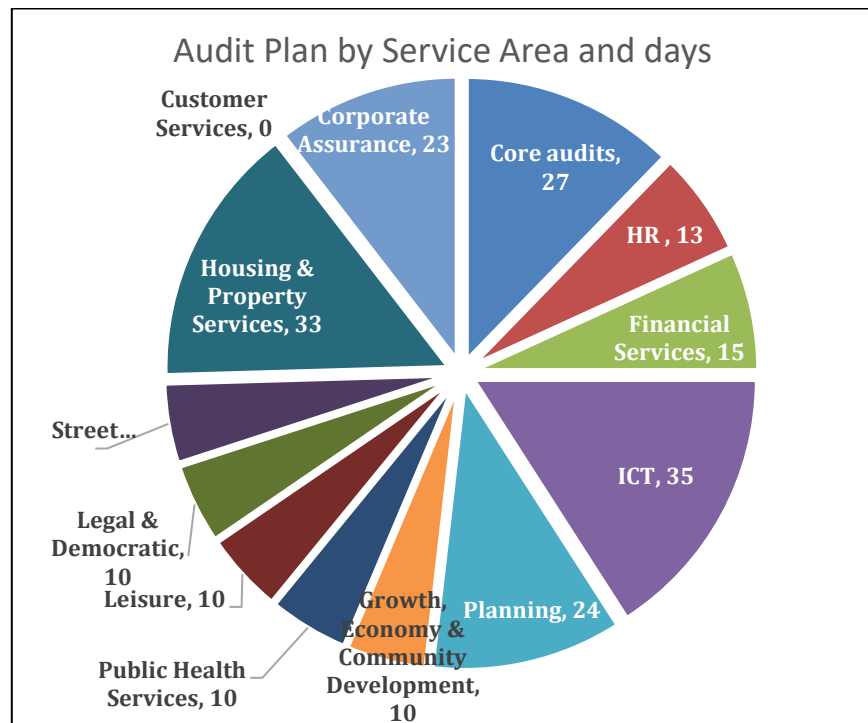
Development of the Plan

This year's audit plan has been developed through discussions with the Councils Leadership Team, and consideration of the Council's risk register and plan. It is also informed by previous audit findings, and our awareness of current themes and risks (see appendix 5). We have maintained a 4-year plan to help identify future resource requirements and ensure good coverage of areas over the period. This is included in the Audit Plan which is attached as Appendix A.

Audit Plan Summary

Audit coverage for the year is for 265 days compared to 312 days agreed for 2023/24. The audit days have been reduced due to a request from management to reduce costs by 10%. We have done this by moving to a two-year cycle for some audits that we previously did annually (i.e., Council Tax and NNDR, Income Management, Debt Recovery etc.) We remain confident that the reduced days allow us to provide a good level of assurance across council areas and enable creation of an annual assurance opinion, although further reduction in days would be a concern.

Our audit plan is grouped into the different management areas shown in the chart, with days per Service area provided in the table below. The full Audit Plan in Appendix A provides further detail on when it was last audited, the assurance opinion and whether there was a related Corporate Risk. As mentioned above, it shows an indicative plan across the four-year period, but the requirement is to agree the 2024/25 plan.



The Audits fall into the following areas:

- **Core audits**, largely related to “key financial systems” that process most of the Council’s income and expenditure and which have a significant impact on the reliability and accuracy of the annual accounts. These include Payroll, Creditors, Main Accounting System, Council Tax, and Housing Benefit.
- **Risk based** audits within the service delivery areas.
- **Corporate assurance that relates to how the council is governed and managed.**

In accordance with the Public Sector Internal Audit Standards, the plan is flexible, to reflect and respond to the changing risks and priorities of the Authority. As a result, it will be regularly reviewed and updated (at a minimum in six months) to ensure it remains valid and appropriate.

Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment. In this way, we ensure that the key risks to the operation or function are considered in each audit.

Audit Management

The area of our plan is classified as “Audit Management”. This is work that ensures effective and efficient services are provided to the Council and the internal audit function continues to meet statutory responsibilities. In some instances, this work will result in a direct output (i.e., an audit report) but in other circumstances the output may simply be advice or guidance. Some of the areas that this may cover include:

- Preparing the internal audit plan and monitoring implementation.
- Preparing and presenting monitoring reports to Leadership and the Audit Committee.
- Assistance with the Annual Governance Statement.
- Liaison with other inspection bodies (e.g., External Audit).
- Corporate Governance - Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue in the coming year.
- On-going development within the Partnership to realise greater efficiencies in the future.

Fraud Prevention and Detection

Counter-fraud arrangements are a recognised risk for the Council and assist in the protection of public funds and accountability. To address this, the authority is encouraged to agree a separate plan of counter fraud work. We are presenting our annual Counter Fraud Assurance report at this committee meeting.

Our Counter Fraud service oversees investigations, instances of suspected fraud and irregularities referred by managers and carry out testing of systems considered most at risk to fraud. Our services liaise with the Council to focus resource on identifying and preventing fraud before it happens. This work is informed by the Fraud Strategy for Local Government “Fighting Fraud Locally”, and the publication “Protecting the English Public Purse”. Additional guidance recently introduced by CIPFA, in their ‘Code of practice on managing the risk of fraud and corruption’, and the Home Office ‘UK Anti-Corruption Plan’, are also relevant.

Partnership working with other auditors

We will continue to work towards the development of effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We will participate in a range of internal audit networks, both locally and nationally, which provide for a beneficial exchange of information and practices. This often improves the effectiveness and efficiency of the audit process, through avoidance of instances of “re-inventing the wheel” in new areas of work which have been covered in other authorities.

The most significant partnership working arrangement that we currently have with other auditors continues to be that with the Council’s external auditors, One West, and Audit Southwest (Internal Audit for NHS).

Appendix 1 - Mid Devon Draft Internal Audit Plan for 2024/25

Audit Area	Last Audited	Suggested Frequency	Days 24/25	Days 25/26	Days 26/27	Days 27/28	CORPORATE RISKS / Comments
CORE ASSURANCE AUDITS							
Council Tax and NNDR	2023/24 (Reasonable)	2 yearly		10		10	CORPORATE RISK: COST OF LIVING CRISIS (16) - also relates to other audit areas.
Income and Cash Collection (incl Debtors, Electronic payments)	2023/24 (Reasonable)	2 yearly		10		10	Compliance review (incl follow up) and consideration of implications of team structure changes (linked to creditors) and data quality.
Debt Recovery	2023/24 (Reasonable)	2 yearly		7		7	Extent to which the corporate recovery teams manages and recovers council debt.
Main Accounting System	2023/24 (TBC)	Annual	7	7	7	7	CORPORATE RISK: FINANCIAL SUSTAINABILITY (16) Compliance review (inc. follow-up) and consideration of implications of staff changes. How MTFP and Business Plans are built in budget setting & monitoring process.
Housing Benefits	2023/24 (Substantial)	2 yearly		10		10	
Creditors	2022/23 (Reasonable)	2 yearly		10		10	Compliance review (inc. follow-up) and consideration of implications of team structure changes (linked to income) and data quality control.
Housing Rents (including rent arrears)	2022/23 (Substantial)	2 yearly	10		10		Compliance Review (inc. follow-up) Progress on systems deployment to cloud based hosting service.
Treasury and Cashflow Management	2022/23 (Substantial)	2 yearly	5		5		Compliance review including Treasury Management Strategy.
Payroll	2023/24 (Reasonable)	2 yearly		7		7	Functioning of Payroll system and correct payment of staff.
Car Parking Income	2022/23 (Substantial)	3 yearly		10			Focus on fault resolution and contract performance management controls.

Trade Waste	2023/24 (Reasonable)	2 yearly		10		10	
Capital Asset Management	2022/23 (Reasonable)	2 yearly	5		5		Core audit on Asset Management.
CORE ASSURANCE AUDITS			27	81	27	71	

RISK BASED AUDITS

Human Resources

			24/25	25/26	26/27	27/28	
Time Recording System / Process	2014/15	As Required					
Sickness and Other Time Off	2021/22 (Substantial)	4 yearly	8				
Skills and Training	2021/22 (NA)	3 yearly		4		3	
Equality and Diversity (internal)	2022/23 (Reasonable)	3 yearly		3			
Recruitment, Selection, Retention	2022/23 (Reasonable)	3 yearly		5			CORPORATE RISK: WORKFORCE SHORTAGE (6)
Staff performance & appraisals	2020/21 (NA)	3 yearly	5			4	
Travel and Subsistence (incl Pool cars)	2023/24 (Reasonable)	3 yearly			5		
Staff survey and action plan	2023/24 (NA)						Provide critical friend support to staff survey
Corporate Health & Safety incl Homeworking/Lone working	2023/24 (Reasonable)	3 yearly			5		CORPORATE RISK: CORPORATE PROPERTY FIRE SAFETY (9)
Off Payroll working - Use of Consultants (Payroll) /IR35	2022/23 (Reasonable)	4 yearly				5	
Human Resources Total			13	12	10	17	

Financial Services & Procurement			24/25	25/26	26/27	27/28	
VAT	2019/20 (Reasonable)	3 yearly		10			
Insurance	2017/18	3 yearly	5			5	
Asset management incl Leasing (Property/Vehicles/Equipment/IT)	2022/23 (Reasonable)	3 yearly			10		Specific management and accounting of assets, assets registers
Procurement	2022/23 (Reasonable)	2 yearly	10		10		Confirm effective transition to the Procurement Act.
Contract Management - Contract Register & Contracts	2023/24 (Reasonable)	2 yearly		10		10	Includes Third Party Risk - Full risk-based review (link to Collaborative and Partner Working audit)
Fin Services, Procurement Total			15	20	20	15	

ICT			24/25	25/26	26/27	27/28	
Internal Communications (Telephones, Zoom etc)	2014/15	As Required	5			5	How staff communicate effectively with each other.
IT and Cyber Security	2023/24 (TBC) 2022/23 (Limited)	Annual	30	30	30	30	CORPORATE RISK: CYBER SECURITY (20) Audit Patch ware and Ransomware in 24/25
New IT Projects / Digitalisation	2021/22 (Reasonable)	As Required					
ICT Total			35	30	30	35	

Planning			24/25	25/26	26/27	27/28	
Building Control (incl income and all other areas)	2023/24 (Limited)	3 yearly	4		8		CORPORATE RISK: BUILDING CONTROL SERVICE VIABILITY (9) In conjunction with NDC. Follow up of Limited Audit opinion of 23/24.
Development Control / Monitoring - (incl S106)	2022/23 (Substantial)	3 yearly		10			

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Listed Buildings and Conservation Areas	2022/23(TBC)	3 yearly		10			
Forward Planning	2013/14	3 yearly	10			10	CORPORATE RISK: QUALITY OF PLANNING COMMITTEE DECISIONS (12)
Planning Projects - e.g., Culm Garden Village	2022/23 (Reasonable)	3 yearly		5			CORPORATE RISKS: CULM GARDEN VILLAGE LOSS OF FUNDING (25) / CULM GARDEN VILLAGE DELAY / IMPACT FROM DELAYS CULLOMPTON TOWN CENTRE RELIEF ROAD (25)
Enforcement	2017/18	3 yearly	10			10	Deferred from 23/24 at management request due to lack of permanent staff.
Planning Total			24	25	8	20	

Growth, Economy & Community Development

			24/25	25/26	26/27	27/28	
Grants, subscriptions & donations	2015/16	4 yearly	5				Very few subscriptions and donations, and only modest grants.
Economic Regeneration	2014/15	4 yearly	5				Days for this are needed related to reopening high streets following the C-19 emergency - reconsider plan later in the year.
Markets	2023/24 (TBC)	4 yearly				5	While high risk, Tiverton Pannier Market is only £70k a year, and changes to current market infrastructure not expected for some time so audit time may not be needed?
Growth, Economy & Community Development Total			10	0	0	5	

Public Health Services

			24/25	25/26	26/27	27/28	
Environmental Health	2022/23 - Water (Limited)		5				Follow up of Limited Assurance opinion
Licensing Services	2020/21		5		5		
Private Sector Housing	2023/24 (TBC)				10		DFG, licensing of multiple occupation properties

Business Continuity	2021/22 (Reasonable)	3 yearly			8		
Emergency Planning	2023/24 (Reasonable)	3 yearly			10		CORPORATE RISK: SEVERE WEATHER EMERGENCY (12)
Public Health Services Total			10	0	33	0	

Leisure (one centre per year)

			24/25	25/26	26/27	27/28	
Exe Valley Leisure Centre (incl income and all other areas)	2023/24 (TBC)	3 yearly			10		
Culm Valley Sports Centre (incl income and all other areas)	2022/23 (Limited)	3 yearly		8			8 days (no Swimming Pool).
Lords Meadow Leisure Centre (incl income and all other areas)	2021/22 (Reasonable)	3 yearly	10			10	
Leisure Total			10	8	10	10	

Legal & Democratic Services

			24/25	25/26	26/27	27/28	
Members Allowances	2023/24 (Reasonable)	3 yearly			5		
Gifts & Hospitality/ Register of Interests	2016/17	3 yearly	5				Adequacy of process and forms to manage risk - new members.
Electoral Registration & Elections	2022/23 (Reasonable)	3 yearly		5			
Local Land Charges	2022/23 (Reasonable)	3 yearly		5			
Legal Services	2021/22	3 yearly	5				Records Management
Legal & Democratic Total			10	10	5	0	

Street Scene			24/25	25/26	26/27	27/28	
Waste & Recycling	2021/22 (Substantial)	2 yearly		10		10	CORPORATE RISK: OPERATION OF WASTE MANAGEMENT SERVICE (8) Significant risk is Govt has announced Councils need to get to 65% of garden waste recycling
Vehicles & Fuel (including inventory & maintenance)	2019/20 (Reasonable)	3 yearly	10			8	
District Officers	2017/18						Days not provided - 4 District Officers and assessed as low risk
Street Cleaning & Public Cleaning	2023/24 (Substantial)	4 yearly				5	
Grounds Maintenance (Parks & Open Spaces)	2022/23 (Reasonable)	3 yearly		10			
Street Scene Total			10	20	0	23	

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Customer Services			24/25	25/26	26/27	27/28	
Customer Care/Complaints / social media	2022/23 (Reasonable)	3 yearly		8			
Community Engagement & Consultation	2023/24 (Reasonable)	3 yearly			8		
Customer Services Total			0	8	8	0	

Housing & Property Services			24/25	25/26	26/27	27/28	
Care Services (Alarm Income)	2022/23 (Reasonable)	2 yearly	10		10		
Repairs and Maintenance	2022/23 (Limited)	2 yearly	6		10		Alternate Housing or Property. 2024/25 - Property Follow up deferred from 23/24 as management response while management changes and new system introduced. 25/26 - Housing
Stores	2021/22 (Reasonable)	2 yearly		8		8	

Health & Safety Management Arrangements - Council Assets incl Estate Inspections	2022/23 (Reasonable)	2 yearly		10		10	Property Services / outward facing
Health & Safety Management Arrangements - Housing Stock	2023/24 TBC)	2 yearly		10		10	
Cemeteries & Bereavement Services	2022/23 (Reasonable)	4 yearly				5	
Voids Management Arrangements (Housing Stock)	2023/24 (TBC)	3 yearly				5	Follow up of work done in 2022/23
Voids Management Arrangements (Business Property Stock)	2023/24 (TBC)	3 yearly				5	
Commercial Rents	2021/22 (Reasonable)	3 yearly	7			7	
Letting of Housing Stock	2023/24 (TBC)	3 yearly				10	CORPORATE RISK: HOUSING CRISIS (12). Letting of property through Devon Home Choice
Housing Options	2023/24 (Reasonable)	3 yearly				10	CORPORATE RISK: HOMES FOR UKRAINE SCHEME (9) Relates to Homelessness and Homes for Ukraine etc.
Service Charges	2021/22 (Reasonable)	3 yearly	10			10	
Housing & Prop Services Total			33	28	55	45	

Corporate Assurance

			24/25	25/26	26/27	27/28	
Governance - incl Ethics and Culture	2021/22 (Reasonable)	2 yearly		5		5	
Equality and Diversity	2022/23 (Reasonable)	3 yearly		5			
Safeguarding	2023/24 (TBC)	2 yearly		5		5	Corporate Safeguarding, Housing Tenant Services and Housing Repairs etc

Corporate Information Management - Information Assets ,Data Protection, FOI	2023/24 (TBC)	2 yearly		5			CORPORATE RISK: INFORMATION SECURITY (8) Staff compliance and management of data sharing agreements
Corporate Plan	2021/22 (Reasonable)	3 yearly	5			5	Establishment of actions, links to business plans and KPIs
Housing Company (3 Rivers)	2023/24 (NA)	As Required					CORPORATE RISK: DELIVERY OF CLOSEDOWN PLAN FOR 3 RIVERS (8) / REPUTATIONAL IMPACT OF 3 RIVERS (8)
Collaborative / Partnership Working with other public organisations	2019/20	As Required	5				The Authority considers this a low-level risk where it mainly has an advisory role.
Performance Management	2023/24 (Reasonable)	3 yearly			8		Functioning of the Performance Management Framework
Risk Management	2022/23 (Reasonable)	2 yearly	5		5		Ongoing review of risk management system
Climate Change objective	2022/23 (Reasonable)	2 yearly	8		8		CORPORATE RISK: FAILURE TO MEET CLIMATE CHANGE COMMITMENTS BY 2030 (15)
Grant Assurance	2023/24 (Not applicable)	As Required					Unless identified as part of plan, days to come out of contingency if possible.
Corporate Assurance			23	20	21	15	

AUDIT MANAGEMENT GOVERNANCE	24/25	25/26	26/27	27/28	
Audit Governance	35	35	35	35	Audit Plan; Recommendations; Annual Report etc
Fraud/Irregularity and prevention	5	5	5	5	Includes Annual Fraud Assurance report
Consultancy/Advice/Contingency/Assurance Map	5	5	5	5	
Other Work Total	45	45	45	45	

SUMMARY
Total Budget Audit Days

Core Systems

Risk Based Audit

Corporate
 Assurance

Corporate
 Governance

Total Audit Work

	24/25	25/26	26/27	27/28
265				
27	81	27	71	
170	161	179	170	
23	20	21	15	
45	45	45	45	
265	307	272	301	

Appendix 2 - Audit Framework

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015 amended 2021, which state:
 “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance”.
 DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

The Standards require that the Chief Audit Executive must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. When completing these plans, the Chief Audit Executive should take account of the organisation’s risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation’s business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.



We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

Appendix 3 - Annual Governance Framework Assurance

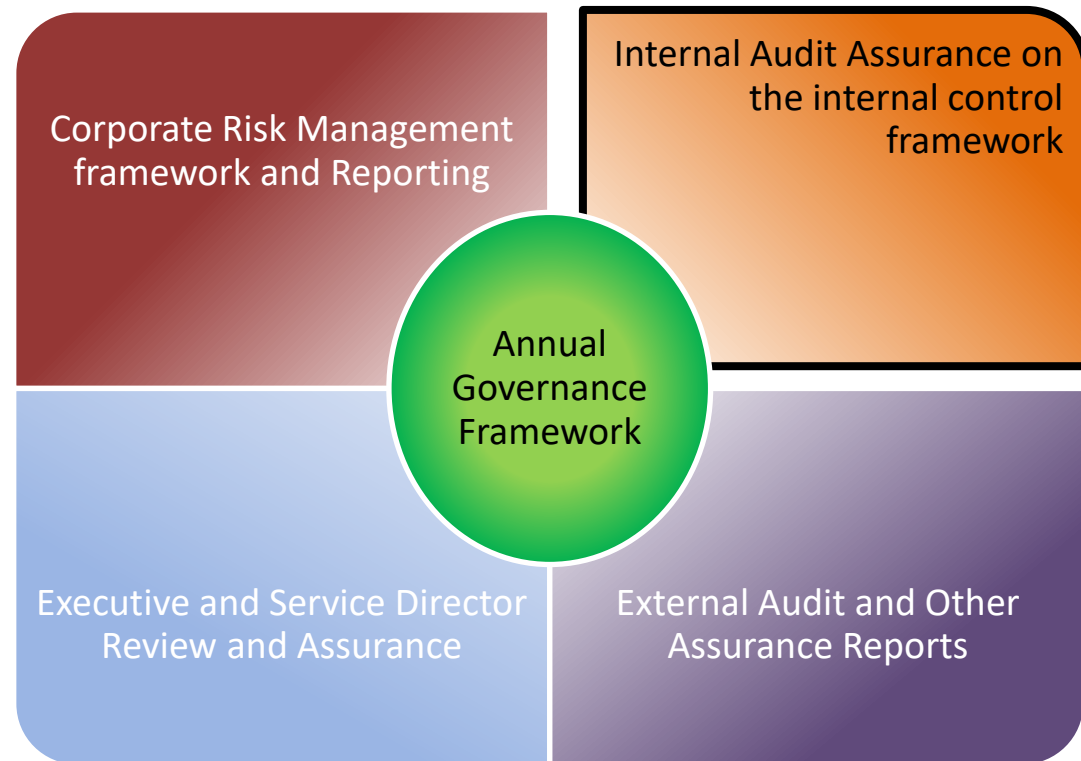
The Annual Governance Statement provides assurance that:

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

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:

- be prepared by senior management and signed by the Chief Executive.
- highlight significant events or developments in year.
- acknowledge the responsibility on management to ensure good governance.
- indicate the level of assurance systems and processes can provide.
- provide a narrative on the process followed to ensure that governance arrangements remain effective. This will include comment upon.
 - The Authority.
 - Governance Committee.
 - Risk Management.
 - Internal Audit
 - Other reviews / assurance
- Provide confirmation that the Authority complies with CIPFA's recently revised International Framework – Good Governance in the Public Sector. If not, a statement is required stating how other arrangements provide the same level of assurance.

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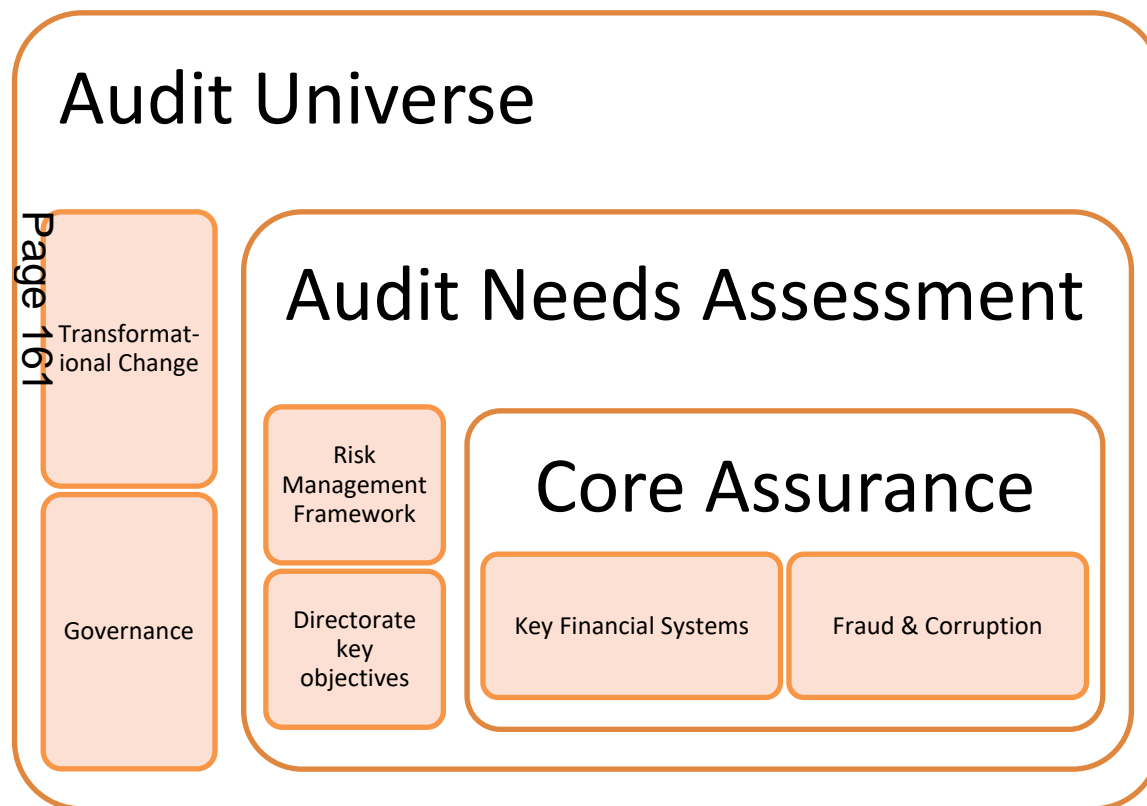
The AGS needs to be presented to, and approved by, the Governance Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Annual Governance process, SLT, Internal Audit, and other assurance providers (e.g., Audit Southwest) that the statement meets statutory requirements.

Appendix 4 - Audit Needs Assessment

Our process to create the audit plan includes discussions with management, review of risk registers, consideration of previous work. We also consider the Audit Universe we maintain for the council. Ultimately, our requirement is to undertake a broad-based audit plan of work that supports provision of an end of year assurance report to support the council's own governance statement.

The result is the Internal Audit Plan set out earlier in this report.



The audit plan for the year plan has been created by:

Consideration of risks identified in the Authority's strategic and operational risk registers

Review and update of the audit universe

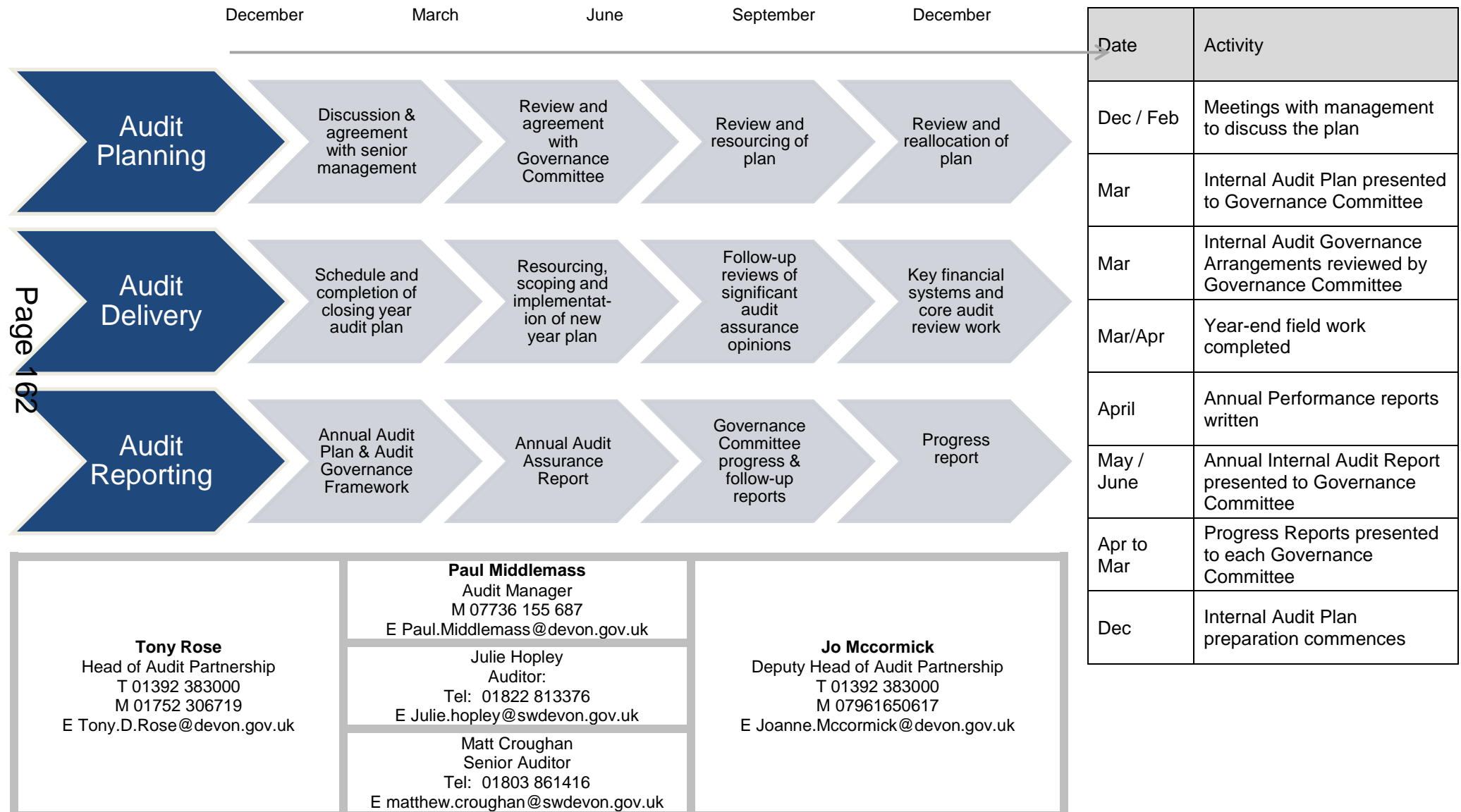
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

Taking into account results of previous internal audit reviews

Taking into account Internal Audit's knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council's delivery plans

Requirements to provide a "collaborative audit" approach with the external auditors

Appendix 5 - Our Audit Team and the Audit Delivery Cycle



Appendix 6 Sector Risk Model (Source Institute of Internal Auditors – Risk in Focus 2024)

Key Risk areas:

Cyber security remains the number one concern for almost everyone.
 Human Capital – staffing has become more important given shortages in professional and other manpower.
 Changes in laws and regulations are also important although a slight reduction since last year.
 Macroeconomic and geographical uncertainty has slightly reduced in importance.
 Climate change has reduced as a key risk area.

What are the top five risks your organisation currently faces?

Business continuity and operational resilience moved up two places this year in response to continuing global turmoil with market changes coming in as a new category.

■ 2024
 ■ 2023



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devon**audit**partnership

Counter Fraud Services

Mid Devon District
Council

Devon Audit Partnership

**Counter Fraud
Resilience and
Assessment Report**

March 2024

CUSTOMER
SERVICE
EXCELLENCE



Support, Assurance and Innovation

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1. Introduction

- 1.1 The following is the [Devon Audit Partnership](#) (DAP) [Counter Fraud Services Team](#) Report and Update 23/24. It outlines the ever-increasing fraud threats affecting all areas of public spending and the responses expected from Mid-Devon District Council. Our aim is to support Mid-Devon District Council in its continued efforts to ensure that appropriate processes are in place. This includes good governance processes, acknowledging the threats posed by fraud, preventing and pursuing those who would look to commit fraud and providing assurance that the Council, the public and the wider public purse are being protected from fraud wherever possible.
- 1.2 The Counter Fraud Services Team within Devon Audit Partnership (DAP) continues to support and facilitate the development of the Council's Counter Fraud processes and capability, which improves its resilience to fraud and related offences.

2. Fraud response / resilience assessment.

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) reports that local authorities have achieved success by taking a structured response to fraud and that they now need to respond to an ever-increasing fraud threat, and further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and focused on the key changes that will make the most difference.
- 2.2 A local authority is self-regulating in respect of counter fraud. It should aim to show that it undertakes realistic self-assessment and has identified and understands the major risks it faces. It should acknowledge the problems and put in place plans which can demonstrate that it is taking action with visible outcomes. It should aim to create a transparent process and report the results to the corporate management team and those charged with governance. The table in Appendix 1 shows the expected response from a local authority, and our assessment of Mid-Devon's arrangements against expectations. It is clear that the Council complies in almost all areas of Counter Fraud best practice. However further work in Joining up the 'Fraud Risk Management' process and Counter Fraud knowledge between DAP and MDDC will add further value to the Counter Fraud Activity.

3 National Fraud Initiative

- 3.1 The [National Fraud Initiative](#) (NFI) is an exercise run and reported on by the [Cabinet Office](#); matches electronic data within and between public and private sector bodies to prevent and detect fraud and error.
- 3.2 The Biannual National Exercise is mandatory and the last exercise 22/23 is approaching completion, with the Council confirming that the process is ongoing and that hundreds of checks and reviews have already been completed.
- 3.3 As always there are resource issues which impact on how much of the report can be completed in the time available, however the Counter Fraud Lead within the Council remains committed to the process.
- 3.4 The next National Exercise 24/25 will commence in September 24.
- 3.5 Departments that complete the returned matches show that they are actively involved reducing fraud risk as well making sure that wherever possible their data management is compliant with the Data Protection Act 2018 by ensuring -

- **Data minimisation** by ensuring that MDDC only holds data that is required.

- **Accuracy** by ensuring that the data held is as accurate as it can reasonably be expected to be.
- **Data retention periods**, showing that data is not being held longer than is necessary for its intended use.

3.6 In the Chartered Institute of [Public Finance and Accountancy \(CIPFA\) survey in 2019](#), the most common types of fraud faced by all Councils in England and Wales were identified as per the graphic below, it remains imperative that the Council continues to maximise counter fraud activity in these areas to ensure the minimisation of any loss to fraud.



4 Information for Committee

4.1 Local Authorities are far from immune to fraud and its related offences. It is also clear that fraud activity is and has been increasing for some time. Local Authority defences must keep pace with developments or face increasing losses at a time when every penny counts. Every pound saved fighting fraud is a pound that can go back into front line services. Below are some of the most recent reports into the scale of fraud faced by the country and the respective views of those who produce them.

4.2 **HM Government** has initiated an [Independent Review of Disclosure and Fraud Offences](#), as it is felt “*There has not been an independent review of fraud since 1986. Since that time, the nature and scale of fraud has evolved considerably, now constituting over 40% of all offences in England and Wales. As the proportion of online-enable fraud has increased, so have the challenges facing investigators and prosecutors.*

One significant challenge is the already large and continually increasing volume of digital material that fraud and other complex crime cases generate. As a result, significant time and resource is required to undertake an investigation and bring a prosecution to court.

The Review will explore barriers to the investigation, pursuit, and prosecution of fraud offences in England, Wales and Northern Ireland. The Review will evaluate the nature of current penalties contained within the act and explore the role of civil powers to tackle fraud.”

4.3 **CIFAS** recently published their [FRAUDSCAPE 2023](#). “*This report combines data from their National Fraud Database (NFD) and Internal Fraud Database (IFD), along with intelligence provided by Cifas members, partners and law enforcement. In 2022, their members prevented more than £1.3bn of fraud losses through the use of the NFD but they know they can help prevent and detect even more fraud and financial crime by developing a better understanding of key threats and enablers – which is the main purpose of this report.*

Over 409,000 cases recorded on the NFD in 2022 – the highest level ever recorded. 68% of cases concerned identity fraud, demonstrating the challenge organisations face in verifying customers through digital channels.”

4.4 **HM Government** is creating a new criminal offence of '[Failure to Prevent Fraud](#)', meant to hold organisations to account if they profit from fraud committed by their employees. This will improve fraud prevention and protect victims. DAP and counter fraud professionals across the country are seeking further clarification around what this means for Councils, the Fighting Fraud and Corruption Locally Regional Group are meeting regularly to assess the impact. (The Government is obliged to issue guidance prior to the legislation coming into force). As more details are known we will update the Committee accordingly.

5 Conclusion

5.1 Mid-Devon District Councils Counter Fraud resilience continues to improve, moving towards an ever-stronger assurance position. The benchmarking against best practice exercise is encouraging and supports the opinion that the Council is committed to reducing fraud losses to the minimum level possible. However constant vigilance and flexibility are required to ensure that wherever possible every pound of the public purse is protected and spent on those in genuine need of the Councils services.

5.2 We are grateful to the Corporate Manager: Revenues, Benefits, Corporate Recovery, Planning (DM), Corporate Fraud, Welfare & Leisure, and all those In the Council who have and continue to work hard to prevent and detect fraud and protect the public purse. The following work is commended.

“Positive action has been taken by MDDC who I believe remain the first in Devon to;

- Fully review Single Person Discounts – using external partners to data match records.
- Fully Review Small Business Rates Relief - using external partners to data match records.
- Undertake checks for NFI matches with Electoral Roll.”

give a commitment to other reliefs/discount reviews within the financial year 2024/25”

5.3 Whilst much good work is being done to counter the threat posed by those who would defraud the Council, there is always more to do. It is clear from all reports that fraud activity continues to increase in all sectors of society and that the threats posed are more varied and ever changing.

5.4 Recent, current, ongoing issues and reviews into fraud activity across the UK indicate that HM Government is becoming ever more involved in counter fraud activity and that it is encouraging cross sector intelligence sharing and a more robust approach to countering these threats. We would therefore encourage the Council to continue to support initiatives that reduce the risk of fraud going forwards.



Ken Johnson
Counter Fraud Services Manager

Tony Rose
Head of Devon Audit Partnership



Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, North Devon, Mid-Devon, South Hams and West Devon councils and Devon and Somerset Fire and Rescue Authority. We aim to be recognised as a high-quality assurance service provider in the public sector.

We work with our partners by providing a professional assurance services that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.

Confidentiality and Disclosure Clause - This report is protectively marked in accordance with the Government Security Classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

(Fighting Fraud and Corruption Locally 2020)



PROTECTING ITSELF AND ITS RESIDENTS
 Recognising the harm that fraud can cause in the community.
 Protecting itself and its' residents from fraud.

Appendix 1

Counter Fraud resilience and Best Practice Checklist

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Mid-Devon current position and action
<p>1. The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.</p>	<p>The Authority annually prepares a Fraud and Corruption risk register. This identifies the risks and the controls in place to address these risks.</p> <p>This is considered by the Senior Management Team.</p> <p>The Corporate Risk Register, which incorporates the risk for fraud, is taken to the Audit & Governance Committee.</p>
<p>2. The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community</p>	<p>The fraud risks to the Authority are assessed at least annually and are updated as and when new risks arise.</p> <p>In terms of horizon scanning, internal audit (DAP) provide updates on emerging fraud risks and the Devon Audit Group also helps to inform officers of locally developing issues.</p> <p>A local network of key contacts also helps to identify trends and developments.</p> <p>It is recommended that a more granular Fraud Risk Register is implemented at service level to ensure a greater understanding and awareness is achieved so that the Council can be reassured that the appropriate resources and checks are in place to support the Councils stated zero tolerance to fraud.</p>
<p>3. There is an annual report to the audit committee, or equivalent detailed assessment.</p>	<p>It is proposed that each year a report is taken to the Audit & Governance Committee, reporting the results of a self-assessment against the relevant updated and current requirements in line with Managing the Risk of Fraud and corruption. This being the second.</p>
<p>4. The relevant portfolio holder has been briefed on the fraud risks and mitigation</p>	<p>The Chair of the Audit & Governance Committee will be briefed on fraud risks and the mitigations thereof.</p>
<p>5. The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources.</p>	<p>The Audit & Governance Committee supports all officers in their work to prevent, detect and investigate fraud and corruption.</p> <p>Officers from partner organisations (e.g. Devon Audit Partnership) will be used to provide specialist skills and additional resources as and when required.</p>
<p>6. There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.</p>	<p>The Authority has in place an Anti-Fraud, Bribery and Corruption Policy, as well as an accompanying Anti-Fraud, Bribery and Corruption Strategy and Response Plan. The Policy and the Strategy and Response Plan have approved by, the Audit & Governance Committee and were last updated in January 2023.</p> <p>As per the recommendations in last year's report the Policy was updated by an 'Accredited Counter Fraud Specialist' and an appropriate Strategy and Response Plan were created and linked to the Policy during its review.</p>
<p>7. The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>	<p>Section 7 of the Policy sets out various policy statements that cover staff, members, partner organisations and members of the public, which ensure probity and propriety are in place.</p>

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Mid-Devon current position and action
	<p>However, no system or process can ever be 100% secure, and so employee diligence is always needed, and this referred to in section 4 "Prevent".</p> <p>The Council includes anti-bribery clauses in contracts with third parties and agents.</p>
<p>8. The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.</p>	<p>A specific fraud and corruption risk entry is recorded in the risk register.</p> <p>(Recommendation - See 2.)</p>
<p>9. Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments, and this is reported upon to committee.</p>	<p>The Authority does not have a dedicated "counter fraud" team and so this role is undertaken by a range of officers, including the Service Improvement Officer and Internal Audit (DAP).</p> <p>New policies and strategies are always considered in the light of possible fraud and corruption and are designed to limit such exposure.</p> <p>Access to the Counter Fraud Services Manager and Accredited Counter Fraud Specialist investigators at DAP continues to strengthen this position.</p>
<p>10. Successful cases of proven fraud/corruption are routinely publicised to raise awareness.</p>	<p>Successful cases of proven fraud / corruption would be reported in the local paper.</p> <p>The Strategy and Response Plan also states that it commits to "Use publicity from successful Prosecutions to deter others who could potentially commit similar offences in the future."</p>
<p>11. The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.</p>	<p>All systems are designed to prevent fraud occurring. The diligence of management and staff is also key in this.</p> <p>The annual Internal Audit plan is prepared taking in to account risks, which include fraud risks. Internal audit will provide assessment on the effectiveness of controls, and test controls to ensure that they are being complied with in practice.</p> <p>The Audit and Governance Committee is provided reports on risk, and the results of Internal Audit, and this, combined with management assessment of controls, is summarised in the Annual Governance Statement.</p>
<p>12. The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:</p>	
<p>– codes of conduct including behaviour for counter fraud, anti-bribery and corruption</p>	<p>The Council has a Code of Conduct for Councillors and Co-Opted Members which was updated in Oct 2021, this document does not include counter fraud, anti-bribery and corruption.</p>
<p>– register of interests</p>	<p>The Councils Code of Conduct for Councillors and Co-Opted Members does cover the registration and recording of interests.(Section 1.3 onwards)</p> <p>This information is published on the Councils website.</p>
<p>– register of gifts and hospitality.</p>	<p>The Councils Code of Conduct for Councillors and Co-Opted Members does cover the registration of gifts and hospitality. (Section 7)</p> <p>All gifts and hospitality over the value of £50 must be registered with the Councils Monitoring Officer.</p>

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Mid-Devon current position and action
<p>13. The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially dishonest employees from being appointed.</p>	<p>MDDC internet pages have the following - Recruitment process, which covers the employee vetting and pre-employment checks undertaken. All offers of employment are subject to satisfactory completion for these checks.</p> <p>Mandatory checks include: -</p> <ul style="list-style-type: none"> • References • Verification of employment history Verification of professional qualifications and memberships • Verification of ID, nationality and immigration status and right to work in the UK • Medical clearance <p>Some posts require additional checks including</p> <ul style="list-style-type: none"> • DBS • Credit checks <p>Checks on company directorships held, resigned, or disqualified from (not routinely undertaken)</p>
<p>14. Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality, and business. This is checked by auditors and reported to committee.</p>	<p>At the start of each meeting a declaration of interests is requested. See also 12 above.</p>
<p>15. There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.</p>	<p>As previously stated, the Council now also has access to an Accredited Counter Fraud Manager and Accredited Counter Fraud Specialists at DAP, which can be utilised as and when required.</p> <p>This report is designed to assist the organisation further improve its resilience.</p> <p>The National Fraud Initiative exercise run by the Cabinet Office biannually, supports this work and other data driven initiatives such as the Single Person Discount Review recently undertaken shows that the Council is committed to improving fraud resilience and a counter fraud culture.</p>
<p>16. There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.</p>	<p>A separate whistleblowing policy is in place and was updated February 2022.</p> <p>This includes the Policy, employee guide and Manager's guide. All such alerts and reports will be monitored for intelligence purposes.</p> <p>It is noted that the contacts at 6.3 within the Policy require update due to staffing changes.</p>
<p>17. Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.</p>	<p>At present the whistleblowing policy applies to all Council workers, including elected and co-opted Members, employees, staff of Council contractors, suppliers of goods and services and agency staff.</p>
<p>18. Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.</p>	<p>Since the transfer of benefits counter fraud staff to Department for Work and Pensions (DWP), fraud resources have been limited.</p>

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Mid-Devon current position and action
	However, the internal audit provider (DAP) provides specialist cover in this area. DAP has fully trained and qualified fraud investigators. The Authority will look to “call off” resources as and when the need arises.
<p>19. There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority’s business and includes activities undertaken by contractors and third parties or voluntary sector activities.</p>	<p>There is no annual fraud plan as such.</p> <p>However, there are a range of “work programmes” that are prepared each year, including actions arising for the Annual Governance Review process, Risk Management and Internal Audit.</p> <p>The elements of each of these various plans enables senior management to be assured that suitable resources are being allocated to prevent, detect and investigate fraud.</p> <p>However, it should be noted that the current level of referrals of fraud and corruption are limited.</p>
<p>20. Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.</p>	<p>The S151 officer, will maintain a record of referrals.</p> <p>However, and as referred to above, there is no separate fraud team.</p>
<p>21. Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.</p>	<p>As stated above there are no dedicated “fraud officers” within the Council.</p> <p>However, in such instances then lawful access would be granted. For example, if DAP were asked to investigate using their Counter Fraud Team, then “full access” would be granted as per the service level agreement already in place and in accordance with Schedule 2 Part 1 2(1) of the Data Protection Act 2018</p>
<p>22. There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council’s communication team.</p>	<p>As per the Strategy and Response Plan, (see 6 above) cases will be publicised in the local newspaper and via the internal newsletter and the Members bulletin.</p>
<p>23. All allegations of fraud and corruption are risk assessed.</p>	<p>Each referral or suspicion will be “risk assessed” before embarking upon a course of action proportionate to the issue and in line with Mid-Devon’s “zero tolerance” policy.</p>
<p>24. The fraud and corruption response plan covers all areas of counter fraud work:</p> <ul style="list-style-type: none"> • Prevention • Detection • Investigation • Sanctions • Redress 	<p>The updated Anti-Fraud, Bribery and Corruption Policy along with the accompanying Strategy and Response Plan (see 6) cover all of these points and more.</p>
<p>25. The fraud response plan is linked to the audit plan and is communicated to senior management and members.</p>	<p>There is now a Strategy Response Plan for fraud. The Counter Fraud Manager and the Audit Manager at DAP ensure that the plans are created, linked and communicated to senior management and members as required.</p>
<p>26. Asset recovery and civil recovery is considered in all cases.</p>	<p>The Council is committed to protecting the public purse and as such would always consider recovery of money and assets where it is applicable and cost effective to do so.</p>

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Mid-Devon current position and action
27. There is a zero-tolerance approach to fraud and corruption which is always reported to committee.	There is a stated “zero tolerance” approach to fraud. Instances of proven fraud and corruption will be reported to the Audit & Governance Committee via this annualised report. No such instances have arisen in the past year.
28. There is a programme of proactive counter fraud work which covers risks identified in assessment.	Proactive counter fraud work is delivered in a variety of ways each year. Some examples of how this is achieved include: - <ul style="list-style-type: none"> • Participation in the bi-annual National Fraud Initiative (NFI) • Elements of internal audit work focused on controls that may be more susceptible to fraud risk • Work by Service Managers – such as Council Tax Single Persons Discount review
29. The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	There is no “fraud team” as such, however early referral to the Police or other agencies will be considered as part of the risk assessment for each referral. Where any referral is made to DAP it is appropriate that they will inform other relevant agencies such as the Department for Work and Pensions (DWP) as and if required.
30. The local authority shares data across its own departments and between other enforcement agencies.	The main external data sharing is via the National Fraud Initiative (NFI). Where appropriate lawful sharing of data will be permitted in accordance with Schedule 2 Part 1 2(1) of the Data Protection Act 2018. Other initiatives will be undertaken as and when it is considered expedient and the where the Council feels it is appropriate to do so.
31. Prevention measures and projects are undertaken using data analytics where possible.	Such examples include making good use of <ul style="list-style-type: none"> • the NFI • Council Tax - Single persons discount review • Data analysis utilised by Internal Auditors
32. The local authority actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising from it.	Data is submitted every two years, with “matches” then investigated in accordance with the scoring of the match (e.g. higher scored matches reviewed first, lowest reviewed last and in accordance with resources available). The Council is active in this area, however resources are limited to enable a full review of all matches in all areas.
33. There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.	As mentioned earlier, the Authority does not have an in-house counter fraud team. However, the Authority has access to, and will make use of, Counter Fraud Specialists as and when the need arises.
34. The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.	The Counter Fraud Team at DAP are fully trained and accredited Counter Fraud Specialists and have dealt with and investigated hundreds of cases for Councils in the region.
35. The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for: <ul style="list-style-type: none"> • Surveillance 	The Counter Fraud Team and wider Devon Audit Partnership Team have access to specialist staff that can fully and professionally fulfil the legal requirements under all of the disciplines in this

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	Mid-Devon current position and action
<ul style="list-style-type: none"> • Computer forensics • Asset recovery • Financial investigations. 	<p>section. (Should the Council wish to buy in these skills as and when required)</p>
<p>36. Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.</p>	<p>The Authority is committed to ongoing and continual improvement. Any weaknesses identified will be addressed wherever possible, although it should be noted that no system can ever be considered 100% free from the risk of fraud.</p>
<p>37. Counter Fraud Training is available for all staff and members to ensure that they are up to date with relevant threats and are able to identify and report fraud appropriately. Fraud awareness is specifically important for those involved in the Procurement process as highlighted in Review into the risks of fraud and corruption in local government procurement</p>	<p>There is no formal training in place at this time however Fraud Awareness training has been taken up utilising Counter Fraud professionals at DAP. It continues to be recommended that fraud awareness sessions are arranged for those in the highest risk positions in the Council. The Authority will look to “call off” resources as and when the need arises.</p>
<p>38. The Local Government Transparency Code Identifies what information must be published annually (para 53) and what is suggested (para 68)</p>	<p>It does not appear that this information is currently published. As per 19 above, current referral levels are limited.</p>

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External Audit Plan
Mid Devon District Council

For the year ended 31 March 2024



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1. Required communications with the Audit Committee.

Welcome

The purpose of this report is to give you an overview of the nature and scope of our audit work and bring to your attention the key aspects of the audit. The document also ensures that there is good communication between us, as auditors, and you.

If you have any queries regarding the plan, including the arrangements noted below, then please do not hesitate to contact us.

This Audit Plan has been prepared for the sole use of the management and those charged with governance of the Council. Except where required by law or regulation, this report should not be made available to any other parties without our prior written consent. No responsibilities are accepted by Bishop Fleming towards any party acting or refraining from action as a result of this plan.

We are issuing our 2023/24 External Audit Plan now, as it is our intention to issue your Audit Plan as close to the year-end to which it relates, to ensure that there is timely discussion of the key areas of focus. We are aware that your 2022/23 external audit has not yet completed, so there may be some further changes to our approach, depending on the outcomes from that process. We will communicate any changes with you, as our audit progresses.

Craig Sullivan – Key Audit Partner

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1. General Audit Information

1.1. Engagement objectives and scope

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Throughout the audit we will also ensure that, in line with the latest Auditing Standards, we communicate on a regular basis with those charged with governance.

We are also required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The respective responsibilities of the audited body and the auditor are summarised in The Code. They are also set out in the PSAA Statement of Responsibilities of auditors and audited bodies issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your external auditor.

At the time of writing this Plan, there are a number of consultations ongoing. A Joint statement explaining the package of measures and how the various elements are intended to interact has been published on the Department for Levelling Up, Housing and Communities website. The outcomes of these consultations may impact on our audit plan and we will discuss any changes to our proposed work and timetable with management and the Audit Committee as events become clearer.

1.2. Audit reports

Financial statements

On completion of our audit work on the financial statements, we will issue our Audit Completion Report to the Audit Committee, which will set out our findings.

In our Auditor's Report we will report on the basis under which the financial statements have been prepared and whether they give a true and fair view. The audit report will also:

- report on whether other information presented with the audited financial statements (for example, the Narrative Report and Annual Governance Statement) is materially consistent with the financial statements or our knowledge obtained in the audit; and
- conclude on the appropriateness of management's use of the going concern basis of accounting.

The form and content of our Auditor's Report may need to be amended in light of our audit findings.

We are required to report to you by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

Where no matters are identified, this will also be confirmed.

Value for Money arrangements

On the completion of our work on whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we will issue our Auditor's Annual Report to the Audit Committee. This will provide a commentary on the Council's arrangements under the three specified criteria. The report will also set out whether any significant weaknesses were identified and any relevant recommendations.

1.3. Audit materiality

In planning and performing our audit work we will consider whether the financial statements are free from 'material misstatement'.

Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. In general, misstatements, including omissions, are considered to be material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the size and the nature of the misstatement, or a combination of both. It is also affected by our perception of the financial information needs of users of the financial statements. Thus, different materiality levels may be appropriate when considering different aspects of the financial statements.

If there are any areas of specific concern in which you would like us to pay particular attention to then we will be pleased to discuss this with you, and whether our audit approach can be readily adapted to accommodate such a level in that area, or whether it will be more appropriate for a special exercise to be carried out on the area.

Our basis of materiality has been set as follows:

	Basis of materiality
Mid Devon District Council	2% of gross expenditure This equates to £1.12m (based on the unaudited 2022/23 statement of accounts)

Whilst the level of materiality is applied to the financial statements as a whole, we must also address the risk that any identified unadjusted audit differences are material when considered in aggregate. To reduce the risk of this being the case, we apply a lower level of materiality which we utilise within our work, known as Performance Materiality. This is set at a lower level than overall materiality and is determined by our assessment of the element of audit risk that pertains to the internal control environment of the Council.

1.4. Risk assessment and significant risks

Financial statements

When planning our audit work, we will seek to minimise the risk of material misstatements occurring in the financial statements. To do this, we consider both the risk inherent in the financial statements themselves and the control environment in which the Council operates. We then use this assessment to develop an effective approach to the audit.

This risk assessment directs our testing towards the balances and transactions at the greatest risk of material misstatement so as to minimise the risk of undetected material misstatements. However, we do not test every group of transactions or balances but carry out sample testing of balances and transactions.

Therefore, there is an inherent and unavoidable risk that some material misstatements may not be detected and therefore audit procedures should not be relied upon to detect all material misstatements, fraud, irregularities or instances of non-compliance.

Based on our knowledge of the Council, we have identified the following as significant risk areas to be addressed during the audit. We understand that CIPFA LASAAC will be consulting on temporary changes to the Code of Practice on Local Authority Accounting to reduce burdens on those who prepare and audit local body accounts. These proposed changes include extending overrides on infrastructure assets, simplifying the professional revaluation of operational property, and reducing disclosure requirements around net pension assets and liabilities for at least 2 years. This may affect the significant risks we have currently identified and the approach we have proposed to address these risks:

Risk	Audit Approach
Management override of controls (required under the ISAs)	<p>We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed. To address this risk, we will:</p> <ul style="list-style-type: none"> • Review the reasonableness of accounting estimates and critical judgements made by management; • Test material journals processed at the year-end; and • Test other journals with key risk attributes. <p>In testing journals, we will use data analytics tools to interrogate the whole population of journals posted in the year and focus on those with key risk factors.</p>

Risk	Audit Approach
<p>Fraud in revenue recognition (required under the ISAs)</p>	<p>There is also a rebuttable presumption under auditing standards that revenue may be misstated due to improper recognition of revenue. This presumption may be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud in revenue.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams of the Council, we have concluded that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; and • The culture and ethical framework of local authorities, including Mid Devon District Council, mean that all forms of fraud are seen as unacceptable.
<p>Fraud in expenditure recognition</p>	<p>Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom sets out that the risk of fraud related to expenditure is also relevant. We therefore need to consider whether we 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 do not consider this to be a significant risk for Mid Devon District Council because:</p> <ul style="list-style-type: none"> • Expenditure is well controlled, and the Council has a strong control environment; and • The Council has clear and transparent reporting of its financial plans and financial position.
<p>Valuation of land and buildings and Council Dwellings</p>	<p>There is a risk over the valuation of these assets due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements. To address this risk, we will:</p> <ul style="list-style-type: none"> • Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; • Review the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert; • Write to the valuer to confirm the basis on which the valuation was carried out; • Confirm that the basis of valuation for assets valued in year is appropriate based on their usage; • Review the appropriateness of assumptions used in the valuation of land and buildings. For assets not formally revalued in the year we will assess how management has satisfied itself that these assets are not materially different from the current value at the year-end; • Review accuracy and completeness of information provided to the valuer, such as floor areas; • Test a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; and • Form our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.

Risk	Audit Approach
Valuation of the pension fund net liability	<p>There is a risk over the valuation of the pension fund net liability due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions. To address this risk, we will:</p> <ul style="list-style-type: none"> • Document our understanding of the processes and controls put in place by management, and evaluate the design of the controls; • Review the instructions provided to the actuary and the actuary's skills and expertise, in order to determine if we can rely on the management expert; • Consider the accuracy and completeness of the information provided to the actuary; • Ensure that the disclosures in the financial statements in respect of the pension fund liability are consistent with the actuarial report from the actuary; • Carry out procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtain assurances from the auditor of Devon Pension Fund in respect of the controls around 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.

We will report back to you as part of our completion audit work, on the outcome of our work addressing these areas.

Value for money arrangements

As part of our planning work, we have also considered whether there are any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we need to perform further procedures on.

Our planning work has identified the following risks of significant weakness:

- Governance – your predecessor auditor identified a significant weakness in arrangements in relation to the conduct of the debate around the business plan for 3 Rivers Development Limited and the subsequent impact on setting the 2023/24 budget; and
- Improving economy, efficiency and effectiveness – your predecessor auditor identified a significant weakness in arrangements for managing 3 Rivers Development Limited.

We will consider the actions taken by the Council in relation to these issues as part of our value for money work.

We will keep our risk assessment under continual review and any changes will be communicated to those charged with governance.

1.5. Control environment

Through our audit planning procedures, we will continue to develop our understanding of the control environment in which the Council operates.

At the time of issuing our Audit Plan we have concluded that the control environment in which the Council operates is effective and we will tailor our audit approach accordingly.

Although we consider that the Council operates effective and formalised controls, we will not incorporate controls-based testing into our audit approach. Therefore, our work will focus on substantive procedures.

1.6. Adjusted and unadjusted items

Of the potential audit adjustments that we identify during our audit work, some may require adjustment. The decision to make an adjustment to the financial statements is one that the Council will need to make.

At the conclusion of the audit, we shall provide you with a schedule of potential adjustments that we identified during our audit work.

We will require you to confirm that you have considered the items and whether you have decided to adjust them in the financial statements; this will be included in the letter of representation.

We shall also provide you with a schedule, detailing those items that we identified during our audit work, which have not been adjusted for in the financial statements. This summary will not include errors that are 'clearly trivial', defined by us as those errors which individually account for no more than 5% of our materiality level.

We will require you to confirm that you have duly considered these unadjusted errors and that you have decided not to adjust for them in the financial statements; this will also be included in the letter of representation.

1.7. Fraud

While the Council has the ultimate responsibility for the prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit, including making enquiries of management and those charged with governance.

1.8. Prior year recommendations

We will follow up on the progress made by the Council in addressing the recommendations made by the Council's previous auditor in respect of deficiencies reported in their ISA260 Audit Report.

2. The Audit Team

Responsible individual: Email:	Craig Sullivan csullivan@bishopfleming.co.uk
Manager: Email:	Mark Bartlett mbartlett@bishopfleming.co.uk
Senior Email	Alex Soul asoul@bishopfleming.co.uk

3. Timetable

A full audit timetable has been included below:

Mid Devon District Council YEAR END: 31 March 2024	
Date	Requirement
29 February 2024	<ul style="list-style-type: none"> • Audit Transition workshop between Bishop Fleming and management. • Meetings with management • Meetings with Chair of Audit Committee
Feb – April 2024	Planning procedures and interim audit work undertaken, examining systems and controls in place, and completion of early substantive testing.
w/c 1 July 2024	Audit fieldwork to be undertaken, completing work on significant risk areas and other material balances.
August 2024	Audit completion meeting with year-end draft Audit Completion Report
TBC	Audit Committee
TBC	Accounts to be approved.

4. Audit Fees

Mid Devon District Council, in line with most other local government bodies, opted into the national scheme run by Public Sector Audit Appointments (PSAA) for the appointment of its external auditor for the five-year period with effect from 2023/24. PSAA set the scale fee for the audit of Mid Devon District Council under the contract. The audit scale fee set by PSAA for the Council and our proposed variations are set out below:

PSAA scale fee 2023/24	£148,667
Proposed fee variations:	
ISA 315	£TBC
Group audit procedures	£TBC

The scale fees set by PSAA:

- are based on the expectation that complete and materially accurate financial statements, with supporting working papers, will be available within agreed timeframes (as set out in [PSAA’s Statement of Responsibilities document](#)); and
- reflect as far as possible the predecessor auditor’s previous assessment of audit risk and complexity.

Where work was substantially more or less than envisaged by the scale fee, we will propose that the fees should be varied. PSAA determine the outcome of any fee variations. The proposed fee variations set out above reflect issues that were not reflected in the scale fee when it was set by PSAA.

As the individual responsible for the project management of the audit, Mark Bartlett will monitor the position in relation to any issues that could potentially give rise to a fee variation and discuss them with the s.151 officer at the earliest opportunity.

There are no non-audit fees proposed at the planning stage.

ISA 315

The proposed fee variation in relation to ISA 315 is in respect of a significant change to auditing standards that applied for the first time for your audit for the year ended 31 March 2023. Due to the timing of the tender process, the impact of this has not been built into the audit scale fees.

In summary the main changes were as follows:

- The introduction of five new inherent risk factors to aid in risk assessment; subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud.
- The introduction of a new spectrum of risk, at the higher end of which lie significant risks.
- The requirement for "sufficient, appropriate" evidence to be obtained from risk assessment procedures as the basis for the risk assessment.
- The introduction of more requirements in relation to gaining an understanding of the entity's IT environment, including requirements to identify and assess risks of material misstatement arising from the use of IT related to the IT applications and other aspects of the entity's IT environment.

5. Ethical Issues

In order to comply with professional and ethical standards we are required to communicate to you all significant facts and matters that, in our professional judgement, may affect the firm's independence. This is for reference only, and unless you wish to make any comments, there is no need to respond.

5.1. Threats & safeguards

The standards require us to consider the perceived potential threats to our objectivity and independence in carrying out the audit. We are not providing any other audit related or non-audit related services. We have not identified any threats to the firm's independence.

5.2. Overall assessment

We can confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. 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.

5.3. Maintaining objectivity & independence

As a firm we have policies and procedures in place to monitor auditor objectivity and independence on a regular basis. If any additional threats are identified, we will of course advise you immediately.

We also perform an annual review of completed audit engagements for quality control purposes.

If you would like to discuss any of the above, please contact us.

Appendices

1. Required communications with the Audit Committee

Under the auditing standards, there are certain communications that we must provide to the Audit Committee as those charged with governance. These include:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Plan
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of those charged with governance to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report Discussions at audit committees
Significant matters arising during the audit in connection with the entity's related parties.	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters significant to the oversight of the financial reporting process or otherwise identified during the audit that we believe will be relevant to the Committee when fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations	Audit Completion Report Discussions at audit committees
Significant matters in relation to going concern.	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity.	Audit Completion Report
Confirmation of independence and objectivity of the firm and engagement team members.	Audit Plan Audit Completion Report



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Report of the Chairman of the Audit Committee for 2023 / 2024

The Audit Committee helps the authority to fulfil its responsibilities for accountability to the local community and meet the expectations of partners, regulators, and other stakeholders. As the primary point of contact for the authority's auditors, it provides a forum to review audit conclusions and recommendations.

During bi-monthly meetings it is the duty of the committee to consider reports from both internal and external auditors on a wide range of subjects related to the financial resilience and operations of the council with specific consideration of Governance and Risk Management.

Following local council elections in May 2023 a change of governing party resulted in multiple changes to the membership of the committee.

At an early stage the committee considered the first external audit report on the 3Rivers Project, a subject considered by the previous committee who had considered and advised against the risk of the proposed business plan. The first report received by this committee had found that whilst there were significant losses incurred by the council, the owners of the project, governance was acceptable and there was no evidence of fraud.

During the course of the year Grant Thornton, our external auditors appointed by the Public Sector Audit Appointments Scheme, have stood down and the role taken over by the officers of Bishop Fleming.

On behalf of the committee and Council I would like to express our thanks to Grant Thornton for their advice and guidance. I look forward to an equally productive relationship with staff of Bishop Fleming.

I would like to thank the committee for their diligence in representing the Council, stakeholders and other organisations with whom we connect. I would like to express my special thanks to the committee Vice Chair, Councillor Lloyd Wright, for assuming the chair whilst I was incapacitated due to minor eye surgery and covid.

In conclusion, on behalf of the committee, I thank the officers of the council who through often difficult pressing meetings demanding their tolerance they have given controlled consideration of difficult questions concerning complicated historical matters. Some of these have been due to enforced delays in completion and have resulted in the external auditors not being able to complete their submissions. This will be a matter that will in the near future allow the committee to complete this year's considerations.

Cllr Lance Kennedy
Chairman of the Audit Committee

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